

**ANNUAL CONSOLIDATED REPORT ON THE
ACTIVITIES OF BILLBOARD AD, SOFIA
FOR THE FINANCIAL YEAR 2018**

THIS CONSOLIDATED REPORT WAS PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE. 44 OF THE ACCOUNTANCY ACT, ARTICLE 100n, PARAGRAPH 5 OF THE LAW ON PUBLIC OFFERING OF SECURITIES AND ANNEX № 10 TO ART. 32A, PARA. 2 OF ORDINANCE № 2 OF SEPTEMBER 17, 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION.



DEAR SHAREHOLDERS,

We, the members of the Board of Directors of BILLBOARD AD, led by the desire to manage the company in the interest of the shareholders and pursuant to the provisions of art. 44 of the Accountancy Act, article 100n, paragraph 5 of the LPOS, art. 32a, para. 2 of ORDINANCE No. 2 OF SEPTEMBER 17, 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION and Annex № 10 to art. 32a, paragraph 1, item 2 of ORDINANCE No. 2 of FCS prepared this Activity Report /the Report/. The Report presents comments and analysis of financial and non-financial essential indicators regarding the results from the activities related to the economic activity of BILLBOARD AD and the companies included in the consolidation, including information on issues, related to ecology and personnel. The report includes objective review that presents in a true and fair way the development and performance of BILLBOARD AD and the companies included in the consolidation, as well as their position, together with a description of the main risks they might face.

Enclosed to this Report is a Corporate Governance Declaration pursuant to Art. 100n, para. 8 of the Law on Public Offering of Securities.

Information regarding the circumstances occurred in 2018 that the company's management believes could be of importance to investors when making a decision to acquire, sell or continue holding shares of BILLBOARD AD has been publicly disclosed to the Financial Supervision Commission, the public (investors) and the regulated securities market within the terms and in accordance with the procedure for regulated information disclosure on the part of public companies and other issuers as provided by the LPOS and Ordinance No 2. The information is also available on the company's website www.billboard.bg, News section.

I. GENERAL INFORMATION ABOUT BILLBOARD AD AND THE COMPANIES INCLUDED IN THE GROUP OF ENTERPRISES (ECONOMIC GROUP) OF THE ISSUER

BILLBOARD AD is a company with the following scope of activity: foreign and domestic trade; specific trade operations; barter and cross transactions; sales under the conditions of letters of credit; export of Bulgarian products to the international market; distribution of great volumes of imported goods; commercial representation; intermediation between local and foreign parties; printing and wide format printing activities; advertising activity; acquisition and incorporation of new companies with a scope of activity – printing, wide format printing activities, advertising activity as well as sale of such companies; acquisition, management, evaluation and sale of share participations in Bulgarian and foreign companies; acquisition, evaluation and sale of patents; transfer of licenses for use of patents to companies where the company participates; financing of companies where the company participates.

The company was incorporated on 07.02.2001 under the company name „BILLBOARD PRINT” Ltd. On 23.12.2003 the company was reorganized into a Joint Stock Company – Billboard AD.

The company was filed with the Commercial Register of Sofia City Court under company's case N 1298/2001, volume 672, page 200.

On 22.04.2008 BILLBOARD AD was re-registered with the Registry Agency to the Ministry of Justice – Commercial Register under UIC: 130472125.

As of 31.12.2018 the company has a registered seat, business address, telephone, telefax, e-mail, website, as follows:

Registered seat and business address: No 1 Bulgaria Sq., National Palace of Culture, AI4 entr., Triaditza district, 1463 Sofia.



Address for correspondence: No 1 Bulgaria Sq., National Palace of Culture, „low-rise building”, floor 2, Triaditza district, 1463 Sofia.

Telephone: +359 2 9166500

Fax: +359 2 9630606

e-mail: ir@digitalprint.bg;

web: <http://www.bilbord.bg/>

As of 31.12.2018 the share registered capital of BILLBOARD AD is in the amount of BGN 15 000 000 divided in 15 000 000 dematerialized registered shares with a nominal value of BGN 1.00 each of them.

In 2018 the company has not made a capital increase or decrease.

INFORMATION ON WHETHER MORE THAN 10 PERCENT OF THE CAPITAL HAS BEEN PAID WITH ASSETS OTHER THAN CASH AND INFORMATION ON CHANGES IN THE CAPITAL OF THE COMPANY

○ On 01.02.2006, the share capital was increased by means of a non-cash contribution - contribution in kind in the amount of BGN 1.1354 million of "IBT INTERNATIONAL BUSINESS AND TRAYDING" AD - Switzerland from "BILLBOARD" AD, which derived based on a pecuniary receivable in the amount of € 580,533.06 arising from a cash loan agreement - financial loan signed on 20.07.2005 between "DEDRAX" Ltd. and "BILLBOARD" AD and subsequently acquired by "IBT INTERNATIONAL BUSINESS AND TRAYDING" AD under an Agreement N: 104 of 25.10.2005 between "KEYLO INTERNATIONAL", "IBT INTERNATIONAL BUSINESS AND TRAYDING" BILLBOARD AD.

○ By Resolution № 6 of Sofia City Court dated 04.06.2007 in the Commercial Register under the batch of BILLBOARD AD were filed the following changes: capital increase with company's own funds from BGN 3.1404 million to BGN 6 000 000 (six million), by means of the issuance of 2,859,600 (two million eight hundred and fifty-nine thousand six hundred) registered dematerialized voting shares with a nominal value of BGN1.00 lev each.

○ By Resolution № 9 of Sofia City Court dated 20.12.2007 in the Commercial Register under the batch of BILLBOARD Plc was filed a capital increase of the company from BGN 6 million (six million) lev to BGN 7.5 million (seven million five hundred thousand) lev, divided into 7,500,000 registered dematerialized voting shares with a nominal value of BGN 1.00 lev each, through the issuance of 1,500,000 (one million five hundred thousand) registered voting shares with nominal value BGN 1.00 lev each.

○ On 19.08.2008, based on the resolution of the regular general assembly of shareholders held on 30.06.2008 to increase the company's capital from BGN 7.5 million lev to BGN 15 000 000 Levs under the procedure of art. 246, para. 4 of the Commerce Act by means of transformation of part of the company's reserves into capital through the issuance of new 7.5 million registered dematerialized voting shares with nominal value of BGN 1.00 lev each, was filed a capital increase in the Commercial Register. The new shares were distributed among the shareholders proportionate to their participation in the capital until the capital increase, as entitled to participate in the distribution of the new shares with which the capital was increased were persons who have acquired shares not later than 14 days following the date of the decision of the General Assembly of the Shareholders for the capital increase. Each shareholder who acquired shares until the 14th day following the date of the General Assembly of the Shareholders when the decision for the capital increase was adopted received 1 new share.

Table №1

As of:	31.12.2016	31.12.2017	31.12.2018
Amount of the capital in BGN	15 000 000	15 000 000	15 000 000
Number of shares	15 000 000	15 000 000	15 000 000
Number of the issued and fully paid shares	15 000 000	15 000 000	15 000 000
Nominal value of the shares in BGN	1	1	1

As of 31.12.2018 the shareholders' structure of BILLBOARD AD is the following:

Table №2

Name of the shareholder	Number of shares hold	Percentage of the capital
Vassil Stefanov Genchev	3 753 730	25.024 %
Stephan Vassilev Genchev	3 000 000	20.00 %
Kalin Vassilev Genchev	3 000 000	20.00 %
Veneta Stephanova Gencheva	1 483 738	9.89 %
Other shareholders – physical persons and legal entities	3 762 532	25.086 %

**INFORMATION ON THE GROUP OF ENTERPRISES (ECONOMIC GROUP)
OF THE ISSUER**

BILLBOARD AD is a part of group of enterprises within the meaning of §1, item 2 from the Additional provisions of the Accountancy Act and is a parent company, holding over 50 % of the votes at the general assembly of several subsidiaries.

**As of 31.12.2018 the companies in the group of enterprises (economic group) of
BILLBOARD AD are:**

○ **DEDRAX AD**

Scope of activity: desktop publishing and graphic design, publishing and advertising activities, development, adaptation, implementation, support of software products and systems, marketing and distribution of the same. Domestic and foreign trade, and any other activity not prohibited by law.

The company was registered with a capital amounting to BGN 5 000. In 2010 the company's capital was increased to BGN 2 800 000 by its own funds representing a part of the profit for 2009 in the amount of BGN 310 750.92 and non-distributed company's profit from previous years in the amount of BGN 2 484 248.08.

At the regular annual session of the general assembly of the shareholders of Dextrax AD, held on 30.07.2014 was approved a resolution for a capital increase from BGN 2 800 000 to BGN 4 878 627 as the increase in the amount of BGN 2 078 627 was made by company's own funds representing not distributed profit for the period 2010 – 2013.

As of 31.12.2018 BILLBOARD AD holds directly 60 % of the votes at the general assembly.



○ **MOTION ARTS Ltd.**

Scope of activity: trading, production, management, tourism, services, computer animation and design, as well as any other activity not prohibited by law.

The company was registered with a capital in the amount of BGN 5 000.

As of 31.12.2018 BILLBOARD AD holds directly 255 company stakes, representing 51 % of the votes at the general assembly.

○ **DIGITAL PRINT EOOD**

Scope of activity: digital printing, advertising, intellectual property transactions, leasing, and any other transactions which are not prohibited by law.

The company was registered with a capital in the amount of BGN 5 000.

On 28.05.2015 in the Commercial Register to the Registry Agency under the batch of the company was filed a capital increase based on a resolution of the single owner. The company's capital is in the amount of BGN 3 000 000 (three million) out of which BGN 5 000 (five thousand) – money contribution and BGN 2 995 000 (two million nine hundred ninety-five thousand) – contribution in kind.

The single owner of capital BILLBOARD AD transferred at nominal value, fully and unconditionally its receivable to DIGITAL PRINT Ltd. in the amount of BGN 2 995 000 (two million nine hundred and ninety-five thousand) levs, representing part of monetary receivables arising from a Loan agreement concluded between BILLBOARD AD - lender and DIGITAL PRINT Ltd. - borrower, which receivable is part of the principal under the Loan agreement as from 01.08.2008 at nominal value amounting to BGN 5 000 000 (five million) levs and the part of the receivables - subject to the contribution in kind is in the total amount of BGN 2 995 000 (two million nine hundred and ninety-five thousand) levs.

Amount: BGN 2995000.

Number of the Act for assignment of experts: 20150312145317/13.03.2015.

As of 31.12.2018 BILLBOARD AD is a single owner of the company's capital.

Information on the Management System of the Issuer

BILLBOARD AD has a one-tier management system. The company is being managed by a Board of Directors.

As of 31.12.2018 the Board of Directors of BILLBOARD AD includes the following members:

1. Kalin Vassilev Genchev – Chairperson of the Board of Directors
2. Stefan Vassilev Genchev – Executive Director
3. Borislav Hristov Borisov – Independent member of the Board of Directors
4. Asen Georgiev Kostadinov – Independent member of the Board of Directors

The company is represented by the Executive member of the Board of Directors. No changes in the way of representation of the company have been made neither any appointment or discharge of procurator has occurred during 2018.

At the extraordinary session of the general meeting of the shareholders of BILLBOARD AD, held on 12.11.2018 was adopted a resolution for changes in the Board of Directors as Zarina Vassileva Gencheva and Dessislav Grozev Tomov were released from their positions as board members and Asen Georgiev Kostadinov was elected to be a new independent member of the Board of Directors of BILLBOARD AD for 5-years terms of office as from the date of entering the resolution with the Commercial Register to the Registry Agency.



