

SPEEDY AD

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL REPORT

As of 31.03.2020

SPEEDY AD

Sofia

**EXPLANATORY NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENT**

31 MARCH 2020

I. IMPORTANT DEVELOPMENTS DURING THE 4th QUARTER OF 2019**1. Core Activity**

In the first quarter 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 in the beginning of the year allowed to sustain high revenue growth during the period. Major changes were caused by virus epidemic and imposed state of emergency. The related limitations in activities and movement on national level raised serious responsibilities and challenges in front of the company as an important component for functioning in extraordinary circumstances of the economy on the markets where we operate.

Speedy AD assumed utterly cautious its responsibility for protecting the health of its employees and clients while continuing conducting its business in a due manner. 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.

Unprecedented situation affected all aspects of business and presented particular challenge to the company. 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. Widely adopted work-of-home practice from large part of businesses is related with more parcels exchanged between the enterprises units.in some industries that set off lower commercial activities in other segments. The existing state of emergency affected only the last two weeks of March, a relatively short period to draw clear trends. Initial trend showed some detention in business segment that is overcompensated by jump in orders from e-commerce and individual clients. 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. Overall, in the first quarter, the company sustain high pace of growth from the last year.

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 weeks 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 in SEE 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 Q1 2020 the intensity of the investment is more moderate in Bulgaria while more funds were channeled in the subsidiaries. Acquired fixed assets amount to BGN 5.8m of which along with vehicles (BGN 1.4m) we expanded our investments in software (BGN 700k) and processing capacity – new rental contract added BGN 1m to “right-of-use assets” and another BGN 2.2m in business inventory, improvement in rented assets and other equipment.

1.1 Revenues

The state of emergency was imposed in mid March, thus its impact on quarterly results is somehow limited considering that courier business was allowed to carry out its activities without limitations as long as it complies with new requirements. The revenue in the 1st quarter added 14% on annual basis, reaching BGN 57m in line with the pace from the last year.

Revenue structure, consolidated

In BGN '000		Q1 19	Q1 20	Change
Local market		27 759	30 842	11.1%
	<i>% of total</i>	53.2%	51.9%	
International markets		22 369	26 209	17.2%
	<i>% of total</i>	42.8%	44.1%	
Other		2 089	2 337	11.9%
	<i>% of total</i>	4.0%	3.9%	
Number of parcels delivered		8 877	10 727	20.8%
Total revenues		52 217	59 388	13.7%

Essential contribution to the good result came from e-commerce. Individual clients also increase its weight and currently accounts for significant part of total revenues.

International deliveries continue to outpace other segments and jumped with 17% y-o-y, mainly as a result of excellent performance of regional services Speedy Balkan which grew over 50% on annual basis.

The number of parcels delivered hit near 11 mln that is 21% 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 886k 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

The largest share in the cost structure hold subcontractors and payroll that are heavily correlated with the number of parcels processed, therefore their increase is in line with parcels growth. Subcontractors

As of 31.03.2020

costs growth lags behind with 17.7% increase, a positive effect on improved productivity and economies of scale in some regions resulting from higher orders flow.

In cash on delivery there is a growing share of clients paying with credit/debit cards that corresponds 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 800k

Costs structure, consolidated

In BGN ‘000	Q1 19	Q1 20	Change
Cost of materials	2 139	2 451	14.6%
Cost of hired services	29 046	31 896	9.8%
Remuneration	11 169	13 099	17.3%
Other operating expenses	502	1 192	137.5%
Depreciation and amortization	4 522	5 451	20.5%
EBITDA	9 361	10 750	14.8%
Net profit	3 709	4 030	8.7%

All the remaining expenses are lower or variates near 2019 levels. The extraordinary expenses related to operation in an epidemic are partially balance by lower fuel expenses, car maintenance and marketing expenses, bringing EBITDA growth in line with sales increase, 14.8%. Net profit added less, 8.7% following higher depreciation and amortization and interest expenses stemming from “right-of-use assets”.

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.

