
QUARTERLY MANAGEMENT REPORT

AS OF 30 JUNE 2017

in compliance with art. 100o, par. 4 of POSA and art. 33, par. 1 of Ordinance 2 on the prospectuses for public offering of securities and admission for trading on regulated securities market and for disclosure of information by the public companies and other issuers of securities

I. IMPORTANT DEVELOPMENTS DURING THE 1ST HALF OF 2017

1. Core Activity

1.1 Revenue

Speedy Jsc. has remained entirely focused on the development of its main activity – courier services. Important aim continue to be 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. Speedy Jsc. contracted the franchise right of DPD network for Greece. In the 1st quarter of 2017 the activity affectively started with offering of DPD Classic from Greece to Europe. The company offers international deliveries to / from Europe through DPD network, while deliveries within Greece are executed by the local partner.

On consolidated basis, the company works actively towards an accelerated expansion in Romania through investing in increasing the processing capacity of the network and completing the new transporting scheme, including establishing a new logistic hubs. The international deliveries of the Romanian subsidiary is traditionally strong segment but the expansion of the network and the scope of services offered increase the share of local parcels.

During the last two years the office network has expanded considerably and is close to our targeted size. This year continues the gradual broadening of the network and optimizing the locations. Since the middle of last year, the company has been building a chain of automatic post stations (APS). Currently, active are 40 locations and growing. The net of APSs is an element of our new post service – “Speedy Post”, that gives clients the opportunity to send parcels in 4 sized up to 20 kg between offices at very attractive prices.

Revenue structure, non-consolidated

In BGN ‘000	H1 16	H1 17	Change	Q2 16	Q2 17	Change
Domestic market	38 055	42 580	11.9%	20 021	22 252	11.1%
<i>% of the total revenues</i>	80.80%	83.18%		81.7%	84.2%	
International market	6 044	6 602	9.2%	2 867	3 172	10.6%
<i>% of the total revenues</i>	12.80%	12.90%		11.7%	12.0%	
Others	2 138	2 009	-6.0%	1 066	995	-6.7%
<i>% of the total revenues</i>	6.40%	3.92%		6.6%	3.8%	
Number of parcels delivered	7 493	8 729	16.5%	3 855	4 396	14.0%
Total revenues	46 237	51 191	10.7%	23 954	26 419	10.3%

The high competitiveness and the favorable market environment allow Speedy JSC to continue to score growth pace and for the first half of 2017 the courier services are up 11.5% yoy. There is a slow down in revenue increase compared to 2016 when the pace were above average for the last years, but this year and especially in the 2nd quarter the focus was on optimization of the processes and improvement of margins.

In absolute value, the largest contributor to incremental revenues is the core segment, packages in the local market and business clients. In the course of the year there was a slow down in the development

of international deliveries, but our product Speedy Balkan continues to attract growing interest and confirms our expectations for a long term potential. Traditionally, pallets has realized above average growth and recovered after temporary drop at the end of previous year after introducing more stringent control on price calculations.

“Other revenues” are related with the main activity of the company and are of recurring nature. Currently, the courier’s activity is almost entirely outsourced to subcontractors, part of them use vehicles that owned by Speedy Jsc and the rental income reached BGN 1.4m since beginning of the year. The overall decrease is entirely due to BGN 300k less recognized financing income while rental income and supplementary services grew.

Revenue Structure, consolidated

In BGN ‘000	H1 16	H1 17	Change	Q2 16	Q2 17	Change
Domestic market	38 055	42 580	11.9%	20 021	22 252	11.1%
<i>% of the total revenues</i>	55.7%	55.2%		56.3%	57.1%	
International market	25 628	31 007	21.0%	13 012	15 055	15.7%
<i>% of the total revenues</i>	37.5%	40.2%		36.6%	38.6%	
Others	3 724	3 594	-3.5%	1 949	1 694	-13.1%
<i>% of the total revenues</i>	6.8%	4.7%		7.0%	4.3%	
Number of parcels delivered	11 511	13 297	15.5%	6 434	6 651	3.4%
Total revenues	67 407	77 181	14.5%	34 982	39 001	11.5%

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

The consolidated sale increase was 17% and reflects the higher pace of growth in Romania and Geopost Bulgaria and the two companies added BGN 5m to the sales in the 1st half of 2017 as much as the parent company alone. DPD Romania slowed down its expansion especially in the Q2 2017 when the company raised the prices of its services. The latter improved the margins.

