

**SPEEDY AD**

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

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As of 30.09.2020

# **SPEEDY AD**

**Sofia**

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

**30 SEPTEMBER 2020**

**I. IMPORTANT DEVELOPMENTS DURING THE QUARTER ENDING SEPTEMBER 2020****1. Core Activity**

Current year is exceptionally challenging with sharp changes in the market environment. Speedy AD undertook quick steps to react to changes in business conditions so clients can continue to receive smoothly services demanded and for the employees we created secure working environment.

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. Strict implementation of the measures was maintained throughout the period that helped to meet accelerated spread of the virus in September.

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.

In the last quarter economic activity largely returned to normal as well as the revenue dynamic – the change in sales were close to last year level of c20%. Business segment deliveries returned to growth both on quarterly and annual basis. E-commerce peaked in Q2 and after lifting lockdown restrictions the volumes flattened at reached high levels.

Temporarily, 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 and APS at the expense of offices. Speedy AD manages the best network, capacity and software applications for deliveries to address that gave us a competitive edge in meeting the change in consumer demands. With restored free movement, office deliveries recovered.

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 currier 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. Our network expansion for deliveries and payments to/from CEE drew exceptional interest. In a response to clients' demand, our company structured and offered a new service, Speedy CEE Economy, that allowed clients to make deliveries with cash-on-delivery to Hungary, Croatia, Slovenia, Slovakia, Czech republic and Poland.

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, during 2020 the intensity of the investment is more moderate amounting to BGN 12m on individual basis, almost entirely invested in vehicles (BGN 7.3m) and limited amount in electronic equipment and software (BGN 1.9m).

### 1.1 Revenues

#### Revenue structure

In BGN '000	9-mo 19	9-mo 20	Change	Q3 19	Q3 20	Change
<b>Local market</b>	85 670	99 689	16.4%	29 813	34 707	16.4%
<i>% of total</i>	80.9%	78.9%		81.1%	79.0%	
<b>International markets</b>	15 871	22 911	44.4%	5 420	7 977	47.2%
<i>% of total</i>	15.0%	18.1%		14.7%	18.2%	
<b>Other</b>	4 324	3 692	-14.6%	1 518	1 267	-16.5%
<i>% of total</i>	4.1%	2.9%		4.1%	2.9%	
<b>Number of parcels delivered</b>	20 271	26 166	29.1%	7 197	9 053	25.8%
<b>Total revenues</b>	<b>105 865</b>	<b>126 292</b>	<b>19.3%</b>	<b>36 751</b>	<b>43 951</b>	<b>19.6%</b>

The consumers' preferences toward online purchases sharply accelerated, hence the demand for courier services for making deliveries notably increased. After sharp jump in Q2, the demand of our services in Q3 normalized with e-commerce related deliveries flattened around Q2 levels while business activities recovered. Thus, Speedy AD manage to maintain its growth pace in line with last year high levels of 20% and revenue from courier services reached BGN 122.6m.

International deliveries continue to outpace the local market sales adding 44% as a result of high demand for deliveries to Central and Southeastern European countries.

The number of parcels delivered hit near 26 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 3m for the period). Income from sale of amortized vehicles are also recurring and during the period were down 70% because of the lower replacement rate.

1.2 Expenses

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, subcontractor costs were up 18% while compensation costs were 28% higher as a result of, both higher payroll and increased remuneration as large portion of remuneration is linked with the number of parcels processed. Subcontractors costs growth lags behind, a positive effect of 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.