As of 31.03.2020

		31.03.2020	31.12.2019
	<i>Notes</i>	BGN'000	BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	82 278	82 208
Intangible assets	4	38 414	39 222
Deferred tax assets	5	492	514
Other non-current assets	6	879	861
Total non-current assets		122 063	122 805
Current assets			
Inventories	7	668	568
Trade receivables	8	26 328	25 523
Other receivables and prepayments	9	3 277	3 276
Cash and cash equivalents	10	21 769	16 196
Total current assets		52 042	45 563
TOTAL ASSETS		174 105	168 368
EQUITY AND LIABILITIES			
Equity			
Share capital	11.1	5 378	5 378
Reserves	11.2	19 267	18 957
Retained earnings	11.2	39 601	35 571
Total equity		64 246	59 906
Non-current liabilities			
Long-term interest bearing liabilities	12	54 612	55 863
Subsidies	13	-	34
Long-term provisions for pension benefits	14	266	258
Total non-current liabilities		56 736	58 013
Current liabilities			
Current part of long-term interest bearing liabilities	12	19 303	20 549
Accounts payable	15	15 507	11 764
Payables related to remunerations and for social security	16	6 377	6 109
Tax payables	17	2 780	3 004
Subsidies	13	73	95
Other current liabilities	18	9 083	8 928
Total current liabilities		53 123	50 449
TOTAL EQUITY AND LIABILITIES		174 105	168 368

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

As of 31.03.2020

	<u>31.03.2020</u>	<u>31.03.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues	57 051	50 128
Other revenues(losses) from the core activity, net	2 337	2 089
Costs of materials	(2 451)	(2 139)
Costs of external services	(31 896)	(29 046)
Compensation costs	(13 099)	(11 169)
Depreciation and amortization	(5 451)	(4 522)
Other operating expenses	(1 192)	(502)
Operating profit	<u>5 299</u>	<u>4 839</u>
Financial revenues	-	-
Financial expenses	(855)	(722)
Financial revenues/expenses, net	<u>(855)</u>	<u>(722)</u>
Profit before taxes	<u>4 444</u>	<u>4 117</u>
Income taxes	(414)	(408)
Net profit for the year	<u><u>4 030</u></u>	<u><u>3 709</u></u>

As of 31.03.2020

	<i>Notes</i>	31.03.2020	31.03.2019
		BGN'000	BGN'000
Cash flows from operating activity			
Proceeds from customers		64 654	57 774
Payments to suppliers		(40 839)	(38 460)
Payments related to remunerations and for social security		(12 254)	(10 694)
Tax payments		(4 027)	(2 777)
Income tax paid		-	(351)
Other proceeds/payments, net		2 009	(3 038)
Net cash flow from operating activity		9 543	2 454
Cash flows from investing activity			
Purchase of plant and equipment		(670)	(705)
Proceeds from sale of plant and equipment		-	126
Extended loans to related parties		-	-
Repaid loans from related parties		-	-
Interests received from extended loans to related parties		-	-
Investments		-	(2 689)
Dividends received		-	-
Other cash flows from investing activity		-	-
Net cash flow from investing activity		(670)	(3 268)
Cash flows from financing activity			
Payments under financial lease agreements		(2 447)	(1 575)
Loans obtained		-	1 329
Repayment of long-term loans		(491)	(741)
Paid interests and bank charges		(201)	(165)
Dividends paid		-	-
Net cash flow from financing activity		(3 139)	(1 152)
Net change in cash and cash equivalents		5 734	(1 966)
Net effect of changes in exchange rates		(161)	(23)
Cash and cash equivalents on 1 January		16 196	15 089
Cash and cash equivalents on 31 March	9	21 769	13 100

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

As of 31.03.2020

		Share capital	Premium reserves	Statutory reserves	FX translation	Retained earning	Total
	Notes	BGN'000	BGN'000	BGN'000		BGN'000	BGN'000
Balance as of 01 January 2019	19	5 378	538	19 565	(776)	24 090	48 795
Change in equity for 2019							
Distribution of profits, incl						(7 529)	(7 529)
* Reserves							
* Dividends						(7 529)	(7 529)
Total comprehensive income for the year, incl					(370)	19 010	18 640
* Net income for the year						19 026	19 026
* Other comprehensive income, net of taxes					(370)	(16)	(386)
Balance as of 31 December 2019	19	5 378	538	19 565	(1 146)	35 571	59 906
Change in equity for 2020							
Distribution of profits, incl							
* Reserves							
* Dividends							
Total comprehensive income for the year, incl.					310	4 030	4 340
* Net income for the year						4 030	4 030
* Other comprehensive income, net of taxes					310		310
Balance as of 31 March 2019	19	5 378	538	19 565	(836)	39 601	64 246