The changes in the Board of Directors were filed with the Commercial Register to the Registry Agency on 16.11.2018 under № 20181116161641.

Information on amendments in the Company's Articles of Association made during the reported financial year

At the regular annual session of the general meeting of the shareholders, held on 29.06.2018 were not approved amendments to the company's Articles of Association.

II. OVERVIEW OF THE ACTIVITIES OF BILLBOARD AND THE COMPANIES INCLUDED IN THE GROUP OF ENTERPRISES (ECONOMIC GROUP) OF THE ISSUER

1. Major activity

BILLBOARD AD is a company with the following scope of activity: foreign and domestic trade; specific trade operations; barter and cross transactions; sales under the conditions of letters of credit; export of Bulgarian products to the international market; distribution of great volumes of imported goods; commercial representation; intermediation between local and foreign parties; printing and wide format printing activities; advertising activity; acquisition and incorporation of new companies with a scope of activity – printing, wide format printing activities, advertising activity as well as sale of such companies; acquisition, management, evaluation and sale of share participations in Bulgarian and foreign companies; acquisition, evaluation and sale of patents; transfer of licenses for use of patents to companies where the company participates; financing of companies where the company participates.

BILLBOARD AD and the companies included in the economic group perform activities in the following major spheres:

- Digital wide format printing;
- Offset printing;
- Construction and maintenance of advertising equipment;
- Information technologies and professional solutions for digital printing;
- Design and construction of integrated management information systems in the field of printing and advertising business;
- Complex solutions in the field of outdoor and interior advertising.

In 2018 BILLBOARD AD continued conducting its activities in the following areas: outdoor advertising, indoor advertising, transport advertising and metro advertising, events and exhibitions, photographs and reproductions. The company is a representative of 3M for the products of Commercial Graphics Division and is the only authorized 3M Scotchprint manufacturer. Thereby the company's customers receive additional support and guarantee from the world giant for the implementation of their projects.

In the field of **outdoor advertising** BILLBOARD AD develops and offers various types of billboards, mega boards, City Lights, advertising shop windows, awnings, facade advertising with integrated lighting and unlighted facade advertisement banners and packing of buildings.

In the field of **indoor advertising** BILLBOARD AD develops and offers printing of posters and banners with photo quality, including 3D posters, illuminated advertisements, banners, floor graphics, design and implementation of various backdrops, branding, development of boards and



panels, models of objects and people in natural size, advertising on custom interior spaces, expo systems.

In the field of **transport advertising** BILLBOARD Plc develops and offers a variety of services in the field of branding for different types of vehicles - cars and trucks, airplanes, ships and boats, means of public transportation.

DEDRAX AD is one of the major producers of printed advertising material and has the most modern technical equipment of the world leaders in the field such as: Man Roland Muller Martini, Renz and others. The Company operates in the following basic areas:

- sheetfed offset printing
- digital printing
- personalized secret printing
- full bookbinding
- film exposure

The printing house implements the full closed cycle of services necessary for the production of magazines and corporate periodicals, flyers and leaflets, brochures and catalogs, printed stationery, posters, calendars, labels and packaging, promotional materials and shelves.

DEDRAX AD offers sheetfed offset printing on two-sided chrome papers (80-300 gr./ sq. m. meters), offset (70-200 gr. / sq. m.), LWC (60-90 gr. / sq. m.) packaging cardboard (210-800 gr. / sq. m.), polypropylene adhesive paper, PVC foil, label papers and luxury cardboards as all formats and weights are available in the warehouse of the Company. Depending on the paper using standard inks, pantone colors and inks foil. The printing machines of DEDRAX AD cover all possible formats to 70/100 cm.

Since the beginning of 2007 DEDRAX AD has been developing a new segment in offset printing aimed at personalized and confidential information. Known as "security printing", this segment allows production in large series of cards or other materials with variable data, where, through specialized equipment, secret information is both printed and closed.

MOTION ARTS Ltd. is a company for outdoor advertisement, offering a big variety of advertising channels with coverage throughout the country and a wide choice of communication means.

The activities of the company are directed into four main areas:

- transport advertising (subway, electrical and motor transport in Sofia)
- advertising at point of sale (Billa, Mall of Sofia, Retail Park Plovdiv, Mall Varna)
- advertising on the road network (urban and national roads)
- advertising in urban areas (National Palace of Culture and facade meshes in Sofia)

MOTION ARTS Ltd. manages a major part of the advertising facilities in the Sofia subway and continues to serve multiple communication channels on the territory of Metropolitan EAD, Sofia.

The Company holds a significant number of billboards and mega boards, located in key places throughout the national road network.

In the field of transport advertising the company offers different types of branding consistent with both the client's desires and designs and the models of the vehicles.

In 2015 MOTION ARTS Ltd. has signed an exclusive agreement with SINE GRAND for managing all promotional activities within the two cinemas in the city of Sofia - Sine Grand Sofia City Center and Sine Grand Sofia Ring Mall.

DIGITAL PRINT EOOD has the following scope of activity: digital printing, advertising, intellectual property transactions, leasing, and any other transactions which are not prohibited by law.



MAJOR PRODUCTS AND THEIR VARIATIONS PRODUCED BY BILLBOARD AD AND THEIR SHARE OF THE TOTAL 2018 PRODUCTION

Table №3

Type of product	Description	TYPES	%	
OUTDOOR ADVERTISING	PRINT FOR OUTDOOR ADVERTISING	Types		
Billboard 4 x 3 Piza type	Billboard is a standard advertisement facility for outdoor advertisement, positioned in an urban or country area with standard size 4x3 m. By means of billboard advertisement one realizes successfully both image and product advertisements and the message reaches a wide range of public. For the realization of a successful campaign one recommends a selection of a sufficient number of locations, which could be rotated in the period of advertising and a location, which is in compliance with the advertised product	made of PVC Vinyl Front lighted	10.90 %	
		made of Backlit PVC Vinyl		
		Scroller		
		Printed on paper for metal plates		
		Made of Selfadhesive PVC film		
Megabillboards	These are advertisement constructions with big sizes, which are positioned along the highways or on residential buildings in the urban area. This type of advertisement carriers is used for the realization of the long-lasting image campaigns, in which the accent is on the brand. Since the size of the advertisement posters are impressive, there are big requirements for the facility and the board. For the advertisement facilities, placed on buildings, it is necessary an additional accuracy when making the poster, since the strength caused by the heavy winds often reaches 50 kg/m2. For this purpose it is mandatory to use strengthened seams, fixes and ropes when making the advertisement board.	Wall Murals	3.00 %	
		Highway Megabillboard 8x4m and 12x4m		
		Over-roof Megabillboards		
		Made of Mesh		
City Light	Advertisement facilities, located in pedestrian areas and at the public transport stops. Standard size 1,20m x1,80m, backlit. Typical for them is that they have a bigger readability compared to the other elements of outdoor advertisement. This makes the realization of brand advertisements possible. The materials used are mainly paper for backlit, vinyl or backlit film. The easy assembly and disassembly provide the opportunity for holding of campaigns and entire media planning.	Vien pillar	2.30 %	
		Rockets		
		Bus Shelter		
Shop windows advertising	Advertisement vision, located on the front building part, means a maximum efficient way for use of the buildings as a place for advertisement. It is realized by means of sticking perfo folio from the outdoor side of the windows, which folio imitates blinds and doesn't prevent the light to enter the building. The effect is a very pleasant one both for the employees working inside the building and for all the people outside the building, cause the perfo folio merges in a natural way with the front building part. The advertisement on glass front building parts is an image one and is efficient for a long period, since the production of the vision and the assembly are relative expensive.	Transperant film	4.90 %	32,90%
		Tight and sandblasting foil		
		Perforated foil		
		Rear projection		
Tents	They are used mainly in the public food facilities both with an advertisement purpose and in order to keep the visitors protected from sun, rain, snow etc. They are made out of vinyl or textile. They require that a particular construction on a preliminary draft should be erected, on which the canvas is to be set. The shapes and size are individual, in accordance with the capacities of the site.	Vinyl Tents	0.60 %	
Facade advertising	This is the widest spread advertisement in urban area. The front building areas are used of the trade sites, offices, restaurants and bars, institutions. Specific constructions are made with possibilities for diversity with the used printing media, lighting	luminous facade and feyshi	4.10 %	
		with no ligh		



	or not lighting, volume, neon etc.			
Banners	The banners are advertisement materials with non-standard sizes, not requiring a particular metal construction. It is specific for them, that they are easily to change and do not require high budget. They are produced most often of laminated or oiled vinyl. Depending on the envisaged way of suspension they could be made of pins, pockets, PVC or metal pipes.	Vinyl banner	3,20 %	
		Mesh banner		
		Transperant		
		Vertical vinyl baner		
		Textile banners		
Wrapping of Buildings	One of the most actual recent tendencies for sending of advertisement messages is the use of the front building parts as an advertisement area. Besides the unique in its size visual effect this type of advertisement has a purely practical benefit, as it covers the repair works during renovation of the buildings. Depending on the period of "wrapping" and the specific location of the site, one can use vinyl or construction net.	made of Vinyl net	0.30 %	
		made of construction net		
Signboards	The signboards are being placed predominantly on the streets and have the function to give additional information about the location and scope of activity of a particular company. It is typical for them to synthesize key information and data - company name, direction, remaining meters / kilometers. They can be one - or two-sided. They are being made of comatex, steel with PVC film. Reflective foil may also be used.	Metal plate with PVC	0.80 %	
		Reflective signs		
		Advertising and directive signs		
		Corporative totems		
Pavilions	Branding of a pavilion is an effective way of advertisement in urban environment. For its realization one performs an individual designer's project and in this way one achieves uniqueness of the commercial area. The purpose is attraction of customers and respectively increase of the sales. The materials, which are used for the "wearing" are 3M PVC folio (on metal parts) and perfo folio (on glass parts).	Branded with selfadhesive	1,00 %	
		Whole tent of Vinyl		
Flags	The flags are bearers of advertisement messages, related mostly with the image of a particular brand. They are used mainly for outdoor advertisement. They are assembled on pillars with the help of hooks or fixes, additionally strengthened with cord. For their production one uses especially developed polyester fabrics, which are more durable to weather conditions – wind, rain, snow, sunlight etc. The standard sizes are 4x1.5 m, but they could vary.	Advertising flags	1,20 %	
		National Flags		
		Windblade		
		Special flags for strong wind		
Gas stations	Billboard AD offers also variable materials, related with the layout of the gas station as a trade object. They have no advertisement nature, but rather an image and informational one. Their production is fully in compliance with the specifics and requirements for layout of gas stations. In order to avoid the standard vision, one puts emphasis on the unique design, which distinguishes the different chains. The products, which are produced, are various: totems, stickers for gas station posts, lighting boxes, advertisement canvasses, front building part constructions, indicating signs.	Branding of pistol holders	0.20 %	
		Light boxes on the cashdesks		
		Totems		
Interior advertising	PRINT FOR INTERIOR ADVERTISING	Type		
POS	Advertising on the place of purchase is related with most efficient way of presenting the products, or so cold Murchandise. Billboard offer a wide variety of differetn size, type or shape of printed material for POS, as well as the hanging system or any individual projects. The better way of presenting the products and their technical datas is important part of selling the products.	Translites	18.50 %	
		Stands		
		Pallet zone		
		Security zone		
Posters	Printing of posters and placards with photo quality of different media – regular, poster or photo paper, gloss or matt, with additional option for laminating. It successfully replaces the offset printing provided that there are single items needed or	Stoppers	9.91 %	
		Poster		
		Carton board		
		Vinyl board		
		PP poster		