1.2 Expenses

In 2016 the company has worked intensively on capacity expansion and building the network for the new services. Capacity increase and the new services surpass the increase in number of deliveries and until the utilization is improved, their efficiency lags behind the one of the other activities. It resulted in lower operating profit in Bulgaria as well as in Romania, where this process has started since acquisition. During the last months have been undertaken a number of actions aiming at recovery of margins and profitability.

Cost Structure, non-consolidated

In BGN '000	H1 16	H1 17	Change	Q2 16	Q2 17	Change
Costs of materials	2 906	2 901	-0.2%	1 395	1 411	1.1%
Costs of external services	23 662	27 209	15.0%	12 563	13 895	10.6%
Compensation costs	10 041	11 950	19.0%	5 234	5 999	14.6%
Other operating costs	789	1 132	43.5%	356	372	4.5%
Depreciation	4 487	3 944	-12.1%	2 313	2 002	-13.4%
EBITDA	8 839	7 999	-9.5%	4 406	4 742	7.6%
Net profit for the period	3 874	3 514	-9.3%	2 015	2 369	17.6%

During the period end of 2015 and 2016 were increased the capacity of the logistic centers. It brought higher expenses for rents and appointment of additional staff and respectively, higher compensation costs. In the Q1 2017 we raised the average wages in the logistic centers to align its level with market one. In order to motivate the subcontractors, in mid 2016 their remuneration also were increased. Opening a new haul lines, where Speedy JSC sees potentials, still have not reached level of effectiveness. It led to higher payments to subcontractors compared to sales growth.

Higher expenditures squeezed EBITDA and Net Income on annual basis with 9,5% and 9.3%, respectively. With the completion of the current stage of expansion and restructuring of the operations the focus were moved to toward their optimisations and improvement and stricter control over the costs. In Q2 2017 the costs increase in line with sales and only compensation costs outpace the average. The procedure for classification of the orders types and related pricing were thoroughly defined and enforced. As a result, the revenues in Q2 17 increased with 6,6% QoQ while the costs stayed flat – for the same period the cost were up only 0,75%. The positive trend returned and in Q2 17 EBITDA grew 7,6% on annual base and 45,6% compared to Q1 17. EBITDA margin recovered and from 13% in Q1 17 reached 18% in Q2 1, near Q2 16 levels. The growth in Net Income is even more considerable. With a small financial expenses, the latter is a result of change in depreciation terms that were extended to reflect more precisely the useful life of assets.

Cost Structure, consolidated

On a consolidated basis the results include the operations in Romania and Geopost Bulgaria (Speedy Ltd has no activity). The sizable extension of logistic network of DPD Romania also is associated with considerable increase of expenses on annual basis. The biggest contributor to higher costs are rents, utilities and compensation costs. In the first half of 2017 DPD Romania invested in staff training that is of key importance for better results in future.

In BGN '000	H1 16	H1 17	Change	Q2 16	Q2 17	Change
Costs of materials	3 397	3 395	-0.1%	1 680	1 652	-1.7%
Costs of external services	40 406	47 484	17.5%	21 170	23 531	11.2%
Compensation costs	12 824	15 192	18.5%	6 696	7 658	14.4%
Other operating costs	1 129	2 005	77.6%	565	810	43.4%
Depreciation	5 526	5 226	-5.4%	2 808	2 644	-5.8%
EBITDA	9 651	9 105	-5.7%	4 871	5 350	9.8%
Net profit for the period	2 866	2 989	4.3%	1 303	2 134	63.8%

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Like on non-consolidated basis, half-year EBITDA is down 5,7% due to high expenses in the 1st quarter. In Q2 alone, EBITDA is up almost 10% on annual basis and 42,5% compared to Q1 17. The consolidated sales added BGN 1m compared to previous quarter while the consolidated expenses squeezed with BGN 744k (partially due to exchange rate differences). Daughter companies showed better improvement in profitability compared to parent company, it is where the shrink in operating costs come from. The increased prices of services of DPD Romania also contributed for improved profitability.