Costs structure

In BGN ‘000	9-mo 19	9-mo 20	Change	Q3 19	Q3 20	Change
Cost of materials	5 225	5 667	8.5%	1 771	1 952	10.2%
Cost of hired services	52 380	61 769	17.9%	17 874	21 714	21.5%
Remuneration	23 975	30 710	28.1%	8 522	10 798	26.7%
Other operating expenses	1 054	1 655	57.0%	332	264	-20.5%
Depreciation and amortization	9 965	10 856	8.9%	3 477	3 740	7.6%
<b>EBITDA</b>	<b>23 231</b>	<b>26 491</b>	<b>14.0%</b>	<b>8 252</b>	<b>9 223</b>	<b>11.8%</b>
<b>Net profit</b>	<b>11 166</b>	<b>18 078</b>	<b>61.9%</b>	<b>3 912</b>	<b>6 071</b>	<b>55.2%</b>

The low change in cost of material is due to 6.6% decrease in fuel costs. The confinement measures shrunk fuel consumption and dampened the price of fuels. Lower fuel costs have no meaningful impact on the bottom line as the petrol prices, through the addition fuel charge, is a component of total service price for the client. Hence, lower fuel cost corresponds with lower price for our services. The implemented measures for personal protection and prevention of virus spreading required considerable outlays for personal protection equipment, disinfectants, outfits and other consumables amounting to over BGN 631k.

All the remaining expenses variated narrowly. Altogether, operating expenses grew slightly faster than sales, as a result EBITDA grew 14%. The net income jumped 62% due to dividends received from DPD Romania, Geopost Bulgaria and OMG Mobile BGN totaling 4.9m. A year ago there were no dividend received. Adjusted for the dividend, the net profit would have increased 17.8% and profitability stayed near last year levels of 10.4%

**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.

**On 30.09.2019** Speedy AD hold a general meeting of shareholders. It was voted for replacement of a member of the Board of directors and changes in the Article of Association.

**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.

## STATEMENT OF FINANCIAL CONDITION

	<i>Notes</i>	<b>30.09.2020</b>	<b>31.12.2019</b>
		<b>BGN'000</b>	<b>BGN'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	62 697	62 065
Intangible assets	4	2 306	2 077
Investments in subsidiaries	5	46 255	46 255
Loans to related parties	23	2 919	6 148
Deferred tax assets		363	362
Other non-current assets		327	380
<b>Total non-current assets</b>		<b>114 867</b>	<b>117 287</b>
<b>Current assets</b>			
Inventories	6	342	368
Trade receivables	7	19 116	19 950
Current part of long-term receivables from related parties	23	1 995	1 692
Other receivables and prepayments	8	2 816	1 967
Cash and cash equivalents	9	11 019	5 784
<b>Total current assets</b>		<b>35 288</b>	<b>29 761</b>
<b>TOTAL ASSETS</b>		<b>150 155</b>	<b>147 048</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10.1	5 378	5 378
Reserves	10.2, 10.3	20 103	20 103
Retained earnings	10.4	46 913	39 590
<b>Total equity</b>		<b>72 394</b>	<b>65 071</b>
<b>Non-current liabilities</b>			
Long-term interest bearing liabilities	11	38 754	44 480
Subsidies		0	34
Long-term provisions for pension benefits		173	258
<b>Total non-current liabilities</b>		<b>38 927</b>	<b>44 772</b>
<b>Current liabilities</b>			
Current part of long-term interest bearing liabilities	11	17 708	18 118
Accounts payable	12	8 923	8 131
Payables related to remunerations and for social security	12	5 206	4 672
Tax payables	12	1 974	2 410
Subsidies	12	38	95
Other current liabilities	12	4 985	3 779
<b>Total current liabilities</b>		<b>38 834</b>	<b>37 205</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>150 155</b>	<b>147 048</b>

## STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	<b>30.09.2020</b>	<b>30.09.2019</b>
		<b>BGN'000</b>	<b>BGN'000</b>
Revenues	13	122 600	101 541
Other revenues(losses) from the core activity, net	14	3 692	4 324
Costs of materials	15	(5 667)	(5 225)
Costs of external services	16	(61 769)	(52 380)
Compensation costs	17	(30 710)	(23 975)
Depreciation and amortization	3, 4	(10 856)	(9 965)
Other operating expenses	18	(1 655)	(1 054)
<b>Operating profit</b>		<b>15 635</b>	<b>13 266</b>
Financial revenues	19	5 165	533
Financial expenses	20	(1 260)	(1 392)
<b>Financial revenues/expenses, net</b>		<b>3 905</b>	<b>(859)</b>
<b>Profit before taxes</b>		<b>19 540</b>	<b>12 407</b>
Income taxes	21	(1 462)	(1 241)
<b>Net profit for the year</b>		<b>18 078</b>	<b>11 166</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit pension plan			
Income tax related to other comprehensive income that will not be reclassified		-	-
		-	-
<i>Items that may be reclassified to profit or loss</i>		-	-
<i>Other comprehensive income, net of tax</i>		-	-
<b>Total comprehensive income for the period</b>		<b>18 078</b>	<b>11 166</b>
<b>Earnings per share</b>			
BGN		<b>3.37</b>	<b>2.08</b>



As of 30.09.2020

## STATEMENT OF CASH FLOW

	<i>Notes</i>	<b>30.09.2020</b>	<b>30.09.2019</b>
		<b>BGN'000</b>	<b>BGN'000</b>
<b>Cash flows from operating activity</b>			
Proceeds from customers		149 797	123 429
Payments to suppliers		(90 943)	(76 710)
Payments related to remunerations and for social security		(29 991)	(22 355)
Tax payments		(9 063)	(7 414)
Income tax paid		(1 272)	(1 517)
Other proceeds/payments, net		4 855	(1 204)
<b><i>Net cash flow from operating activity</i></b>		<b>23 383</b>	<b>14 229</b>
<b>Cash flows from investing activity</b>			
Purchase of plant and equipment		(2 030)	(2 307)
Proceeds from sale of plant and equipment		228	1 090
Extended loans to related parties		-	-
Repaid loans from related parties		2 924	2 033
Interests received from loans to related parties		240	363
Investments		(4 133)	(5 558)
Dividends received		-	-
Other cash flows from investing activity		4 755	-
<b><i>Net cash flow from investing activity</i></b>		<b>1 984</b>	<b>(4 379)</b>
<b>Cash flows from financing activity</b>			
Payments under financial lease agreements		(6 574)	(5 824)
Loans obtained		-	2 474
Repayment of long-term loans		(1 996)	(2 224)
Loans from related parties		-	-
Repayment of loans from related parties		(522)	-
Paid interests and bank charges		(233)	(90)
Dividends paid		(10 732)	(7 529)
<b><i>Net cash flow from financing activity</i></b>		<b>(20 057)</b>	<b>(13 193)</b>
<b>Net change in cash and cash equivalents</b>		<b>5 310</b>	<b>(3 343)</b>
Net effect of changes in exchange rates		(75)	(40)
Cash and cash equivalents on 1 January		5 784	7 412
<b>Cash and cash equivalents on 30 September</b>	9	<b>11 019</b>	<b>4 029</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Premium reserves	Statutory reserves	Retained earnings	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Balance as of 01 January 2019</b>	<b>5 378</b>	<b>19 565</b>	<b>538</b>	<b>29 403</b>	<b>54 884</b>
<b><i>Change in equity</i></b>					
Stock issuance	-	-	-	-	-
Distribution of profits, incl	-	-	-	(7 529)	(7 529)
* <i>Reserves</i>	-	-	-	-	-
* <i>Dividends</i>	-	-	-	(7 529)	(7 529)
Total comprehensive income for the year, incl	-	-	-	17 716	17 716
* <i>Net income for the year</i>	-	-	-	17 732	17 732
* <i>Other comprehensive income, net of taxes</i>	-	-	-	(16)	(16)
<b>Balance as of 31 December 2019</b>	<b>5 378</b>	<b>19 565</b>	<b>538</b>	<b>39 590</b>	<b>65 071</b>
<b><i>Change in equity</i></b>					
Stock issuance	-	-	-	-	-
Distribution of profits, incl	-	-	-	(10 755)	(10 755)
* <i>Reserves</i>	-	-	-	-	-
* <i>Dividends</i>	-	-	-	(10 755)	(10 755)
Total comprehensive income for the year, incl	-	-	-	18 078	18 078
* <i>Net income for the year</i>	-	-	-	18 078	18 078
* <i>Other comprehensive income, net of taxes</i>	-	-	-	-	-
<b>Balance as of 30 September 2019</b>	<b>5 378</b>	<b>19 565</b>	<b>538</b>	<b>46 913</b>	<b>72 394</b>

