

QUARTERLY MANAGEMENT REPORT

AS OF 30 JUNE 2020

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 2020

1. Core Activity

During the current year Speedy AD has continued to implement its long term strategy to affirm and expand its positions in the B2B segment while simultaneously actively evolve online and individual clients segments through development of the office network and introduction of attractive services and building capacity for supplying convenient and quality service to clients.

The favorable market environment until beginning of March allowed to sustain high revenue growth during the period. Sharp change was caused by virus epidemic and imposed state of emergency. The lockdown, imposed in mid-March, limited the movement of population and closed large range of businesses and continues for two months. Large number of enterprises introduced partially or entirely work-from-home policy. The volume, working manner and social activities changed completely as well as the operating conditions of Speedy AD,

Important challenge in front of the company were to sustain its regular course of business while protecting the health of its employees and clients. We instantly adopted strict rules for hygiene and prevention of spreading infections and code of conduct reflecting the new conditions as well as close monitoring for following the rule and imposing sanction in case of violation. All employees were equipped with personal protection gears – masks, helmets, gloves, disinfectants. The measures proved to be very successful –that allowed for maintaining the regular course of business in the new complex environment without interruption of logistic lines.

The existing restrictive measures on one hand, resulted in a sharp decline of economic dynamic and on other hand, brought sizable increase in online orders. Constrained business activity temporarily shrunk revenues from B2B segment. This decline was largely set off after activity recovered end of the quarter and increased deliveries between business units in some industries as a result of widely accepted distant work. On other hand, large portion of consumption redirected to online shops that push up revenues from B2C segment and individual clients. The trend was most profound during lock-down period as well as at the end of the reporting period when higher infections number moved purchases to online orders. Our subsidiaries Rapido and DPD Romania, which traditionally have had strong presence in servicing online trade, helped the Group to face sharp change in market environment well positioned.

There is also a noticeable change in the clients' preferences regarding the point of delivery. While in the last years deliveries to/from office steadily were increasing, the last months showed growing number of requests for home deliveries at the expense of offices. Speedy AD manage the best network, capacity and software applications for deliveries to address that gave us a competitive edge in meeting the change in consumer demands.

Initial disturbances in delivery chains in international lines, that caused some delays and interruptions were largely overcome. Interrupted transportation lines lasted only a few days and without effects on our activities. International deliveries continued to grow above average on major markets – Bulgaria and Romania. Our service Speedy Balkan and deliveries to other SEE countries still are our best performing segments. Speedy AD established partnership with Greece leading carrier company, ACS, which replaced our existing partner Speedex. That gave us access to larger base of potential clients and along with expanding clients base and improving service quality in Romania give a solid base for continuing rapid development of our regional service.

We constantly work for providing various attractive services to our clients while simultaneously trying to structure them in a way that allows clients to easily navigate through our service mix and their pricing. It is particularly attractive for individual clients that Speedy AD actively targeting. A dominant focus is on the quality of carrying out our services and currently clients has an option to

send to us quickly and easily a feedback for each delivery they receive. It helps us to identify and respond accordingly in a timely manner for raised issues.

After sizable investments made in 2019, in H1 2020 the intensity of the investment is more moderate amounting to BGN 7.37m on individual basis, almost entirely invested in vehicles (BGN 5.1m) and limited amount in electronic equipment and software (BGN 0.8m).

On consolidated basis investments reached BGN 12.7m with investments made in the subsidiaries are in software and logistic – leased premises added BGN 1.4m to and another BGN 3.5m in business inventory, improvement in rented assets and other equipment.

1.1 Revenues

Non-consolidated results

The consumers' preferences toward online purchases sharply accelerated, hence the demand for courier services for making deliveries notably increased. Thus, Speedy AD manage to maintain its growth pace in line with last year of 20.5%, despite lower business activity and revenue from courier services reached BGN 80m.

International deliveries continue to outpace the local market sales adding 43% as a result of exceptionally good performance of regional service Speedy Balkan.