As of 31.03.2020

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	Equipment	Vehicles	Computers	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Book value on 1 January (reported)	39,786	4,879	18,291	2,452	7,887	73,295
Acquired	20,031	958	11,463	1,360	750	34,562
Transfer	422	-	-	50	(472)	-
Written-off	(6,948)	(22)	(9,002)	(741)	(52)	(16,765)
Depreciation	(7,794)	(1,286)	(6,898)	(1,145)	(1,069)	(18,192)
Written-off depreciation	1,747	18	7,749	279	-	9,793
FX Translation	(296)	(38)	(74)	(13)	(64)	(485)
Book value as of 31 December	46,948	4,509	21,529	2,242	6,980	82,208
31 December 2019						
Initial value	62483	10278	46073	9051	10497	138382
Accumulated depreciation	-15535	-5769	-24544	-6809	-3517	-56174
Book value	46948	4509	21529	2242	6980	82208
	Buildings	Equipment	Vehicles	Computers	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Book value as of 1 January	46 948	4 509	21 529	2 242	6 980	82 208
Acquired	1008	124	1436	328	2238	5134
Written-off	-182	-184	-566	0	-75	-1007
Depreciation	-1650	-485	-1668	-390	-542	-4735
Written-off depreciation	167	74	437	0	0	678
Book value as of 31 March	46 291	4 038	21 168	2 180	8 601	82 278
31 March 2019						
Initial value	63309	10218	46943	9379	12660	142509
Accumulated depreciation	-17018	-6180	-25775	-7199	-4059	-60231
Book value	46 291	4 038	21 168	2 180	8 601	82 278

As of 31.03.2020

4. INTANGIBLE ASSETS

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

	Goodwill	Right over intellectual property	Software	Acquisition of assets	Total
1 January 2019					
Book value at the beginning of the year	18,804	16,995	6,132	412	42,343
Acquired	-	-	1,180	530	1,710
Write-offs	-	-20	-925	-	-945
Depreciation	-	(2,009)	(2,075)	-	(4,084)
Impairment	-	-	-23	-	-23
Written-off depreciation	-	2	628	-82	548
FX Translation	-183	-100	-44	-	-327
Book value at the end of the period	18,621	14,868	4,873	860	39,222
31 December 2019					
Initial value	18621	19321	13624	860	52426
Impairment	-	-	-23	0	-23
Accumulated depreciation	-	-4453	-8728	0	-13181
Book value	18621	14868	4873	860	39222
1 January 2020					
Book value at the beginning of the year	18621	14868	4873	860	39222
Write-offs	-	0	0	-807	-807
Acquired	-	0	715	0	715
Depreciation	-	-233	-483	0	-716
Book value at the end of the period	18621	14635	5105	53	38414
31 March 2019					
Initial value	18621	19321	14316	53	52334
Accumulated depreciation	-	-4686	-9211	0	-13897
Book value	18621	14635	5105	53	38414

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

As of 31.03.2020

6. INVENTORIES

As of 31 March 2020 the inventories consist of:

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Materials	567	489
Fuel	101	79
Total	668	568

7. TRADE AND OTHER RECEIVABLES

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Receivables from customers	28,788	27,983
Less impairment	(2,460)	(2,460)
Receivables from customers, net amount	26,328	25,523
<i>including receivables from related parties (Note 29)</i>	<i>1,730</i>	<i>1,321</i>

8. OTHER RECEIVABLES AND PREPAYMENTS

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Prepayments	1,236	1,448
Deposited amounts	44	326
Receivables from trustees	1,141	680
Tax refunds	540	593
Advances paid	-	18
Other receivables	316	211
Total	3,277	3,276

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Cash in vaults	3,547	1,125
Cash in bank accounts	17,571	14,409
Petty cash	651	662
Total	21,769	16,196

10. EQUITY

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

As of 31.03.2020

10.1 SHARE CAPITAL

As of 31.03.2020 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.

	2020	2019
	Number of shares	Number of shares
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	-	-
Number of shares, outstanding on 31 March 2020	5,377,619	5,377,619

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

	31.03.2020		31.12.2019	
	Number of shares	%	Number of shares	%
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%
Total	5,377,619	100.00%	5,377,619	100.00%

10.2 STATUTORY RESERVES

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Statutory reserves	538	538
Total	538	538

The statutory reserves are formed from setting aside 10% of the net profit in accordance with the requirements of the Commercial Act and decision of the General Meeting of the shareholders. According to the requirements, the statutory reserves should be minimum 10% of the registered capital. These reserves are non-distributable.

10.3 PREMIUM RESERVES

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Premium reserves	19,565	19,565
Total	19,565	19,565

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.

Forex translation reserves from consolidation of international activities amounts to BGN 898k – negative value (31.12.2018 BGN 776k - negative value) is formed from FX exchange rate fluctuation, occurring as a result of conversion of financial reports of foreign subsidiaries in the reporting currency.