	there is a need of small volume of printing or printing with many different visions. Also here the maximum width of printing is 160 cm, without restrictions in the length. The printing is with solvent UV and water durable inks.	3D lenticular board		
Illuminated advertising	Metal or aluminium constructions with inbuilt lighting bodies, directed to the front part. Depending on the sizes and the location, where they are assembled, their visions could be printed on different medias. One uses a special mode of printing, in which the colours are more thick and bright and compensate the backlit. Their main advantage against the other advertisement bearers is that their vision is active 24 hours. The advertisement could be done in different ways: plexiglass with PVC folio, backlit film, vinyl for back lighting.	Backlite boxes	1.80 %	40.81 %
		Menu boards		
Banners	The banners are advertisement and information elements, designed for location on various sites. They are with non-standard sizes and are to be applied as well for outdoor as for indoor advertisement. They are used for events with short duration – conferences, promotions, forums or as information boards. The way of fixing is always individual, depending on the conditions, but most often by means of fixes, pockets, metal or PVC pipes. They are made mainly of laminated or glued vinyl and they do not require a special construction for assembly.	Made of Vinyl	2.70 %	
		Textile banners		
		Tranperants		
Floor graphic	The floor graphic is a non-standard and breath taking advertisement product. It is used for branding, promoting, advertisement and decoration. It is extremely suitable for big commercial sites, sport halls, museums, airport and bus terminals, gas stations and fast food restaurants. They are made of high quality folio of the 3M brand and are placed on all types of smooth floor surfaces. For the more bigger events and promotions one can use them as outdoor advertisement on sideboards and squares.	Standart floorgraohic	2.80 %	
		Stairways		
		3D floor graphics		
Sets and other decorations	One of the main tasks of the indoor designers is to give the space coziness and comfort, as in this way they make so that the people feel comfortable, without difference where they are. The contemporary technologies allow the production of different sets and other decorations such as curtains, table-cloths, floor covers, damasks etc. The most often used materials are textile and paper, as they are most common for the human	Sets for rest places	0.60 %	
		Sets for TV studios		
		Sets of showrooms		
		Theatre sets		
Refrigerating shop-windows and vending machines	Branding of refrigerating glass windows is used for indoor advertisement, mainly in the commercial sites and public facilities. It is made by means of application of 3M PVC film, as its designation is to introduce the commercial brand and the main product, which is offered to the users.	Coffe machines	0.20 %	
		Refrigerators		
		Refrigerating shop-windows and automates		
Dashboards and panels	These are articles, which are placed with decorative, advertisement or indicative purpose. They are intended to be used mostly in the commercial sites. They are made out of different surfaces: foamboard, comatex, PVC material and depending on the function they have they could be printed both one-sided and two-sided. In the cases when one seeks photographic quality, the vision is printed on photo paper and then it is cashed on the surface.	PVC Board	1.10 %	
		Models and Figures		
		Canvases of Foamboard		
Lifts and escalators	Advertisement on non-standard indoor spaces such as lifts, escalators and staircase rooms by means of sticking with PVC folios. This is an extremely suitable way for realization of long-term image non-standard advertisement campaigns in the commercial or public sites, where there is a huge stream of passengers every day.	Lifts and escalators	1.20 %	
		Elevetor doors		
		Whole branding of elevator		
		Halls		



Transportation advertising	PRINTING OF TRANSPORTATION ADVERTISING	Type		
Cars	Cars are extremely suitable for entire branding. The lack of complex curves makes them into an ideal subject of full wrapping. In this way one increases the advertisement area and strengthens the effect of the advertisement and the esthetics. The cars are intended mainly for transfer of passengers, so that one could avoid the branding of the glasses, but often one covers also the roof, which is easily accessible. In case of full wrapping one recommends the use of folios 3M from the series SC 40;50 and SC 180;380 depending on the warranty and stability of the application.	whole branding	4.00 %	
		partial branding		
		reflective		
		tunning of cars		
Jeeps and vans	Jeeps and vans are extremely suitable for entire branding. The lack of complex curves makes them an ideal object for "covering". In this way one increases the advertisement area and strengthens the effect of the advertisement and the esthetics. They are intended mainly for transfer of passengers, so that one could avoid the branding of the glasses, but often one covers also the roof, which is easily accessible. With the full wrapping one recommends the use of folios 3M of the series SC 40;50 and SC 180;380 depending on the warranty and the stability of the application.	whole branding	0.20 %	
		partial branding		
		reflective		
		tunning		
Motors	Branding of motors is another non-standard and attractive way of submitting the advertisement message. The sticking could be both partial and full. The advantage of these vehicles is the lack of complex curves, although the selection of folio is strictly specific. One recommends the series for vehicles of 3M - ScotchCal 40 and ScotchCal 50, because of the additional scratch resistant cover. Prior to the assembly of the stickers it is necessary that the motor should be measured and designed by the experts of Billboard JSC.	whole branding	0.01 %	
		partial branding		
		reflective		
		tunning		
Cargo vehicles	Cargo vehicles are more and more often used for supply with goods. Almost all companies performing commercial activities have at least one cargo vehicle. That's why the branding namely of this type of vehicles is the most wide distributed both with advertisement purposes and with identification purpose. Big commercial companies, distributors or speditors create an entire corporate fleet, thus demonstrating the presence on the market during goods delivering. The quality for execution of the advertisement is of great importance because it additionally contributes for the good image of the company. Low quality with the performance of the advertisement is inadmissible. At the same time cargo vehicles are most complex from technical point of view, as they have complex curves. This makes the selection of folio restricted and increases the price. Recommended are the materials for entire branding 3M Scotchcal 180 and 3M Scotchcal 380 depending on the depth of the curves	whole branding	4.80 %	14.91%
		partial branding		
Trucks	Even more companies brand their trucks, with which they operate. Depending on the work activity the application could be an image one or it could provide visual information about the offered products and services. The main advantage is the bigger area of this kind of vehicles, which could be partially or fully branded. The trucks are one of the most appropriate bearers of advertisement, cause they are always on the move and so they are influencing a bigger public. It is recommended that one uses the folio of the specially distributed series for vehicles of 3M - Scotchcal 40 and Scotchcal 50.	with metal sides	1.30 %	
		with PVC vinyl		
		Petrol tank trucks		
Special purpose cars	Special purpose cars require high level reflective materials. Billboard AD offers all reflective series of 3M - SC 580; SC 680; Diamand Gray etc.	Police vehicles	0.50 %	
		Ambulances		
		Security vehicles		



Public transport	Public transportation is used more and more often as a bearer of advertisement messages. They reach a wider range of consumers. The visual effect is made through the entire or partial branding. The visions are printed on 3M PVC folio of the metal parts. The windows are branded with perfo folio, which doesn't prevent the light from entering the vehicle, so that the advertisement message doesn't obstruct the visibility from the inside to the outside. Besides the outdoor branding with folios, there are another possibilities available for indoor and outdoor advertisement: lighting and non lighting constructions, advertisement posters, banners etc.	Buses Troleys Trams Mini Buses Metro	4.10 %	
Projects	COMPLETE PROJECTS EXECUTION	Type		
Events and exhibitions	Every event is unique in itself from the point of view of the used advertisement elements. The purpose is that one should combine all visual materials, such as banners, columns, billboards, screens etc, so that they should strengthen and express to the maximum extent the effect from the size. The task and the purpose of the company Billboard JSC is to create a visual communication, which should strengthen the influence on the public by means of optimal use of the possibilities of the rooms and the environment. When decorating a particular event it is important, that one should consider the nature of the event as well as its purpose. In this case one achieves a suitable selection and quality make of the advertisement materials.	Events Concerts Oppening Press-conference Company partys Sepmling nad presentations	0.30 %	
Complete projects execution	Billboard AD offers complete projects execution for visual communication. The company has a highly trained professional team of designers, prepress and applications who can creating a complete interior or exterior project from the Idea to the final details. The company has also offices in the main cities of Bulgaria - Sofia, Plovdiv, Varna and Bourgas witch serve the local markets and national campains.	Design Engeneering Prepress Construction Aplication	8.20 %	8.60 %
Photographs and reproductions	Making of images of photograph quality designed for professional photograph exhibitions and reproductions. Most often there are used different types of photo paper, canvas and other art materials.	Reproduction of art Photo Exhibitions	0.10 %	

MAJOR PRODUCTS AND THEIR VARIATIONS PRODUCED BY DEDRAX AD AND THEIR SHARE OF THE TOTAL 2018 PRODUCTION

Table № 4

Products	%
Advertising Brochures	10.62%
Packaging	10.00%
Advertising Leaflets	8.25%
Advertising Flyers	7.50%
Magazines	7.15%
Advertising Catalogues	6.21%
Textbooks	6.15%
Calendars	5.00%
Posters	4.33%
Books	4.10%

Boxes	3.50%
Notebooks	2.10%
Stickers	2.00%
Woblers	1.89%
Folders	1.72%
Bags	1.51%
Piramids	1.51%
Labels	1.31%
Others	1.23%
Notebooks	1.21%
Displeys	1.01%
Working calendars	0.82%
Print only	0.82%
Mats	0.72%
Price tags	0.67%
Company blanks	0.67%
Scretch cards	0.67%
Cards, Postcards	0.61%
Incerts	0.61%
Playing cards	0.59%
Show cards	0.52%
Recepy books	0.48%
Shelf tolkers	0.44%
Shelves	0.44%
Business cards	0.37%
Postareti	0.37%
Pockets	0.33%
Headers	0.33%
Cubes	0,33%
CD covers	0.32%
Stoppers	0.30%
Neck hangers	0.26%
Sleevs	0.24%
Menues	0.24%
Price tags	0,24%
Envelopes	0.22%
Newspapers	0.11%
Total	100 %

2. Markets And Sales

Pursuant to the annual consolidated financial statements of BILLBOARD AD in accordance with IAS/IFRS as of 31.12.2018 BILLBOARD AD reports consolidated net sales revenues in the amount of BGN 36 067 000 which is an increase by 2.71% compared to the 2017 consolidated net sales revenues in the amount of BGN 35 117 000.



The consolidated production net sales revenues of BILLBOARD AD as of 31.12.2018 BILLBOARD AD are in the amount of BGN 30 388 000 and report a growth by 3.67 % compared to the consolidated production net sales revenues as of 31.12.2017 and the services net sales revenues are to the amount of BGN 5 679 000 and decreased by 2.19 % compared to 31.12.2017.

Table № 5

Revenues (in thousand BGN)	31.12.2016	31.12.2017	31.12.2018
Production sales	28 761	29 311	30 388
Services sales	5 239	5 806	5 679
Total	34 000	35 117	36 067

The 2018 consolidated production net sales revenues in the amount of BGN 30 388 000 represent 84.25 % of the consolidated net sales revenues and the services net sales revenues in the amount of BGN 5 679 000 and represent 15.79 % of the consolidated net sales revenues.

As of 31.12.2018 the companies in the economic group of BILLBOARD AD report export revenues in the total amount of BGN 2 420 000 which is 6.71 % of the consolidated net sales revenues.

Breakdown of the export revenues of BILLBOARD AD on a consolidated basis as of 31.12.2018 is the following:

Table № 6

Country	Revenues in BGN '000
France	1 254
Germany	354
Holland	195
Greece	113
Great Britain	111
Hungary	72
Latvia	68
Romania	65
Austria	47
Italy	40
Denmark	23
Serbia	19
Spain	17
Belgium	11
Others	31
Total:	2 420

In 2018 BILLBOARD AD used the following basic marketing strategies:

Direct marketing

The Trade Department of the company continuously collects information about the market - for new customers, for those who do not work with the company, for competitors and others. The information is being analyzed and a specific strategy to the specific client is been set. When the new customer is a company that does not use the services of BILLBOARD AD and does not work with competitive companies, meetings with the management of the company are being organized, where to present all products and services of BILLBOARD AD, explain their competitive advantages and



identify an appropriate approach to the customer. When the potential new client develops its potential towards a competitor, the management and the Sales Department of the company look for weaknesses of the competition and offer better solutions.