As of 30.09.2020

**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**

	<b>Right of use</b>	<b>Improvement of rented property</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Other</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
<b>2019</b>							
<b>Book value on 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	14 431	2 122	610	11 107	875	769	29 914
Transfer	38	299		(38)		(299)	
Written-off	(3 227)	(1 281)		(7 630)	(502)	(176)	(12 817)
Depreciation	(4 372)	(565)	(638)	(5 495)	(764)	(674)	(12 508)
Written-off depreciation	1 125			6 956	60		8 141
							-
<b>Book value as of 31 December</b>	<b>32 403</b>	<b>2 291</b>	<b>2 832</b>	<b>18 477</b>	<b>1 598</b>	<b>4 464</b>	<b>62 065</b>
<b>31 December 2019</b>							
<b>Initial value</b>	<b>39 403</b>	<b>5 992</b>	<b>6 100</b>	<b>39 457</b>	<b>6 272</b>	<b>7 442</b>	<b>104 666</b>
Accumulated depreciation	(7 000)	(3 701)	(3 268)	(20 980)	(4 674)	(2 978)	(42 601)
<b>Book value</b>	<b>32 403</b>	<b>2 291</b>	<b>2 832</b>	<b>18 477</b>	<b>1 598</b>	<b>4 464</b>	<b>62 065</b>
<b>2020</b>							
<b>Book value on 1 January</b>	<b>32 403</b>	<b>2 291</b>	<b>2 832</b>	<b>18 477</b>	<b>1 598</b>	<b>4 464</b>	<b>62 065</b>
Acquired	1 455	147	182	7 287	1 015	1 035	11 121
Transfer							-
Written-off	-	-		(975)	(4)	(252)	(1 231)
Depreciation	(3 767)	(470)	(532)	(4 362)	(502)	(580)	(10 213)
Written-off depreciation	-			955	-		955
							-
<b>Book value as of 30 September</b>	<b>30 091</b>	<b>1 968</b>	<b>2 482</b>	<b>21 382</b>	<b>2 107</b>	<b>4 667</b>	<b>62 697</b>
<b>30 September 2020</b>							
<b>Initial value</b>	<b>40 858</b>	<b>6 139</b>	<b>6 282</b>	<b>45 769</b>	<b>7 283</b>	<b>8 225</b>	<b>114 556</b>
Accumulated depreciation	(10 767)	(4 171)	(3 800)	(24 387)	(5 176)	(3 558)	(51 859)
<b>Book value</b>	<b>30 091</b>	<b>1 968</b>	<b>2 482</b>	<b>21 382</b>	<b>2 107</b>	<b>4 667</b>	<b>62 697</b>

As of 30.09.2020

**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	Assets under development	Total
	BGN'000	BGN'000	BGN'000
<b>2019</b>			
<b>Book value on 1 January</b>	<b>2 078</b>	<b>135</b>	<b>2 213</b>
Acquired	871		871
Written-off		(82)	(82)
Depreciation	(925)		(925)
Written-off depreciation			-
<b>Book value as of 31 December</b>	<b>2 024</b>	<b>53</b>	<b>2 077</b>
<b>31 December 2019</b>			
<b>Initial value</b>	<b>7 912</b>	<b>53</b>	<b>7 965</b>
Accumulated depreciation	(5 888)	-	(5 888)
<b>Book value</b>	<b>2 024</b>	<b>53</b>	<b>2 077</b>
<b>2020</b>			
<b>Book value on 1 January</b>	<b>2 024</b>	<b>53</b>	<b>2 077</b>
Acquired	873	-	873
Written-off	-	-	-
Depreciation	(644)	-	(644)
Written-off depreciation			-
<b>Book value as of 30 September 2020</b>	<b>2 253</b>	<b>53</b>	<b>2 306</b>
<b>30 September 2020</b>			
<b>Initial value</b>	<b>8 785</b>	<b>53</b>	<b>8 838</b>
Accumulated depreciation	(6 532)	-	(6 532)
<b>Book value</b>	<b>2 253</b>	<b>53</b>	<b>2 306</b>