Revenue structure, non-consolidated

In BGN '000	H1 19	H1 20	Change
Local market	55 857	64 982	16.3%
<i>% of total</i>	80.8%	78.9%	
International markets	10 451	14 934	42.9%
<i>% of total</i>	15.1%	18.1%	
Other	2 806	2 425	-13.6%
<i>% of total</i>	4.1%	2.9%	
Number of parcels delivered	13 074	17 113	30.9%
Total revenues	69 114	82 341	19.1%

The number of parcels delivered hit near 17 mln that is 31% more than the same period of the last year. The higher growth in number of parcels is explained by increasing weight of individual clients and B2C segment.

Other operating revenues are also related with Speedy AD's core activity and are of recurring nature and consist primarily of renting out vehicle (BGN 2m for the period). Income from sale of amortized vehicles are also recurring and during the period stayed in line with the level of the last year because of the lower replacement rate.

Consolidated results

Consolidated sales have comparable pattern with higher growth rate due to faster increase of revenue of DPD Romania. Consolidated sales from courier services added 21% on annual basis reaching BGN 123m

Revenue structure, consolidated

In BGN '000	H1 19	H1 20	Change
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Local market		55 857	64 620	15.7%
	<i>% of total</i>	52.1%	50.6%	
International markets		46 045	58 643	27.4%
	<i>% of total</i>	43.0%	45.9%	
Other		5 255	4 522	-13.9%
	<i>% of total</i>	4.9%	3.5%	
Number of parcels delivered		18 399	23 729	29.0%
Total revenues		107 157	127 785	19.3%

The main contributor for decent results is the online commerce, where our subsidiaries Rapido and DPD Romania, which traditionally have had strong presence. With a growing weight are individual clients, which already account for considerable share of revenues.

International deliveries continue to outpace the local market sales with 27.4% growth as a result of exceptionally good performance of regional service Speedy Balkan that increased more than 50%.

The number of parcels delivered reached 23.7 mln that is 29% more than the same period of the last year. The higher growth in number of parcels is explained by increasing weight of individual clients and B2C segment.

Other operating revenues are also related with Speedy AD's core activity and are of recurring nature and consist primarily of renting out vehicle (BGN 2m for the period). Income from sale of amortized vehicles are also recurring and during the period stayed in line with the level of the last year because of the lower replacement rate.

1.2 Expenses

Non-consolidated results

The largest share in the cost structure hold subcontractors and payroll that are largely correlated with the number of parcels processed, therefore their increase is in line with parcels growth. Respectively, compensation costs were 29% higher as a result of, both higher payroll and increased remunerations. The latter followed improved productivity as large portion of remuneration is linked with the number of parcels processed. Subcontractors costs growth lags behind with 17% increase, a positive effect on improved productivity and economies of scale in some regions resulting from higher orders flow as well as more activities carried out internally.

In cash on delivery there is a growing share of clients paying with credit/debit cards that corresponds with additional bank charges. Higher share of deliveries involving cash-on-delivery also relates with additional bank charges. The new service "Smart control" and attached program for urging clients to provide a feedback through a SMS vastly increased the messages turnover and related communication costs.

Confined movement of employees brought down the expenditure for fuel and vehicle maintenance. The required measures for personal protection and prevention of virus spreading required considerable outlays for PPE, disinfectants, outfits and other consumables amounting to over BGN 570k

Costs structure, non-consolidated

In BGN '000	H1 19	H1 20	Change
Cost of materials	3 454	3 715	7.6%

Cost of hired services	34 506	40 055	16.1%
Remuneration	15 453	19 912	28.9%
Other operating expenses	722	1 391	92.7%
Depreciation and amortization	6 488	7 116	9.7%
EBITDA	14 979	17 268	15.3%
Net profit	7 254	12 007	65.5%

All the remaining expenses varied narrowly. Altogether, operating expenses grew slightly faster than sales, as a result EBITDA grew 15%. The net income jumped 65.5% due to additional dividend received from DPD Romania, BGN 3.5m. A year ago there were no dividend received. Adjusted for the dividend, the net profit would have increased 17.4% and profitability stayed near last year levels of 10.3%

Consolidated results

The consolidated financials include operations carried out by DPD Romania, Rapido express and logistics, Geopost Bulgaria and OMG (Speedy OOD is not active).