As of 31.03.2020

10.4 RETAINED EARNINGSChanges of the *undistributed profit* is as follows:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Balance as of 1 January	35,571	24,090
Net profit for the year	4,030	19,026
Dividends distributed	-	(7,529)
Actuary losses from revaluations, net of taxes	-	(16)
Distribution for reserves	-	-
Balance as of 31 March 2019, including	39,601	35,571
<i>undistributed profit</i>	<i>35,571</i>	<i>16,545</i>
<i>current profit</i>	<i>4,030</i>	<i>19,026</i>

11. INTEREST BEARING LIABILITIES

The interest bearing liabilities as of 31 March 2020 include:

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Payables related to acquisitions	10,649	10,472
Payables under financial lease agreements	60,801	62,982
Long-term bank loans	2,465	2,958
Total	73,915	76,412
<i>non-current part</i>	<i>54,612</i>	<i>55,863</i>
<i>current part</i>	<i>19,303</i>	<i>20,549</i>

12. TRADE AND OTHER PAYABLES

As of 31.03.2020, the trade and other payables include:

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Trade payables	14,995	11,296
Payables to related parties	512	468
Payables for remunerations	4,378	4,439
Payables for social security	1,999	1,670
Taxes payable	2,780	3,004
Other payables	9,083	14,712
Total	33,747	35,589

13. REVENUES

The revenues of the Company consist of:

	31.03.2020	31.03.2019
	BGN'000	BGN'000
Revenues from courier services	57,051	50,128
Total	57,051	50,128

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

As of 31.03.2020

14. OTHER REVENUES

Other revenues of the Company consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Revenues from renting out of vehicles	886	831
Other revenues	1,395	1,169
Financing	56	80
Total	<u>2,337</u>	<u>2,089</u>

15. COSTS OF MATERIALS

Costs of materials include:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Fuels	996	1,125
Delivery-related materials	792	604
Office materials and consumables	89	178
Uniforms	132	16
IT consumables	198	102
Other costs	244	114
Total	<u>2,451</u>	<u>2,139</u>

16. COSTS OF HIRED SERVICES

Costs of hired services consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Subcontractors	27,683	23,687
Rents	65	863
Communications and utility services	1,026	810
Vehicle maintenance	620	724
Insurance	379	430
Office/warehouse maintenance	360	273
Staff training	82	45
Marketing	229	347
Audit, consultant and other services	337	384
Other costs	890	1,249
Fees	225	234
Total	<u>31,896</u>	<u>29,046</u>

17. COMPENSATION COSTS

Compensation costs consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Salaries and wages	10,793	9,280
Social security contributions	2,306	1,889
Total	<u>13,099</u>	<u>11,169</u>

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

As of 31.03.2020

18. OTHER OPERATING COSTS

Other operating expenses of the Company consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Indemnities for parcels	322	277
Representation costs	36	27
Other costs	834	198
Total	1,192	502

19. FINANCIAL INCOME

Financial income of the Company consists of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Interests income	-	-
Total	-	-

20. FINANCIAL EXPENSES

Financial expenses of the Company consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Interest expenses	620	454
FX exchange loss, net	235	268
Total	855	722

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>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Accounting profit before taxes	4,444	4,117
Increase	-	-
Decrease	(304)	(37)
Taxable net income	4,140	4,080
Income tax	(414)	(408)
Tax rate	10%	10%
Deferred taxes	-	-
Tax rate	10%	10%
Total income tax and deferred taxes	(414)	(408)
Net income	4,030	3,709

22. EARNINGS PER SHARE AND DIVIDENDS**22.1 Earnings per share**

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

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

	<u>31.03.2020</u>	<u>31.03.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Distributable net income /BGN'000. /	4,030	3,709
Weighted average number of shares	5,377,619	5,377,619
Earnings per share /BGN per share/	0,75	0,69

22.2 Dividends

No dividends distributed during the period.

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
Speedy EOOD	Subsidiary
Geopost Bulgaria EOOD	Subsidiary
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 okazion 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
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
Star ABC Invest EOOD	Company under common control

As of 31.03.2020

Trade and other receivables from related parties

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Receivables from companies under common control	1,596	1,098
Receivables from shareholders with significant influence	134	223
Total	1,730	1,321

Trade and other payables to related parties

The payables to related parties include:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Trade payables, incl.	512	468
Payables to companies under common control	512	468
Other payables, incl.	125	125
<i>Deposits from the Members of the BoD</i>	110	110
Interest payables on loans from ultimate parent company	15	15
Total	637	593

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*

	31.03.2020	31.03.2019
	BGN '000	BGN '000
	1,098	925
Companies under common control	801	862
Shareholders with significant influence	297	63

	31.03.2020	31.03.2019
	BGN '000	BGN '000
<i>Purchases from related parties</i>		
Companies under common control	3,104	3,023

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.**
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