**5. INVESTMENTS IN SUBSIDIARIES**

	<u>30.09.2020</u>	Share	<u>31.12.2019</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%
Rapodo 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>	

As of 30.09.2020

## 6. INVENTORIES

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Materials	239	289
Fuel	103	79
<b>Общо</b>	<b>342</b>	<b>368</b>

## 7. TRADE AND OTHER RECEIVABLES

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Receivables from customers	22 035	20 874
Less impairment	(924)	(924)
<b>Receivables from customers, net amount</b>	<b>21 111</b>	<b>19 950</b>
<i>including receivables from related parties (Note 29)</i>	<i>6 604</i>	<i>7 504</i>

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

	<b>2020</b>	<b>2019</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>At the beginning of the year</b>	<b>924</b>	<b>882</b>
Impairments booked	-	42
Impairments recovered	-	-
Written-off impairments	-	-
<b>At the end of the period</b>	<b>924</b>	<b>924</b>

## 8. OTHER RECEIVABLES AND PREPAYMENTS

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Prepayments	1 247	1 039
Receivables from trustees	1 404	680
Deposits	-	44
Advances paid	-	13
Other receivables	165	191
<b>Total</b>	<b>2 816</b>	<b>1 967</b>

**SPEEDY AD****EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL REPORT**

As of 30.09.2020

**9. CASH AND CASH EQUIVALENTS**

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Cash in vaults	3 001	996
Cash in bank accounts	7 711	4 236
Petty cash	307	552
<b>Total</b>	<b>11 019</b>	<b>5 784</b>

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

As of 30.06.2020 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, to a liquidation share and represent one voting right in the General Meeting of Shareholders of the Company.

	<b>2020</b>	<b>2019</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 September 2020</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>30.09.2020</b>		<b>31.12.2019</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>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN'000</b>	<b>BGN'000</b>
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.

As of 30.09.2020

**10.3 PREMIUM RESERVES**

	<u>30.09.2020</u>	<u>31.12.2019</u>
	BGN'000	BGN'000
Premium reserves	19 565	19 565
<b>Total</b>	<b><u>19 565</u></b>	<b><u>19 565</u></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 BGN 23 per share.

**10.4 RETAINED EARNINGS**

	<u>30.09.2020</u>	<u>31.12.2019</u>
	BGN '000	BGN '000
<b>Balance as of 1 January</b>	<b><u>39 590</u></b>	<b><u>29 403</u></b>
Net profit for the year	18 078	17 732
Dividends distributed	(10 755)	(7 529)
Actuary losses from revaluations, net of taxes	-	(16)
Distribution for reserves	-	-
<b>Balance as of 30 June 2020, including</b>	<b><u>46 913</u></b>	<b><u>39 590</u></b>
<i>undistributed profit</i>	<i>28 835</i>	<i>21 858</i>
<i>current profit</i>	<i>18 078</i>	<i>17 732</i>

**11. INTEREST BEARING LIABILITIES**

	<u>30.09.2020</u>	<u>31.12.2019</u>
	BGN'000	BGN'000
Payables related to acquisitions	6 786	10 475
Payables under financial lease agreements	48 194	49 165
Long-term bank loans	1 482	2 958
<b>Total</b>	<b><u>56 462</u></b>	<b><u>62 598</u></b>
<i>non-current part</i>	<i>38 754</i>	<i>44 480</i>
<i>current part</i>	<i>17 708</i>	<i>18 118</i>