The largest share in the cost structure hold subcontractors and payroll that are largely correlated with the number of parcels processed, therefore their increase is in line with parcels growth. Compensation costs grew slower than sales because of slower increase in DPD Romania following better utilization of already available capacity. The latter followed improved productivity as large portion of remuneration is linked with the number of parcels processed. Subcontractors costs growth lags behind with 17.6% increase, a positive effect on improved productivity and economies of scale in some regions resulting from higher orders flow.

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Confined movement of employees brought down the expenditure for fuel and vehicle maintenance. The required measures for personal protection and prevention of virus spreading required considerable outlays for PPE, disinfectants, outfits and other consumables

Costs structure, consolidated

In BGN '000	H1 19	H1 20	Change
Cost of materials	4 460	4 856	8.9%
Cost of hired services	59 464	67 106	12.9%
Remuneration	22 698	27 274	20.2%
Other operating expenses	1 863	2 640	41.7%
Depreciation and amortization	9 304	10 792	16.0%
EBITDA	18 672	25 909	38.8%
Net profit	7 421	12 219	64.7%

All the remaining expenses are lower or stay largely flat. The extraordinary expenses related to operation in an epidemic are balanced by lower external services used and materials, that bring EBITDA growth above sales increase, 39%. Improved efficiency flows down pushing net profit

up 65% despite growing depreciation and amortization and interest expenses stemming from “right-of-use assets”.

2. Corporate events

On 22.06.2019 Speedy AD hold its regular general meeting of shareholders. It was voted for dividend distribution in amount of BGN 10 755 238 or BGN 2 per share and approved a maximum amount of variable remuneration of the members of the Board of directors that could receive from the company.

II. Main risks faced by the Company.

Speedy AD endeavours to keep a low risk profile by maintaining low levels of financial and operating leverage and high level of operating efficiency, by applying strict rules and procedures for management of activities and by strictly controlling their compliance, by diversifying its customers and suppliers.

Macroeconomic risk

Speedy AD operates in the whole country services companies in various sectors of the economy. Accordingly, our business activity of the Company depends heavily on the overall economic growth, the general condition of business environment, and particularly the customer trust, and respectively, end consumption. A possible shrinking of the economy and consumption would put pressure on profit margins, and a possible strong and continuous setback of business activity could result in negative trends in sales. The Company is trying to minimize that risk by maintaining high levels of financial autonomy and by investing continuously in efficiency improvement, which enable it to operate at a significantly higher profitability compared to its competitors. Even though there has been a slight delay compared to 2018, the economies of the main markets on which the Company operates register stable growth which are expected to become positive and in the current year, both the main markets, Bulgaria and Romania, and the other Central and Eastern European countries are among the fastest growing on the continent, while Greece marked a significant recovery.

Regulatory risk

The regulatory risk is related to the adoption of regulatory changes that could involve additional expenses or restrictions of the Company's activities. Currently, no implementation of any requirements that could either burden or involve additional expenses related to company activities is expected.

Over the last few years there has been an effect of the strict regulations related to personal data protection, the measures against money laundering, the trade in excise goods and taxation on e-shops, which necessitated changes in the activity of courier companies. Even through the regulations are related to some, though significant, additional expenses, these regulations do not impact the market position of the Company companies, as far as they refer to all market participants and do not effectively limit activities.

Interest rate risk

Speedy AD's interest payables have both fixed and floating interest rates. Accordingly, any general increase of interest rates would produce a negative effect on the Company. The strongly expansive money policy of leading central banks lowered the base interest rates. The policy of the European Central Bank is to maintain interest rates that stimulate economic development, therefore short-term and medium-term negative changes are not likely to occur.

Credit risk

Almost 80% of the income is generated by customers served on contractual basis, and the service is accordingly paid not at the time it is delivered but rather on a monthly basis. If economic situation worsens, the amount of overdue receivables may rise significantly. The Company has implemented a detailed and strict system of monitoring all due sums and the deadlines of payments, including an action plan in case of past dues.

Cash is kept in a way to minimize the risk. The servicing banks of the Company have the highest rating in the country.

Price risk

The price risk is linked to the general inflation rate in the country and the level of competition. Over the last few years, inflation in Bulgaria has been limited and despite the slight increase in 2019 remained around 3%. This fact in combination with the high level of competition puts service prices under pressure. Speedy AD is maintaining its competitiveness and aims to improve its price formation processes and control thereon, which allows us to improve profitability despite the price pressure.