Direct sales

The Sales Department of the company accepts all requests from the customers clarify their requirements and advise them on the best way for implementation. Then all the information is being systematized and formed in an order with the help of a specialized information system and the production is being launched. In the implementation process BILLBOARD AD monitors and controls the proper execution of the contract by informing the customer at every stage of its implementation.

Advertisement

BILLBOARD AD regularly uses the classic advertisement as a means of promoting new services, general price conditions and others. As major marketing channels the company uses outdoor advertising, radio advertising for the implementation of an image campaigns, and some specialized media, such as magazines and newspapers. The Company regularly updates its production website that provides detailed information on all products and services offered by BILLBOARD AD in the field of wide-format digital printing, price lists and information about the technologies used by the company.

Sponsorship

BILLBOARD AD is a traditional sponsor of many events and organizations such as the National Academy of Art, marketing forums, sports rallies, the Center For Disadvantaged People, different forums on the capital market and others. Sponsorship activities are part of the overall marketing strategy of the company, thereby simultaneously increasing the company's image and help various important causes.

Exhibitions and events

BILLBOARD AD participated in most marketing, advertising, PR and Internet business exhibitions such as Com Print, Print & Pack, Advertising Expo, Webit Expo and others. On these exhibitions the company presents its new products and collects information from the market. Together with 3M, the company annually organizes a workshop presenting the latest world trends and experience through the eyes of an outdoor advertising company.

Image

One of the most important preconditions for the company's success is its good reputation and high quality of products and services imposed on the market. BILLBOARD AD strictly adheres to the principle that the best advertisement is the work itself. For this purpose the company does not compromise on quality, paying due attention to the orders of each customer and constantly investing in promoting the qualification of its employees as well as in new advanced technologies that are unique for the Bulgarian market.



INFORMATION ON ISSUES RELATED TO ECOLOGY AND EMPLOYEES

ECOLOGY

BILLBOARD AD is a company whose main activity does not directly affect the environment. BILLBOARD AD develops its activities, complying with the requirements of environmental protection by means of independently recycling all quantities of residual ink using specialized equipment.

The Company has developed and consistently applies environmental policy related to the obligations for charging the waste of packaging. BILLBOARD AD works jointly with Eco Bulpack in order to optimize the quantities of packaging waste. An Environmental Committee monitors the consistent implementation of the policy of the Company.

The company has implemented a number of environmental projects following its responsible policy on environmental protection.

BILLBOARD AD was certified under ISO 9001:2008 and SMETA standard which also help improving environmental protection.

EMPLOYEES

As of 31.12.2018 BILLBOARD AD has 83 employees. 46 people out of these employees or 55 % are engaged in the production activity. The total number of employees engaged with administrative services in the company is 37 people or 45 %.

Table № 7

Type of personnes	2016	2017	2018
Management Specialists	13	12	17
Analytical Specialists	10	7	9
Professionals	7	6	9
Administrative personnel	2	3	2
Qualified production personnel	43	33	39
Machine operators	1	1	2
Low qualified personnel	2	3	5

The structure of employment by type of personnel corresponds to the activities and needs of BILLBOARD AD so that the company may provide highly effective services.

As of 31.12.2018 DEDRAX AD has 353 employees. 285 people out of these employees or 81% are engaged in the production activity. The total number of employees engaged with administrative services in the company is 68 people or 19 %.

As of 31.12.2018 MOTION ARTS Ltd. has 45 employees. 32 people out of these employees or 71 % are engaged in the advertising services activities. The total number of employees engaged with administrative services in the company is 13 people or 29 %.

III. OPERATING RESULTS

As a result of the economic activity in 2018 BILLBOARD AD reported consolidated financial result - net profit in the amount of BGN 478 000, compared to the consolidated net profit in the amount of BGN 694 000 as of 31.12.2017 which was a 31.12 % decrease of the consolidated net profit. The profit related to the owners of the parent company as of 31.12.2018 was in the amount of BGN 241 000 and reported a 39.60 % decrease compared to the profit reported as of 31.12.2017.



In 2018 BILLBOARD AD has generated consolidated profit before taxes in the amount of BGN 552 000 compared to the profit before taxes for 2017 in the amount of BGN 797 000 which is a 34.50 % decrease of the consolidated profit before taxes.

Table № 8

					BGN '000
SHAREHOLDERS' EQUITY	2016	%	2017	%	2018
SHAREHOLDERS' EQUITY					
Share capital	15 000	0 %	15 000	0 %	15 000
Revaluation reserve	1 020	0 %	1 020	16.67 %	1 190
Reserves	3 868	0 %	3 868	2.39 %	3 960
Financial result	715	55.80 %	1 114	-90.31 %	108
1. Retained earnings (losses)	390	83.33 %	715	-118.60 %	-133
2. Current year profit/loss	325	22.77 %	399	-39.60 %	241
Group equity	20 603	1.94 %	21 002	-3.54 %	20 258
Non-controlling interest	2 029	12.07 %	2 274	-2.86 %	2 209
TOTAL SHAREHOLDERS' EQUITY	22 632	2.85 %	23 276	-347 %	22 467

Operating revenues by category

Table № 9

					BGN '000
SALES REVENUES	2016	%	2017	%	2018
Production sales	28 761	1.91 %	29 311	3.67 %	30 388
Service sales	5 239	10.82 %	5 806	-2.19 %	5 679
Total:	34 000	3.28 %	35 117	2.71 %	36 067
FINANCIAL INCOME					
Interest revenue	49	16.33 %	57	-50.88 %	28
Divident income	0	0 %	0	0 %	0
Total financial income:	49	16.33 %	57	-50.88 %	28

As of 31.12.2018 BILLBOARD AD reported consolidated net sales revenues in the amount of BGN 36 067 000 which is a 2.71 % increase compared to the consolidated net sales revenues of the company as of 31.12.2017 which were in the amount of BGN 35 117 000. The consolidated financial income of the company as of 31.12.2018 was in the amount of BGN 28 000 and reported a decrease by 50.88 % compared to the previous year.



Operating expenditures by category

Table № 10

					BGN '000
EXPENSES	2016	%	2017	%	2018
Expenditures					
Materials	15 129	1.99 %	15 430	4.10 %	16 062
External services	8 515	-4.2 %	8 157	-2.32 %	7 968
Depreciation	2 300	0.26 %	2 306	9.84 %	2 533
Salaries and Social security	6 105	11.71 %	6 820	16.61 %	7 953
Impairment of assets	213	84.04 %	392	-60.71 %	154
Other operating expenses	377	-13.53 %	326	-35.58 %	210
Changes in inventories of finished goods and work in progress	45	93.33 %	87	-85.75 %	98
Total:	32 684	2.55 %	33 518	3.77 %	34 782
Financial expenses					
Interest expenses	1 142	-5.95 %	1 074	-19.18 %	868
Negative exchange differences	12	-25 %	9	33.33 %	12
Other financial differences	147	29.25 %	190	-26.84 %	139
Total financial expenses	1 301	-2.15 %	1 273	-19.95 %	1 019

The consolidated operating expenses of BILLBOARD AD as of 31.12.2018 were in the amount of BGN 34 782 000 which represents an increase by 3.77 % compared to the operating expenses reported as of 31.12.2017 in the amount of BGN 33 518 000.

The most essential part of the operating expenses takes the materials in the amount of BGN 16 062 000 which report an increase by 4.10 % compared to 2017.

The consolidated external services expenses for 2018 were in the amount of BGN 7 968 000 and decreased by 2.32 % compared to the consolidated external services expenses for 2017.

FINANCIAL INDICATORS

1. LIQUIDITY

Table № 11

LIQUIDITY INDICATORS	31.12.2016	31.12.2017	31.12.2018
Total liquidity ratio	0.96	0.89	0.74
Quick liquidity ratio	0.77	0.76	0.64
Absolute liquidity ratio	0.15	0.16	0.11
Immediate ratio	0.21	0.24	0.13

The trend of the liquidity indicators over time provides the most valuable information. It is supposed that liabilities to creditors are being paid off in cash rather than using inventories or equipment. I.e., these factors describe the company's ability to pay off its debts on time.



TOTAL LIQUIDITY RATIO

The total liquidity ratio is one of the earliest formulated indicators and is considered to be universal. The total liquidity ratio represents the ratio of current assets to current liabilities. The optimum values of this ratio are over 1-1.5.

As of 31.12.2018 the value of the total liquidity ratio on a consolidated basis is 0.74 and reports a decrease compared to its 2017 value. During the current financial period the company has reported a decrease of the consolidated current assets by 15.19 % while the current liabilities increased insignificantly by 1.97 %.

QUICK LIQUIDITY RATIO

The quick liquidity ratio represents the ratio of current assets minus inventories to current liabilities. Its traditional dimensions proving stability of the company is around 0.5.

As of 31.12.2018 the value of the quick liquidity ratio on a consolidated basis is 0.64 and reports an inconsiderable decreased compared to its rate reported in 2017 which is due to the decrease of the consolidated current assets by 15.19 % as well as a decrease in the inventories by 22.43 % with an inconsiderable increase in the current liabilities by 1.97 %.

IMMEDIATE LIQUIDITY RATIO

The immediate liquidity ratio represents the ratio of short-term receivables to cash and current liabilities of the company.

In 2018 the value of the immediate liquidity ratio on a consolidated basis is 0.13 and reports a decrease compared to the value registered by the company for the previous financial year. In 2018 compared to 2017 the consolidated current financial assets reported a significant decrease by 73.45 % as the cash and cash equivalents of the company decreased by 32.27 % while the current liabilities increased by 1.97 %.

ABSOLUTE LIQUIDITY RATIO

The absolute liquidity ratio is calculated as the ratio of cash and short term liabilities and indicates Company's ability to meet its short term liabilities with its available cash.

The value of the absolute liquidity ratio on a consolidated basis by 31.12.2018 is 0.11. In 2018 compared to 2017 the consolidated current liabilities of BILLBOARD AD increased by 1.97 % and the cash and cash equivalent decreased by 32.28 %.

2. CAPITAL RESOURCES

Table № 12

LEVERAGE INDICATORS	31.12.2016	31.12.2017	31.12.2018
Financial leverage indicator	1.34	1.25	1.20
Debt/Assets	0.57	0.56	0.54
Financial autonomy indicator	0.74	0.79	0.84

The financial autonomy and financial leverage indicators report on the ratio between own funds and borrowed funds in the capital structure of the company. High rates of the financial autonomy indicator, respectively, low rates of the financial leverage indicator, provide guarantee both for investors /creditors/ and for the owners themselves, on the ability if the company to pay regularly its long-term liabilities.



The effect of using borrowed funds (debt) by the company with a view to increase the final total net income from the funds involved in the activity (equity and borrowings) is called financial leverage. The benefit of using financial leverage appears when the company benefits from the investment of borrowed funds more than the expenses (interest) on their attraction. When a company achieves higher yields when using borrowed funds in its capital structure than the expenses on their attraction are, leverage is justified and should be considered in a positive way (with the reservation that the rate of leverage does not significantly negatively influence other financial indicators of the company/the group).

FINANCIAL AUTONOMY RATIO

The financial autonomy ratio shows what percentage of the total liabilities represents the shareholders' equity of the group.