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

As of 30.09.2020, the payables of the Company under financial lease agreements are the following:

	<u>30.09.2020</u>	<u>31.12.2019</u>
	BGN'000	BGN'000
Payables under financial lease agreements	17 962	16 473
- Long-term part	11 806	10 369
- Short-term part	6 156	6 104
<b>Total</b>	<b><u>17 962</u></b>	<b><u>16 473</u></b>

**SPEEDY AD****EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL REPORT**

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

As of 30.09.2020, amount due under bank loans are the following:

	<u>30.09.2020</u>	<u>31.12.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Payables under bank loans received, incl.:	1 482	2 958
- <i>short-term part</i>	1 061	1 877
- <i>long-term part</i>	421	1 081
<b>Total</b>	<b><u>1 482</u></b>	<b><u>2 958</u></b>

**12. TRADE AND OTHER PAYABLES**

	<u>30.09.2020</u>	<u>31.12.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Trade payables	6 279	4 801
Payables to related parties	2 644	3 330
Payables for remunerations	4 021	3 611
Payables for social security	1 185	1 061
Taxes payable	1 974	2 410
Other payables, incl. dividends BGN 10 755 thousand	4 985	3 779
<b>Total</b>	<b><u>21 088</u></b>	<b><u>18 992</u></b>

**13. REVENUES**

	<u>30.09.2020</u>	<u>30.09.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues from courier services	122 600	101 541
<b>Total</b>	<b><u>122 600</u></b>	<b><u>101 541</u></b>

**14. OTHER REVENUES**

	<u>30.09.2020</u>	<u>30.09.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues from renting out of vehicles	3 081	2 347
Other revenues	520	1 737
Financing	91	240
<b>Total</b>	<b><u>3 692</u></b>	<b><u>4 324</u></b>



**SPEEDY AD****EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL REPORT**

As of 30.09.2020

**15. COSTS OF MATERIALS**

	<u>30.09.2020</u>	<u>30.09.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Fuels	2 714	2 907
Delivery-related materials	1 681	1 398
Office materials and consumables	297	249
Uniforms	282	136
IT consumables	557	394
Other costs	136	141
<b>Total</b>	<b><u>5 667</u></b>	<b><u>5 225</u></b>

**16. COSTS OF HIRED SERVICES**

	<u>30.09.2020</u>	<u>30.09.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Subcontractors	52 369	44 303
Rents	194	122
Communications and utility services	2 145	1 693
Vehicle maintenance	2 213	1 869
Insurance	1 169	1 190
Office/warehouse maintenance	743	581
Staff training	16	28
Marketing	402	448
Audit, consultant and other services	1 023	1 129
Other costs	770	550
Fees	725	467
<b>Total</b>	<b><u>61 769</u></b>	<b><u>52 380</u></b>

**17. COMPENSATION COSTS**

	<u>30.09.2020</u>	<u>30.09.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Salaries and wages	26 089	20 442
Social security contributions	4 621	3 533
<b>Total</b>	<b><u>30 710</u></b>	<b><u>23 975</u></b>

**18. OTHER OPERATING COSTS**

	<u>30.09.2020</u>	<u>30.09.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Indemnities for parcels	364	451
Representation costs	418	250
Other costs	873	353
<i>incl. related with the state of emergencies</i>	<i>631</i>	<i>-</i>
	<b><u>1 655</u></b>	<b><u>1 054</u></b>

As of 30.09.2020

**19. FINANCIAL INCOME**

	<u>30.09.2020</u>	<u>30.09.2019</u>
	BGN'000	BGN'000
Interests income	240	533
Dividends	4 925	-
<b>Total</b>	<b><u>5 165</u></b>	<b><u>533</u></b>

**20. FINANCIAL EXPENSES**

	<u>30.09.2020</u>	<u>30.09.2019</u>
	BGN'000	BGN'000
Interest expenses	1 241	1 300
<i>incl. interests related to payables for acquisitions</i>	324	747
FX exchange loss, net	-	80
Other	19	12
<b>Total</b>	<b><u>1 260</u></b>	<b><u>1 392</u></b>