The risk regarding the price level of supplies is related mainly with the price of the labour, which is the most significant factor in the cost structure. The low unemployment resulted in limited availability of qualified workers and respectively, a pressure for raise of compensations to attract new and retain existing employees. Substantial costs are also for fuel. The risk over the financial performance is limited, since the change in the price of oil is reflected in the fuel tax that is subject to monthly update and is payable by the clients. The highest weight has cost for subcontractors but they are also related with the costs of labour and fuel.

Currency risk

The Company's currency exposures originate in relation to the deliveries made from and to foreign countries, which form 15% of the Company's revenue. Most of the currency transactions are in EUR, due to which the overall effect of foreign exchange translation is negligible. If BGN/EUR exchange rate remains fixed as it is now, we do not expect that fluctuations in the exchange rates of BGN and EUR could have any significant impact on the financial result of the company in medium-term. With the acquisition of DPD Romania S.A. the number of transactions in RON increased and accordingly the exposure to currency risk will rise. The operations in RON occupy just a small segment of the total income structure and cannot cause any significant influence on the final result.

Liquidity risk

Liquidity risk is when the Company is unable to pay its maturing liabilities. The amount of the Company's current liabilities is considerable and is related to payments of leasing contracts, investment loans and suppliers.

To manage its liquidity, the Company plans to negotiate payments in accordance with estimated future cash flows. In addition, cash reserves and free overdraft funds are maintained to serve as buffering in case of adverse turn in the market situation and temporary shrinkage of cash proceeds. Until now, the Company has been generating a stable positive cash flow which allows us to make without any trouble all due payments on time and maintains good liquidity indicators.

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

The company has not traded in own shares.

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

No changes in the last quarter.

INSIDER INFORMATION under art. 7 from Regulation EU 596/2014

There is no other insider information, except the already disclosed one, necessary for the shareholders to take investment decision regarding the shares of the 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 2020 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 last quarter

5.1. “Speedy Group” AD

As of 30.06.2020 Г. – 3 500 367 shares, representing 65.09 % 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 30.06.2020, Geopost SA holds 1 333 979 shares, representing 24.81 % of the voting shares.

6. Information about the shares held by the members of the Board of Directors of the company at the end of the period and about the changes during the period since the end of the previous quarter

As of 30.06.2020

	Acquired during the period	Sold during the period	Number of shares held directly	# of shares held through related parties	Total directly and indirectly	Share in the capital held directly and indirectly
Valery Mektupchiyan	0	0	0	3 500 367	3 500 367	65,09%
Avak Terzian			1 800	0	1 800	0,03%
Danail Danailov	0	0	2 160	0	2 160	0,04%

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

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

There are no legal or other proceedings with considerable value.

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

As of 30.06.2020 there are the following loans and guarantees extended

Name, in thousand BGN	Amount	Interest rate	Maturity	Purpose
DPD SA, Romania	6 840	3-5%	15.12.2020	Investment
TOTAL LOANS	6 840			

The loan is not collateralized.

9. Information about related parties' transactions.

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

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

INFORMATION under Appendix 9 from regulation 2 of FSC

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

No change.

2. Information about opened insolvency proceedings against the company or its subsidiary and all stages regarding to above mentioned proceedings.

No opened insolvency procedures.

3. Information about significant deals. The decision for signing, terminating and breaking a contract for joined ventures.

Not applicable.

4. Change of the company's auditor and reasons for it.

No change of the auditing company.

5. Information about pending legal, administrative or arbitration proceedings, concerning obligations or receivables of the company or its subsidiary in amount of at least 10 percent of the company's equity.

There are no legal or other proceedings with significant value.

6. Purchase, sale or pledge of shares in other companies by the issuer or by any of its subsidiary.

Under investment loan agreement from 2014 with Unicredit Bulbank, a pledge was established to the commercial enterprises Geopost Bulgaria EOOD and DPD Romania AD

7. Other events which the company consider to be of importance for the investors in taking decision to acquire, sell or hold publicly offered securities.

No other events except already announced.

Krasimir Tahchiev
Investor Relations Director

Valery Mektupchiyan
Executive Director