As of 31.12.2018 the value of the financial autonomy ratio on a consolidated basis is 0.84 and slightly increased compared to 2017. In 2018 compared to 2017 the debt of BILLBOARD AD on a consolidated basis decreased by 8.32 % and the shareholder's equity decreased by 3.54 %.

FINANCIAL LEVERAGE RATIO

In 2018 in comparison with 2017 the value of the financial leverage ratio on a consolidated basis reported an inconsiderable decrease which is due to the decrease in the total debt by 8.32 % and a decrease in the shareholder's equity by 3.54 %.

DEBT TO TOTAL ASSETS RATIO

The ratio of debt to total assets shows what percentage of the group's assets is being financed through debt.

As of 31.12.2018 the value of the Debt / Assets ratio on a consolidated basis is 0.54 and decreased inconsiderably compared to its value for 2017. In 2018 compared to 2017 the amount of consolidated debt of the company decreased to BGN 26 859 000 and the value of assets decreased by 6.17 %.

3. Profitability indicators

Table №13

PROFITABILITY INDICATORS	31.12.2016	31.12.2017	31.12.2018
Profitability of capital	0,038	0.046	0.032
Return on equity (ROE)	0,025	0.030	0.021
Return assets (ROA)	0,011	0.013	0.010

RETURN ON EQUITY (ROE)

The Return on Equity indicator is calculated as the profit after taxation from the total income statement is related as a percentage of the Company's shareholders' equity. This ratio measures the return to shareholders in terms of their absolute investments.

In 2018 compared to 2017 BILLBOARD AD reported a decrease by 31.12 % in the consolidated net financial result and the shareholder's equity on a consolidated basis decreased by 3.54 %.

RETURN ON ASSETS (ROA)

The Return on Assets indicator shows the effectiveness of using the total assets in the Group.

As of 31.12.2018 the value of the Return on Assets indicator is 0.010 and also decreased compared to the value for the previous year. In 2018 the company reported a decrease by 31.12 % in the consolidated net profit and the total value of the consolidated assets decreased by 6.17 % compared to 2017.

PROFITABILITY OF CAPITAL

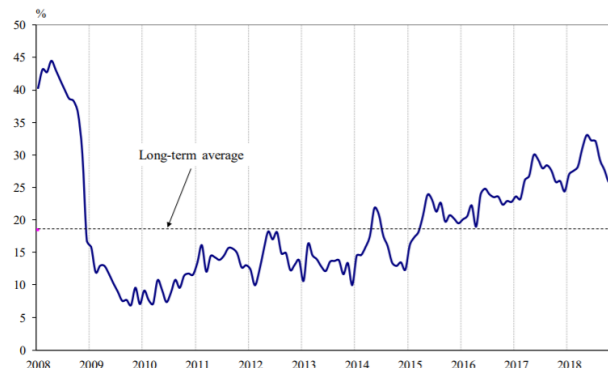
As of 31.12.2018 the indicator for profitability of capital increased and reached the value of 0.032. In 2018 compared to 2017 BILLBOARD AD reported a decrease by 31.12 % in the consolidated net financial result and the shareholder's equity on a consolidated basis decreased to BGN 20 258 000.

IV. PRINCIPAL RISKS WHICH BILLBOARD AD AND THE COMPANIES IN THE GROUP FACE

OVERALL MACROECONOMIC RISK

Pursuant to data of the National Statistical Institute in December 2018, the total business climate indicator⁴ decreases by 0.5 percentage points in comparison with the previous month as a result of the more unfavourable business climate in industry.

Figure 1. Business climate - total



The composite indicator 'business climate in industry' decreases by 2.7 percentage points mainly due to the more reserved industrial entrepreneurs' expectations about the business situation of the enterprises over the next 6 month. In their opinion, the present production activity is preserved, as their expectations about the activity over the next 3 months are more favourable.

The uncertain economic environment and shortage of labour remain the most serious obstacles for the business development, pointed out respectively by 37.0 % and 34.1 % of the enterprises. As regards the selling prices in industry, the majority of the managers foresee preservation of their level over the next 3 months.

Pursuant to data of the National Statistical Institute in December 2018 preserves approximately its level from the previous month. The inquiry registers an improvement in the construction entrepreneurs' assessments about the present business situation of the enterprises, while their expectations over the next 6 months are more reserved.

The main problems for the activity continue to be connected with the shortage of labour, uncertain economic environment and competition in the branch, although in the last month a decrease of their negative influence is reported.

Concerning the selling prices in construction, the managers do not expect a change over the next 3 months.

Pursuant to data of the National Statistical Institute in December 2018 the composite indicator 'business climate in retail trade' increases by 3.2 percentage points which is due to the optimistic retailers' assessments and expectations about the business situation of the enterprises. However, their expectations about both the volume of sales and the orders placed with suppliers over the next 3 months are more unfavourable.

The most serious difficulty for the business remains the competition in the branch, pointed out by 57.0 % of the enterprises. In the last month an increase of the negative influence of the factor 'insufficient demand' is observed, which shifts to the third place the factor 'uncertain economic environment'.

The retailers foresee the selling prices to preserve their level over the next 3 months.

In December 2018, the composite indicator 'business climate in service sector' remains to its level as of November 2018. As regards the demand for services, the present tendency is assessed as reduced, as also the expectations over the next 3 months are more reserved. Competition in the branch and uncertain economic environment continue to be the main obstacles for the activity of the enterprises. Concerning the selling prices in the service sector, the managers expect them to remain unchanged over the next 3 months.

The assessment of the economy and finance of the Governing Council of the ECB as of December 13, 2018 showed that although global economic activity remains sustainable, it is even more uneven and signs of slowing growth appear.

The reached upturn in the global economic cycle, the weakening monetary stimulus in a number of developed economies and the impact of customs tariffs between the USA and China have a negative impact on global economic activity. World trade growth is slightly slowing down and uncertainties about future trade relations are rising. At the same time, financing conditions remain favourable in developed economies, while in some emerging countries they were tightened. In the future, global economic activity is expected to slow down in 2019 and then - to remain stable. The pressure to raise global inflation is expected to increase slowly with the decrease in free production capacity.

During the third quarter of 2018 the euro area real GDP has grown by 0.2 % on a quarterly basis, after growth of 0.4 % during the previous two quarters. The latest data and survey results are weaker than expected, reflecting the declining contribution of external demand and some specific factors for separate countries and sectors. Although some of these factors are likely to subside, this might be a sign of impending weaker growth momentum. At the same time, domestic demand, also backed by the position of the ECB's Governing Council for non-restrictive monetary policy, continues supporting the economic upturn in the euro area. Stable labour market, which finds expression in rising employment and increasing wages, still supports private consumption. In addition, domestic demand, favourable financing conditions and improving balances have positive impact on business investments. Housing investments remain stable. In addition, global economic activity is expected to continue growing, although at a slower pace, stimulating euro area exports.

This assessment is broadly reflected in the Eurosystem staff macroeconomic projections of December 2018. According to these projections, GDP is expected to increase on a yearly basis by 1.9 % in 2018, 1.7 % in 2019, 1.7 % in 2020 and 1.5 % in 2021. Compared to the ECB's staff macroeconomic projections as of September, 2018, the forecast for real GDP growth has been slightly revised downwards for 2018 and 2019. The risks regarding the growth prospects in the euro area can still be assessed as broadly balanced. However, the risk balance shifts to lower-than-expected outcomes as a result of persistent uncertainty related to geopolitical factors, the threat of protectionism, vulnerabilities in emerging markets and fluctuations in the financial markets.



INTEREST RATE RISK

The interest rate risk is related to possible, contingent adverse changes in the interest rates, set by the financial institutions in the Republic of Bulgaria.

At its monetary policy meeting held on December 13, 2018, the Governing Council of the ECB decided to suspend the net asset purchases in December, 2018 while keeping the key ECB interest rates unchanged and further develop its asset reinvestment guidance. Although incoming data are weaker than expected, reflecting lower external demand and due to some country and sector-specific factors, the strong in its core domestic demand continues supporting the euro area's economic upturn and the gradually rising inflation pressure. This reinforces the confidence of the Governing Council that the sustainable convergence of inflation to its target level will continue and will persist even after the suspension of net asset purchases. At the same time, there remains considerable uncertainty related to geopolitical factors, the threat of protectionism, vulnerabilities in emerging markets and the fluctuations in financial markets. Therefore, a policy of significant monetary stimulus is still needed to support the further strengthening of domestic price pressures and overall inflation dynamics in the medium term. The Governing Council's benchmark in terms of key ECB interest rates, supported by the reinvestment of a significant volume of assets acquired, continues providing the necessary money supply for the sustainable convergence of inflation to its target level. In any case, the Governing Council is ready to adjust all of its instruments depending on the circumstances to ensure that inflation continues to be steadily closer to its target level.

Base interest rates set by the Bulgarian National Bank for the period 01.01.2018 – 31.12.2018

Table № 13

Month	Base Interest Rate
January, 2018	0.00 %
February, 2018	0.00 %
March, 2018	0.00 %
April, 2018	0.00 %
May, 2018	0.00 %
June, 2018	0.00 %
July, 2018	0.00 %
August, 2018	0.00 %
September, 2018	0.00 %
October, 2018	0.00 %
November, 2018	0.00 %
December, 2018	0.00 %

*Source:BNB

INFLATION RISK

Inflation risk is the overall increase in prices, where money is devalued and there is likelihood for households and businesses to suffer losses.

Pursuant to data of the National Statistical Institute, the consumer price index in October 2018 compared to September 2018 was 100.7 %, i.e. the monthly inflation was 0.7 %. The inflation rate since the beginning of the year (October 2018 compared to December 2017) has been 2.8 % and the annual inflation in October 2018 compared to October 2017 was 3.7 %. The annual average inflation, measured by CPI, in the last 12 months (November 2017 - October 2018) compared to the previous 12 months (November 2016 - October 2017) was 2.8 %.

Pursuant to data of the National Statistical Institute, the harmonized index of consumer prices in October 2018 compared to September 2018 was 100.2 %, i.e. the monthly inflation was 0.2 %. The inflation rate since the beginning of the year (October 2018 compared to December 2017) has been 2.6 % and the annual inflation in October 2018 compared to October 2017 was 3.6 %. The annual average inflation, measured by HICP, in the last 12 months (November 2017 - October 2018) compared to the previous 12 months (November 2016 - October 2017) was 2.5 %.

Pursuant to data of the National Statistical Institute, the consumer price index in November 2018 compared to October 2018 was 99.9 %, i.e. the monthly inflation was -0.1%. The inflation rate since the beginning of the year (November 2018 compared to December 2017) has been 2.7% and the annual inflation in November 2018 compared to November 2017 was 3.1%. The annual average inflation, measured by CPI, in the last 12 months (December 2017 - November 2018) compared to the previous 12 months (December 2016 - November 2017) was 2.8 %.

Pursuant to data of the National Statistical Institute, the harmonized index of consumer prices in November 2018 compared to October 2018 was 99.7 %, i.e. the monthly inflation was -0.3 %. The inflation rate since the beginning of the year (November 2018 compared to December 2017) has been 2.3 % and the annual inflation in November 2018 compared to November 2017 was 3.0 %. The annual average inflation, measured by HICP, in the last 12 months (December 2017 - November 2018) compared to the previous 12 months (December 2016 - November 2017) was 2.6 %.

Pursuant to data of the National Statistical Institute, the consumer price index in December 2018 compared to November 2018 was 100.0 %, i.e. the monthly inflation was 0.0 %. The annual inflation in December 2018 compared to December 2017 was 2.7 %. The annual average inflation, measured by CPI, in the last 12 months (January - December 2018) compared to the previous 12 months (January - December 2017) was 2.8 %.