**21. TAXES**

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

	<u>30.09.2020</u>	<u>30.09.2019</u>
	BGN'000	BGN'000
<b>Accounting profit before taxes</b>	<b><u>19 540</u></b>	<b><u>12 407</u></b>
Increase	-	-
Decrease	(4 925)	-
<b>Taxable net income</b>	<b><u>14 615</u></b>	<b><u>12 407</u></b>
<b>Income tax</b>	<b>(1 462)</b>	<b>(1 241)</b>
Tax rate	10%	10%
<b>Deferred taxes</b>	-	-
Tax rate	10%	10%
<b>Total income tax and deferred taxes</b>	<b>(1 462)</b>	<b>(1 241)</b>
<b>Net income</b>	<b><u>18 078</u></b>	<b><u>11 166</u></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:

As of 30.09.2020

	<u>30.09.2020</u>	<u>30.09.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Distributable net income /BGN'000/	18 078	11 166
Weighted average number of shares	5 356 712	5 356 712
<b>Earnings per share /BGN per share/</b>	<b><u>3,37</u></b>	<b><u>2,08</u></b>

**22.2 Dividends**

With shareholder's decision from 22.06.2020, is distributed dividend from 2019 earning in amount of BGN 10 755 thousand. It is fully paid in July 2020.

**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.

**Related Party****Type of relationship**

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 Logistics 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 okazion 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	Company related to key management
Star Perfomining	Company related to key management
Pit Box EOOD	Company under common control (since 01.05.2019)
Kiler storage EOOD	Company under common control
Star ABC Invest EOOD	Company under common control (since 01.05.2019)

Ultimate owner Valery Harutyun Mektupchiyan.

As of 30.09.2020

**Extended loans**

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Dynamic Parcel Distribution S.A., Romania incl.	4 914	7 840
- principal	4 914	7 840
- interest	-	-
<b>Total</b>	<b>4 914</b>	<b>7 840</b>
<i>incl. current part</i>	<i>1 995</i>	<i>1 692</i>
<i>incl. non-current part</i>	<i>2 919</i>	<i>6 148</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.

**With decision from** 09.06.2020 is distributed dividend from DPD Romania earnings in amount of BGN 3 491 thousand. It is fully paid in July 2020.

**With decision from** 10.08.2020 is distributed dividend from Geopost Bulgaria earnings in amount of BGN 1 269 thousand. It is fully paid in September 2020.

**With decision from** 01.08.2020 is distributed dividend from DPD Romania earnings in amount of BGN 165 thousand. It is fully paid in October 2020.

**Trade and other receivables from related parties**

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from subsidiaries	3 599	6 314
Receivables from companies under common control	906	967
Receivables from shareholders with significant influence	104	223
<b>Total</b>	<b>4 609</b>	<b>7 504</b>

**Trade and other payables to related parties**

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Trade payables, incl.	2 534	3 330
Payables to subsidiaries	1 979	2 862
Payables to companies under common control	555	468
Other payables, incl.	110	110
Deposits from the Members of the BoD	110	110
<b>Total</b>	<b>2 644</b>	<b>3 440</b>

The company has payables to the BoD's members in amount of BGN 110 thousand /31.12.2019 – BGN 110 thousand/ in compliance with art. 240, para 1 of Commercial Code.

**Commercial transactions with related parties***Sales to related parties*

	<b>30.09.2020</b>	<b>30.09.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
	<b>17 327</b>	<b>21 693</b>
Subsidiaries	14 428	18 782
Companies under common control	2 459	2 620
Shareholders with significant influence	440	291

*Purchases from related parties*

	<b>30.06.2020</b>	<b>30.09.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
	<b>21 328</b>	<b>19 632</b>
Companies under common control	8 134	10 281
Subsidiaries	13 194	9 351

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, Pit Box EOOD and Star ABC invest 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.**  
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