On consolidated bases the total amount invested were in amount of BGN 7,6m. Since the beginning of the year Speedy JSC has limited its investments largely to replacement and increase of transportation fleet (BGN 3,36m) and equipment BGN 406k. More intensive were investments of DPD Romania. The logistic centers were furnished with machines and other equipment for BGN BGN 1,9m. From BGN 1m investments in electronic equipment, $\frac{3}{4}$ also were channelled to Romania.

2. Corporate events

On 23.06.2017 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. “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.

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

The company has not traded with its own shares.

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

No changes in the last quarter.

INSIDER INFORMATION 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

As of 30.06.2017. – 3 500 367 shares, representing 65.6 % of the voting shares.

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

5.2. Geopost SA

As of 30.06.2017, 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 30.06.2017:

	Acquired during the period	Sold during the period	Number of shares held directly	# of shares held through related parties	Total directly and indirectly	Share in the capital held directly and indirectly
Valery Mektupchiyan	0	0	0	3 500 367	3 500 367	65,6%
Danail Danailov	0	0	360	0	360	0.01%

Danail Danailov and Avak Terzian had rights to subscribe 1800 shares each from the capital increase under art. 112, para 3 of LPOS.

The capital increase is registered in Commercial Register on 03.07.2017

The members of the Board of Directors have no other special rights to acquire shares in the company.

7. Information about pending legal, administrative or arbitration proceedings, concerning obligations or receivables in amount of at least 10 percent of the equity of the issuer; if the total value of the obligations or receivables of the issuer in all instigated proceedings exceeds 10 percent of its equity, there shall be provided information separately about each of the proceedings

There are no legal or other proceedings with considerable value.

8. Information about the loans granted by the issuer or by any of its subsidiary, extended warranties or assuming of obligations, total to one person or any of its subsidiaries or including related parties, specifying the nature of the relationship between the issuer and the party, the amount of the outstanding principal, the interest rate, the maturity, the amount of the assumed obligation, conditions and term.

As of 03.07.2017 there are the following loans and guarantees extended

Name, in thousand BGN	Amount	Interest rate	Maturity	Purpose
DPD SA, Romania	8 736	4.5%	15.12.2020	Investment
TOTAL LOANS	8 736			

The loan is not collateralized.

9. Information about related parties' transactions.

During the period, there are no related parties' transactions with substantial amount and/or such that have substantially affected the financial standing or the results of the company during the reporting period. There are no related parties' transactions, which go beyond the regular business operations or considerably deviate from the market conditions.

All transactions between related parties are disclosed in the Appendix to the Financial Statement.

INFORMATION under Appendix 9 from regulation 2 of FSC

- 1. Information about change of persons exercising control over the company.**
No change.
- 2. Information about opened insolvency proceedings against the company or its subsidiary and all stages regarding to above mentioned proceedings.**
No opened insolvency procedures.
- 3. Information about significant deals. The decision for signing, terminating and breaking a contract for joined ventures.**
Not applicable.
- 4. Change of the company's auditor and reasons for it.**
No change of the auditing company.
- 5. Information about pending legal, administrative or arbitration proceedings, concerning obligations or receivables of the company or its subsidiary in amount of at least 10 percent of the company's equity.**
There are no legal or other proceedings with significant value.
- 6. Purchase, sale or pledge of shares in other companies by the issuer or by any of its subsidiary.**
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.

Krasimir Tahchiev
Investor Relations Director

Valery Mektupchiyan
Executive Director