Pursuant to data of the National Statistical Institute, the harmonized index of consumer prices in December 2018 compared to November 2018 was 100.0 %, i.e. the monthly inflation was 0.0 %. The annual inflation in December 2018 compared to December 2017 was 2.3 %. The annual average inflation, measured by HICP, in the last 12 months (January - December 2018) compared to the previous 12 months (January - December 2017) was 2.6 %.

Inflation for the period 01.01.2018 – 31.12.2018 is as follows:

Table № 14

Month	% of inflation
January, 2018	0.3 %
February, 2018	0.3 %
March, 2018	0.3 %
April, 2018	0.4 %
May, 2018	0.3 %
June, 2018	0.1 %
July, 2018	0.7 %
August, 2018	0.1 %
September, 2018	0.3 %
October, 2018	0.7 %
November, 2018	- 0.1 %
December, 2018	0.0 %

*Source: NSI



POLITICAL RISK

Political risk is the likelihood of a governmental change or a sudden shift in its policy, occurrence of external or internal political disturbances and unfavorable changes in the European and/or national legislation, as a result of which the environment where local businesses operate to change adversely and investors - to suffer losses.

Political risks for Bulgaria in the international aspect are associated with the commitments for implementation of significant structural reforms in the country in its capacity of a full-right EU member, enhancing social stability, reducing inefficient expenses, on one hand, and the strong destabilization of the Middle East countries, more frequent threats of terrorist attacks in Europe, waves of refugees and instability in key countries close to Bulgaria.

Bulgaria together with the other countries – EU members from the region continue being seriously affected by the common European problem with the intensive refugee flow from the Middle East.

Other factors that also influence this risk are possible legislative changes and in particular those concerning the economic and investment climate in the country.

CURRENCY RISK

Exposure to currency risk is the dependence on and the effects from changes in the currency exchange rates. Systematic currency risk is the likelihood of any possible change of the currency regime in the country (currency board) which would either lead to devaluation of the BGN or the appreciation of the BGN against foreign currencies.

Currency risk will have impact over companies having market shares, payments to which are made in currencies different from the Bulgarian lev and the euro. In view of the fact that according to the current legislation in the country the Bulgarian lev is pegged to the euro at the rate of EUR 1 = BGN 1.95583 and the Bulgarian National Bank is obliged to maintain a level of Bulgarian lev in circulation equivalent to the foreign exchange reserves of the Bank, the risk of devaluation of the lev against the European currency is minimal and consists in a possible elimination of the currency board in Bulgaria ahead of term. At this stage it appears to be unlikely since the Currency Board is expected to be repealed upon adoption of the euro as an official legal tender in Bulgaria.

Theoretically, currency risk could increase when Bulgaria joins the second phase of the European Exchange Rate Mechanism (ERM II). This is a regime under which the country must maintain the currency rate against the euro within a + / -15% from central parity. In practice, all countries which are currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) have witnessed fluctuations that were significantly smaller than the allowed $\pm 15\%$.

The fixed rate of the BGN to the EUR does not eliminate the risk for the Bulgarian currency of adverse movements in the euro exchange rate against other major currencies (U.S. dollar, British pound, Swiss franc) in the international financial markets, but at present the company does not consider that this risk would be significant in terms of its activity. The company might be affected by the currency risk, depending on the type of currency of its cash and the type of currency of the company's contingent loans.

LIQUIDITY RISK

The appearance of liquidity risk with regard to the company is being associated with the possible lack of timely and/or sufficient cash to meet all current liabilities. This risk may occur, either in case of significant delays in payments from debtors of the company, or in case of insufficiently effective management of the company's cash flows.



UNSYSTEMATIC RISKS

SECTOR RISK

As a result of the impact of the economic crisis the advertising and printing industry in Bulgaria faced serious problems - decreased demand, increased share of lower quality but, at the same time, cheaper printed materials and services, and even outflow of clients. Most sectors of the economy, that suffer the effects of the economic crisis most essentially, reduced their advertising costs, which also had an impact on the activity of a number of graphic and advertising studios and printing houses, respectively.

BILLBOARD AD is dependent mostly on the general trends in the field of printing, marketing and advertising. Since the amount of investments in marketing depends on the amount and allocation in time of the cash flows of the client itself and the overall situation of the sector where the advertiser operates, BILLBOARD AD is directly dependent on the cyclicity of the economy. Slowdown of the Bulgarian economy growth and reducing the cost of advertising and printing, respectively, may have a major negative impact on the company's revenues and profit.

This risk is somewhat compensated by the extensive production capabilities and know-how that would allow BILLBOARD AD quickly redirect to new demand of products and services in the event of change in the demands' structure.

Advantage to the company is also the new and modern technological equipment which give BILLBOARD AD the opportunity to realize production of very high quality. In practice, in this respect, the range of competitors of BILLBOARD AD on the territory of the country that have the technical and technological capacity to produce printed products of such quality, is very limited.

RISK OF INTRODUCTION OF NEW TECHNOLOGIES

BILLBOARD AD is in a permanent process of investing in new equipment, which ensures that the production is in line with the technological processes development trends. Practice has shown that more substantial changes in the technologies used in the sector does not occur in less than 5 years as older technologies are not fully replaced by the new ones. This enables gradual integration of new technologies when such technologies appear. Regarding the risk of introduction of other, already existing, but not applied in Bulgaria, printing technologies, it should be noted that in order for such technologies to become cost-effective it is required much larger volumes of the single orders, which determines the different application field of these technologies, and the fact that they are not particularly competitive in the segments where the company operates.

DEPENDENCE ON KEY PERSONNEL

The specificity of the main activity of BILLBOARD AD, as well as the use of different types of technologies such as solvent printing, Ink-jet printing, UV printing, textile printing, 3D printing require well-trained, highly qualified specialists to carry out precisely and responsibly all operations and to handle freely with the respective technologies. This makes the process of hiring such specialists difficult in view of the mass shortage of well-trained staff. At the same time, the retention of this type of personnel by the company in recent years is also dependent on the expected high levels of remunerations (the average salary in Sofia is considerably higher than in the rest of the country).

In this respect, BILLBOARD AD applies consistently a policy of additional investments in the training of its specialists as well as a regular increase in the remuneration of the employees, including by optimizing their number.



RISK OF INCREASE IN PRICES OF BASIC MATERIALS

The major raw materials essential for the main activity of BILLBOARD AD - digital wide format printing are vinyl and vinyl mesh, PVC foil, paper and ink. Some of the supplies of the necessary raw materials are carried out by Bulgarian producers or by countries within the European Union, in respect of which the risk of a sudden or unjustified increase in the price of the materials is minimized.

Due to the significant influence that China's raw materials have gained over the last few years on the Bulgarian and European markets as a result of the long-term supply of good value-for-money products, the company would be negatively affected in the event of an increase the cost of these materials, which is not subject to European regulation and predictability criteria.

V. ALL IMPORTANT EVENTS, OCCURRED AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENTS

After the date of the annual closure of BILLBOARD AD entered into an investment bank loan agreement with Bulgarian Development Bank AD for the total amount of BGN 2 800 000. The loan is granted for a period of 120 months at the interest rate of 3M EURIBOR + 3 % but not less than 4.5% annually. The investment loan is granted for the acquisition of specialized printing equipment and production and office properties owned by Digital Print EOOD located in the city of Varna based on a valuation carried out by an independent valuator as well as for refinancing of the liabilities BILLBOARD AD to Eurobank Bulgaria arising from a loan agreement dated 26.07.2017. With regard to the investment loan BILLBOARD AD also signed a credit line agreement with Bulgarian Development Bank AD for the amount of up to BGN 960 000 for a 24-months period at the interest rate of 3M EURIBOR + 3 % but not less than 4.5% annually for working capital to pay local taxes, notary fees and VAT in relation to the acquisition of the assets subject to the investment loan as the collaterals under the investment loan shall also cover the credit line.

The transactions do not fall under the provisions of art. 114, para. 1 of the Law on Public Offering of Securities and do not involve any interested parties within the meaning of art. 114, para. 7 of the Law on Public Offering of Securities. As of the date of the annual closure of BILLBOARD AD has acquired the assets under the above stated conditions.

As of the date of preparation of this annual report there have been no other significant events occurred after the date of the annual closure requiring correction of the financial statements or representing important information, influencing the price of securities.

VI. PROBABLE FUTURE DEVELOPMENT OF THE COMPANIES IN THE GROUP

In 2018 BILLBOARD AD continued developing the direction of increasing exports to Western European and Balkan countries. A contract for production and delivery of advertising materials was signed for a leading European oil company covering the markets in Bulgaria, Romania, Serbia and Moldova. In the long term, the company strives for more than 40 % of the revenues to be generated by foreign customers.

In 2018 BILLBOARD AD also continued focusing on interior and POS advertising products, thus increasing the profit per unit. The focus was related to creating high quality products to distinguish the company from all of the other competing companies on the market.

BILLBOARD AD implemented a large-scale project for branding of various national sites related to the Bulgarian Euro-Presidency for the period January - June 2018 and the performance was rated extremely high by the Bulgarian Ministry as well as by the foreign delegates.

As regards the development of outdoor and indoor advertising in 2018 it was relatively stable. There were no major changes both in terms of consumption and supply of materials. The trend of exerting pressure on the price levels of certain products remained unchanged but it was



compensated by alternative materials or products. One of the biggest advantages of the company is its professional sales team which, despite the price pressure, provides the best solution for customers.

At the same time advertising is highly dependent on the political situation of the country. In 2018 there were no serious political turmoils thus contributing to the sustainable development of advertising as well.

The main efforts of DEDRAX AD in 2018 were aimed at continuing the trend of increasing the export of major advertising products such as catalogs, leaflets, books and many others. New relations have been developed and existing relations with foreign clients have been deepened, focusing on creating lasting relations directly with clients and consumers and reducing the influence of intermediaries and resellers.

At the same time, DEDRAX AD expanded its production capacities in Varna for the production of cardboard packages with the installation of additional capacities and the creation of several parallel production lines to meet the requirements of multinational international companies. Generally, in 2018 the packaging production increased by more than 10% and the production program reported stability - 24/7. The regular nature of orders and the possibility of longer-term planning make it possible to expect growth rates and profits in the coming years.

In 2018, MOTION ARTS Ltd. successfully implemented numerous campaigns of its clients on the territory of Sofia Metropolitan as well as on the Republican Road Network and at the point of sale in Billa and Kaufland. The company develops organically and grows in line with the development of the Sofia Metropolitan, also supported by the opening of new branches of the two major retail chains. The company invested in construction and maintenance of billboard facilities and in 2018 successfully completed the project for acquisition of advertising facilities on the Republican Road Network owned by UBB Bank, which was carried out within several previous years.

Pursuant to the annual financial statements of BILLBOARD AD, drawn up according to the IFRS forms, as of 31.12.2018 the company generated consolidated net sales revenues in the amount of BGN 36 067 000 which is an increase by 2.71 % compared to the net sales revenues for 2017. The consolidated production net sales revenues as of 31.12.2018 were in the amount of BGN 30 388 000 and the consolidated services net sales revenues were in the amount of BGN 5 679 000. The consolidated production net sales revenues represent 84.25 % of the consolidated net sales revenues and the share of the consolidated services net sales revenues is 15.75 % of the consolidated net sales revenues.

In 2018 BILLBOARD AD and the companies in the Group did not report a significant change in the prices of products and services.

Given the economic situation in the European Union and Bulgaria in 2018, and in particular the market where the companies included in the Group operate, the management of BILLBOARD AD believes that in 2019 the company will achieve 3 % growth in the consolidated sales revenue compared to 2018. In terms of the results in financial aspects, BILLBOARD AD and the companies in the Group will continue being dependent on the domestic consumption and the conservative advertising budgets of companies in the country.

VII. RESEARCH AND DEVELOPMENT ACTIVITIES

During the last three years BILLBOARD AD and the companies in the Group have not carried out research and development activities.



VIII. INFORMATION ON THE NUMBER AND THE NOMINAL VALUE OF THE SHARES OF THE ISSUER AND THE COMPANIES IN THE ECONOMIC GROUP

BILLBOARD AD is a part of group of enterprises within the meaning of §1, item 2 from the Additional provisions of the Accountancy Act and is a parent company, holding over 50 % of the votes at the general assembly of several subsidiaries.

As of 31.12.2018 the companies in the group of enterprises (economic group) of BILLBOARD AD are:

○ **DEDRAX AD**

Scope of activity: desktop publishing and graphic design, publishing and advertising activities, development, adaptation, implementation, support of software products and systems, marketing and distribution of the same. Domestic and foreign trade, and any other activity not prohibited by law.

The company was registered with a capital amounting to BGN 5 000. In 2010 the company's capital was increased to BGN 2 800 000 by its own funds representing a part of the profit for 2009 in the amount of BGN 310 750.92 and non-distributed company's profit from previous years in the amount of BGN 2 484 248.08.

At the regular annual session of the general assembly of the shareholders of Dedrax AD, held on 30.07.2014 was approved a resolution for a capital increase from BGN 2 800 000 to BGN 4 878 627 as the increase in the amount of BGN 2 078 627 was made by company's own funds representing not distributed profit for the period 2010 – 2013.

As of 31.12.2018 BILLBOARD AD holds directly 60 % of the votes at the general assembly.

○ **MOTION ARTS Ltd.**

Scope of activity: trading, production, management, tourism, services, computer animation and design, as well as any other activity not prohibited by law.

The company was registered with a capital in the amount of BGN 5 000.

As of 31.12.2018 BILLBOARD AD holds directly 255 company stakes, representing 51 % of the votes at the general assembly.

○ **DIGITAL PRINT EOOD**

Scope of activity: digital printing, advertising, intellectual property transactions, leasing, and any other transactions which are not prohibited by law.

The company was registered with a capital in the amount of BGN 5 000.

On 28.05.2015 in the Commercial Register to the Registry Agency under the batch of the company was filed a capital increase based on a resolution of the single owner. The company's capital is in the amount of BGN 3 000 000 (three million) out of which BGN 5 000 (five thousand) – money contribution and BGN 2 995 000 (two million nine hundred ninety-five thousand) – contribution in kind.

The single owner of capital BILLBOARD AD transferred at nominal value, fully and unconditionally its receivable to DIGITAL PRINT Ltd. in the amount of BGN 2 995 000 (two million nine hundred and ninety-five thousand) levs, representing part of monetary receivables arising from a Loan



agreement concluded between BILLBOARD AD - lender and DIGITAL PRINT Ltd. - borrower, which receivable is part of the principal under the Loan agreement as from 01.08.2008 at nominal value amounting to BGN 5 000 000 (five million) levs and the part of the receivables - subject to the contribution in kind is in the total amount of BGN 2 995 000 (two million nine hundred and ninety-five thousand) levs.

Amount: BGN 2995000.

Number of the Act for assignment of experts: 20150312145317/13.03.2015.

As of 31.12.2018 BILLBOARD AD is a single owner of the company's capital.

IX. INFORMATION ON ACQUISITION OF OWN SHARES, REQUIRED PURSUANT TO ART. 187D OF THE COMMERCIAL ACT

1. The number and the nominal value of the acquired and transferred through the year own stocks; the share of the capital which they represent, as well as the price at which the acquisition or transfer have been executed

In 2018 BILLBOARD AD and DEDRAX AD have not acquired neither have transferred own shares.

The other companies in the Group of enterprises of BILLBOARD AD are not joint stock companies.

2. The number and the nominal value of the possessed own stocks and the share of the capital which they represent

BILLBOARD AD and DEDRAX AD do not hold own shares.

X. FINANCIAL INSTRUMENTS USED BY BILLBOARD AD AND THE COMPANIES INCLUDED IN THE GROUP

BILLBOARD AD and the companies in the economic group use standard bank financing for working capital and investment purposes as well as leasing and factoring schemes in the implementation of their investment policies.

Except for the described above, the companies do not use special financial instruments when implementing their financial policies, incl. in hedging and managing their financial risk.

BILLBOARD AD and the companies in the Group of enterprises have not used financial instruments in 2018 laying hedge risks from changes in foreign exchange rates, interest rates or cash flows. The companies might have exposure to liquidity, market, interest rate, currency and operational risks from its use of financial instruments.

XI. ADDITIONAL INFORMATION UNDER APPENDIX NO 10 OF ORDINANCE NO 2 OF FSC

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the issuer as a whole and the changes that occurred during the reporting fiscal year

Pursuant to the annual consolidated financial statements of BILLBOARD AD in accordance with IAS/IFRS, as of 31.12.2018 BILLBOARD AD reported consolidated net sales revenues in the



amount of BGN 36 067 000 which is an increase by 2.71 % compared to the 2017 consolidated net sales revenues in the amount of BGN 35 117 000.

The consolidated production net sales revenues of BILLBOARD AD as of 31.12.2018 BILLBOARD AD are in the amount of BGN 30 388 000 and reports a growth by 3.67 % compared to the consolidated production net sales revenues as of 31.12.2017 and the services net sales revenues are to the amount of BGN 5 679 000 and decreased by 2.19 % compared to 31.12.2017.

Table №16

Revenues (in thousand BGN)	31.12.2016	31.12.2017	31.12.2018
Production sales	28 761	29 311	30 388
Services sales	5 239	5 806	5 679
Total	34 000	35 117	36 067

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the issuer

There is no concentration or dependence of BILLBOARD AD and the companies included in the group of enterprises in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales of BILLBOARD AD and the companies included in the group.

◇ Information about the the revenues allocated by local and external markets.

As of 31.12.2018 the companies in the economic group of BILLBOARD AD report export revenues in the total amount of BGN 2 420 000 which is 6.71% of the consolidated net sales revenues.

Breakdown of the export revenues of BILBOARD AD on a consolidated basis as of 31.12.2018 is the following:

Table № 17

Country	Revenues in BGN '000
France	1 254
Germany	354
Holland	195
Greece	113
Great Britain	111
Hungary	72
Latvia	68
Romania	65
Austria	47
Italy	40
Denmark	23
Serbia	19
Spain	17
Belgium	11

Others	31
Total:	2 420

3. Information about concluded material transactions

In 2018 have not been concluded transactions which result or may reasonably assume that will lead to favorable or unfavorable change in the amount of 5 or more percent of the revenues or profits of the company, other financial indicator and the market price of the issued shares by the company, except for those announced in the financial statements as of 31.12.2018.

In formation on the larger transactions with related parties outside the group of BILLBOARD AD concluded in 2018 is presented in detail in the 2018 annual consolidated financial statements in the IAS/IFRS forms.

4. Information about events and indicators of unusual for the companies in the economic group of the issuer nature, having substantial influence over its operation and the realized by it revenues and expenses made; assessment of their influence over the results during the current year

During 2018 have not occurred unpredictable and unforeseen circumstances of an extraordinary nature for BILLBOARD AD and the companies included in the group of enterprises.

5. Information about off-balance kept transactions – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the issuer’s financial status and the financial status of the companies in the economic group

During 2018 BILLBOARD AD and the daughter companies have not concluded off-balance kept transactions.

6. Information about holdings of the issuer and the companies in the economic group, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing

As of 31.12.2018 BILLBOARD AD has holdings in the following subsidiary companies within the economic group of the issuer:

Table №18

Name of the Company	Scope of Activity	Capital share or percentage of votes at the General Assembly
DIGITAL PRINT EOOD	Digital printing, advertising, intellectual property transactions, leasing, and any other transactions which are not prohibited by law	100 % of the capital
DEDRAX AD	Desktop publishing and graphic design, publishing and advertising activities, development, adaptation, implementation, support of software products and systems, marketing and distribution of the same. Domestic and foreign trade, and any other activity not prohibited by law.	60 % of the capital
MOTION ARTS	Trading, production, management, tourism, services, computer	51 % of the capital



Ltd	animation and design, as well as any other activity not prohibited by law.	
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7. Information about the concluded by the issuer, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities

Amount and maturity date of the loans of BILLBOARD AD as at 31.12.2018 the parameters of the liabilities under loan from financial institutions are as follows:

Таблица № 19

Bank / Creditor	Agreed amount of the credit	Interest rate %	Maturity date	Current part at depreciated value		Long-term part at depreciated value	
				Principal	Interests	Principal	Interests
Bulgarian Development Bank	6356	3M EURIB + 4.2% > 5.50%	20.3.2025	640	28	4311	-
Eurobank Bulgaria AD	600	prime + 3.25%	26.7.2019	312	-	-	-
Bulgarian Development Bank	5379	3M EURIB + 4.2% > 5.50%	20.3.2025	555	6	3447	-
Eurobank Bulgaria AD	1173	prime + 3.50%	31.8.2019	970	1	-	-
Eurobank Bulgaria AD	978	prime + 3.50%	31.8.2019	851	1	-	-
First Investment Bank	65	6.95 %	01.11.2019	49	-	-	-
Piraeus Bank Bulgaria AD	142	3M SOFIBOR + 4.62%	30.08.2019	83	-	-	-
SG Expressbank AD	6571	3M EURIBOR + 4.75 %	30.12.2021	1 428	13	1400	-

8. Information about the concluded by the issuer, by its subsidiary or the parent undertaking, in their capacity of lenders, loan contracts, including the provision of guarantees of any type, including to related persons, with indication of the concrete conditions there under, including the deadlines for repayment and the purpose for which they have been granted

In 2018 BILLBOARD AD and the companies in the group have not granted loans in considerable amounts. Information on the balances under outstanding loans is presented in the notes to the annual consolidated financial statements as of 31.12.2018.

9. Information on the use of the funds from a new issue of securities of BILLBOARD AD and the companies in the economic group of the issuer carried out during the reported period

During 2018 BILLBOARD AD and DEDRAX AD have not issued new share issues.

10. Analysis of the relationship between the financial results reflected in the financial statements for the financial year and earlier published forecasts for these results

In 2018 BILLBOARD AD has not published forecasts on its consolidated resultd for the reported period.

11. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their removal



The management of the financial resources is subject to the requirement to achieve maximum efficiency with the simultaneous observance of the terms of payment agreements with suppliers and with customers. The company serves promptly the leasing schemes developed in the implementation of its investment policy.

As of 31.12.2018 BILLBOARD AD does not meet difficulties in serving its liabilities to financial institutions and suppliers.

12. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity

Given the economic situation in the European Union and Bulgaria in 2018 and in particular the market where the companies included in the Group of BILLBOARD AD operate, the management of BILLBOARD AD believes that in 2019 the company will achieve 3 % increase in the consolidated sales revenue compared to 2018. In terms of the results in financial aspects, BILLBOARD AD and the companies in the Group will continue being dependent on the domestic consumption and the conservative advertising budgets of companies in the country.

13. Information about occurred during the reporting period changes in the base principles for management of the issuer and its economic group

For BILLBOARD AD and the companies included in its group of enterprises within the meaning of the Accountancy Act have not occurred changes in the base principles for management.

14. Information about the main characteristics of the applied by the issuer in the course of preparation of the financial statements internal controls system and risk management system

When describing the general characteristics of the internal control and risk management systems it should be taken into account that neither the Law on Public Offering of Securities nor the National Corporate Governance Code define internal control framework to be followed by the public companies in Bulgaria. Therefore, for the purpose of implementing the companies' obligations under Art. 100m, para. 8 item 4 of the Law on Public Offering of Securities to describe the general characteristics of the systems are used the frames of the International Auditing Standard 315.

General description of the internal control and risk management systems

There is a functioning internal control and risk management system in BILLBOARD AD which ensures the effective functioning of the reporting and information disclosure systems. The system was built and functions in order to identify the risks that the company might face in its operation and support their effective management. The Board of Directors has the primary responsibility and role in terms of elaborating the internal control and risk management system. The Board has both managing and guiding function as well as ongoing monitoring function which consists of assessment whether the system is still suitable for the company in the changed environment, whether it acts as expected and whether it is periodically adjusted to the changed conditions. Assessment is proportionate to the characteristics of the company and the influence of the risks identified.

The objective of the internal control and risk management systems, applied in BILLBOARD AD is to ensure conformity between the legal and regulatory requirements and the proper functioning of the internal processes. These systems are established in accordance with the specific characteristics of the company - its business, financial performance, industry sector, needs and resources.

The internal control and risk management systems are aimed at:



- o identifying risks to which the Company may be exposed
 - ((a) risks related to the core business of the Company and
 - (b) risks that could materially affect the preparation and presentation of financial statements);
- o presenting the relevant information concerning these risks to the Board of Directors in order to ensure a possibility for taking informed management decisions;
- o control on the existence of compliance with the legal provisions, regulations and guidelines of the management operations;
- o monitoring the company's operations.

Control environment

The control environment includes the general management and particular management functions as well as the attitude, awareness and operations of the corporate board responsible for the management in a broad sense and the responsible management in terms of the internal control. The control environment includes the following elements:

- **Commitment to competence** - The Board of Directors, audit committee and persons involved in the internal control and risk management process have the necessary knowledge and skills needed to perform the tasks required by the process that determine the job description of a person. The Board of Directors and the Executive Director of the company ensure the levels of competence for particular positions and the ways in which these levels become required requisites for skills and knowledge.

- **Involvement of persons responsible for general management** - The consciousness for control in the company is influenced significantly by the people engaged with general management, namely the members of the Board of Directors. The responsibilities of the Board of Directors are regulated by the Articles of Association and the management contracts. Additionally the Board of Directors is engaged with supervising the planning of the model and the effective functioning of the warning procedures and processes for reviewing the effectiveness of internal control of the company.

- **Philosophy and operating style of management** – The philosophy and operating style of management cover a wide range of characteristics. The attitudes of the Board of Directors and its actions in relation to financial reporting are revealed through the conservative choice among the available alternative accounting principles.

- **Organizational structure** - The establishment of appropriate organizational structure includes consideration of the main areas of powers and responsibilities and appropriate hierarchical levels of accountability and reporting. The Board of Directors considers the appropriateness of the company's organizational structure, taking into consideration this structure with the size and nature of the activities of the company.

- **Assignment of powers and responsibilities** – When assigning powers and responsibilities to other employees in the company it is being taken into account the applicable business practices in the sector, the knowledge and experience of the employees and resources available in the company.

- **Human resources policies and practices** - Policies and practices related to human resources often show important issues regarding the consciousness for control in the company. While selecting personnel the Board of Directors and the Executive Director focus on the education background, previous work experience, past accomplishments and evidence for integrity and ethical



behaviour. Thus the company expresses its commitment to appoint competent and reliable employees.

Risk valuation process in the Company

The risk valuation process on the part of the Board of Directors of BILLBOARD AD represents the basis regarding the way the corporate board of the Company specifies the risks that need to be managed.

The Board of the Company identifies the following types of risks relevant to the Company and its operations: general (systematic) and specific (unsystematic) risks. Systematic risks are related to the macro environment where the company operates, therefore in most cases they are not subject to control by the management team. Unsystematic risks are directly relevant to the Company's operations and depend mainly on the management. In order to minimize their effect the company relies on increasing the efficiency of internal corporate planning and forecasting which provides capabilities to overcome the possible negative consequences of a risk event that has occurred.

Each of the risks associated with the country - political, economic, credit, inflation, currency – has its independent significance but their overall consideration and the interaction between them form an overall picture of the economic fundamentals, market conditions, competitive conditions in the country where the company operates.

A detailed description of the risks specific to the activities of BILLBOARD AD is presented in the section MAIN RISKS THE COMPANY FACES of this annual activity report.

Risk management process in the Company

The Corporate board of BILLBOARD AD is responsible for the risk management. Risk management involves identifying, valuating and controlling potential events or situations that may negatively affect the achievement of the objectives of the organization and is aimed at providing reasonable assurance that the business objectives of the Company will be achieved.

Information systems and related business processes essential for the financial reporting and communication

The information system essential for financial reporting purposes, which includes the accounting system, consists of procedures and documentation developed and established to:

- initiation, reflecting, processing and reporting of transactions and operations of the company (as well as events and conditions) and maintaining accountability for the related assets, liabilities and equity;
- resolving problems with incorrect processing of transactions, such as automated files for unspecified positions of information and procedures followed for timely correction of detained unspecified positions;
- processing and reporting on cases of circumventing the systems or tackling the controls;
- transferring the information from the transactions processing systems in the general ledger;
- covering the information which is essential for the financial reporting of events and conditions, other than transactions and operations, such as amortization of tangible and intangible assets and changes in collection of receivables; and
- ensuring that the information required for disclosure by the applicable financial reporting framework is collected, reflected, processed, summarized and that it is properly recorded in the financial statements.



The communication on the part of the company of the roles and responsibilities in terms of financial reporting and the related important issues, involves understanding of the individual roles and responsibilities related to the internal control. Communication includes such questions as the extent to which the accounting team understands how its activities in the information system for financial reporting are related to the work of the others and the means for reporting on exceptions to the corporate board.

Communication is based on financial reporting rules jointly developed with the independent auditor. Open communication channels help ensure that exceptions are reported and respective actions are undertaken with this regard.

Current monitoring of the controls

Current monitoring of the controls is a process of valuating the effectiveness of the results from the internal control functioning over time. It includes timely valuation of the controls effectiveness and undertaking the necessary remedial action. The corporate board carries out current monitoring of the controls through ongoing activities, separate valuations or a combination of both. Ongoing monitoring activities are often built into the normal recurring activities of the company and include regular management and supervisory activities.

15. Information on the changes in the management and supervisory bodies of the company and the companies in the economic group during the reporting financial year

As of 31.12.2018 the Board of Directors of BILLBOARD AD includes the following members:

1. Kalin Vassilev Genchev – Chairperson of the Board of Directors
2. Stefan Vassilev Genchev – Executive Director
3. Borislav Hristov Borisov – Independent member of the Board of Directors
4. Asen Georgiev Kostadinov – Independent member of the Board of Directors

The company is represented by the Executive member of the Board of Directors. No changes in the way of representation of the company have been made neither any appointment or discharge of procurator has occurred during 2018.

At the extraordinary session of the general meeting of the shareholders of BILLBOARD AD, held on 12.11.2018 was adopted a resolution for changes in the Board of Directors as Zarina Vassileva Gencheva and Dessislav Grozev Tomov were released from their positions as board members and Asen Georgiev Kostadinov was elected to be a new independent member of the Board of Directors of BILLBOARD AD for 5-years terms of office as from the date of entering the resolution with the Commercial Register to the Registry Agency.

The changes in the Board of Directors were filed with the Commercial Register to the Registry Agency on 16.11.2018 under № 20181116161641.

16. Information on the amount of the remunerations, rewards and/or the benefits of everyone of the members of the management and control bodies for the fiscal year under review, paid by the issuer and its subsidiaries, irrespective of whether they have been included in the issuer's expenses or rise from profit distribution, including:

- a) received amounts and non-money remunerations;
- b) contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time;
- c) amount owed by the issuer or its subsidiaries for payment of pensions, compensations at retiring on a pension or other similar compensations



In 2018 for the members of the Board of Directors have been calculated the following remuneration from the company:

Table №20

Full name	Position	Gross in BGN
Kalin Vassilev Genchev	Chairperson of the Board of Directors	42 840
Stefan Vassilev Genchev	Executive Director	42 840
Desislav Grozev Tomov	Independent member of the Board of Directors until 16.11.2018	26 775
Borislav Hristov Borisov	Independent member of the Board of Directors	30 600
Zarina Vassileva Gencheva	Member of the Board of Directors until 16.11.2018	26 775
Asen Georgiev Kostadinov	Independent member of the Board of Directors as from 16.11.2018	2 550

In 2018 the members of the Board of Directors have not received non-money remunerations. The company does not have contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time.

As of 31.12.2018 BILLBOARD AD do not owe amounts for payment of pensions, compensations at retiring on a pension or other similar compensations.

In 2018 for the members of the Board of Directors of DEDRAX AD have been calculated and paid remunerations in the total amount of BGN 66 557.

In 2018 the managing director of MOTION ARTS Ltd. has received total gross annual remuneration in the amount of BGN 225 000.

In 2018 the managing director of Digital Print Ltd. has received total gross annual remuneration in the amount of BGN 6 120.

17. Information about the owned by the members of the management and of the control bodies, procurators and the senior management shares of the issuer, including the shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the issuer by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options

As of 31.12.2018 members of the Board of Directors of BILLBOARD hold shares from the capital of the company as follows:

Table №21

Full name	Position	Number of shares	% of the capital
Kalin Vassilev Genchev	Chairperson of the Board of Directors	3 000 000	20 %
Stefan Vassilev Genchev	Executive Director	3 000 000	20 %
Borislav Hristov Borisov	Independent member of the Board of Directors	0	0 %
Desislav Grozev Tomov	Independent member of the Board of Directors until 16.11.2018	0	0 %
Zarina Vassileva Gencheva	Member of the Board of Directors until 16.11.2018	2 000	0.01%
Asen Georgiev Kostadinov	Independent member of the Board of Directors as from 16.11.2018	1 918	0.01%

The company has not provided options on securities.



18. Information about the known to the company agreements (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder

The management of the company does not have information about known to the company agreements as a result of which changes may occur at a future time in the owned percentage of shares by current shareholders.

19. Information about pending legal, administrative or arbitration proceedings relating to liabilities or receivables of the companies in the economic group of the issuer at the amount of at least 10 percent of its equity; if the total amount of the issuer's liabilities or receivables under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately

There are no pending legal, administrative or arbitration proceedings relating to liabilities or receivables of BILLBOARD AD at the amount of at least 10 percent of its equity.

20. Information about the Investor Relations Director:

Sophia Argirova - Atanasova

Tel. +359 2 62 50 71;

e-mail : ir@digitalprint.bg

No 1 Bulgaria Sq., National Palace of Culture, AI4 entr., 1464 Sofia.

XIII. OTHER INFORMATION AT THE COMPANY'S DISCRETION

The Company estimates that there is no other information that has not been publicly disclosed by the company and that would be important for the shareholders and investors in taking a well-grounded investment decision.

Enclosed as a separate document is a Consolidated Corporate Governance Declaration pursuant to the provisions of Art. 100n, para. 8 of the Law on Public Offering of Securities which represents an integral part of this Report.

Date of signing and approval for issuance:

19.04.2019

Sofia

For BILLBOARD AD

Stefan Genchev

/Executive member of the Board of Directors /