



INTERIM REPORT ON THE ACTIVITIES OF BILLBOARD AD, Sofia AS OF 31.12.2019 ON A CONSOLIDATED BASIS

1. IMPORTANT DEVELOPMENTS FOR BILLBOARD AD AND THE SUBSIDIARIES IN THE ECONOMIC GROUP THAT OCCURRED DURING THE PERIOD 01.01.2019 - 31.12.2019

For the period 01.01.2019 – 31.12.2019 BILLBOARD AD has announced the following inside information to FCS, BSE-Sofia AD and the public:

On 17.01.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public the following announcement: 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.

Joint debtor under the bank loan agreement is DEDRAX AD. The collaterals for granting the loan include mortgage on properties owned by Vasil Genchev, Veneta Gencheva, Kalin Genchev and Stefan Genchev; special pledge on assets - subject of acquisition with the provided financing and own funds, as well as on a machine owned by BILLBOARD AD.

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.

On 30.01.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial report for the fourth quarter of 2018.

On 01.03.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial report for the fourth quarter of 2018.

On 01.04.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public Annual audited individual financial statements as of 31.12.2018.

On 23.04.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial report for the first quarter of 2019.

On 25.04.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public Annual audited consolidated financial statements as of 31.12.2018.

On 14.05.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public invitation for a regular attendance session of the General Assembly of the company's Shareholders on 28.06.2019, at 10.00 a.m. at No1 Bulgaria sq., National Palace of Culture, „low-rise building”, floor 2, 1463 Sofia, under the following agenda and draft resolutions: **1.** Approving the Annual Report of the Board of Directors on the company's activities for the year 2018. *Draft Resolution:* The General Assembly of Shareholders approves the Annual Report of the Board of Directors on the company's activities for the year 2018. **2.** Approving the Audited Annual Financial Statements of the company for the year 2018 and the report of the certified auditor. *Draft Resolution:* The General Assembly of Shareholders approves the Audited Annual Financial Statements of the company for the year 2018 and the report of the certified auditor. **3.** Approving the Annual Consolidated Report of the Board of Directors on the company's activities for the year 2018. *Draft Resolution:* The General Assembly of Shareholders approves the Annual Consolidated Report of the Board of Directors on the company's activities for the year 2018. **4.** Approving the Audited Consolidated Annual Financial Statements of the company for the year 2018 and the report of the certified auditor. *Draft Resolution:* The General Assembly of Shareholders approves the Audited Consolidated Annual Financial Statements of the company for the year 2018 and the report of the certified auditor. **5.** Approving the Report on the implementation of the remuneration Policy for the members of the Board of Directors of BILLBOARD AD for 2018. *Draft Resolution:* The General Assembly of Shareholders approves the Report on the implementation of the remuneration Policy for the members of the Board of Directors of BILLBOARD AD for 2018. **6.** Adopting a resolution for the company's net profit, generated in 2018 in the amount of BGN 330 093.62. *Draft Resolution:* The General Assembly of Shareholders adopts a resolution for the company's net profit, generated in 2018 in the amount of BGN 330 093.62 not to be distributed amount the shareholders in form of dividend but to be taken as a non-distributed profit. **7.** Adopting a resolution to release from responsibility the members of the Board of Directors for their activities during 2018. *Draft Resolution:* The General Assembly of Shareholders releases from responsibility the members of the Board of Directors for their activities during 2018. **8.** Adopting the Annual Report on the activities of the Investor Relations Director of BILLBOARD AD for the year 2018. *Draft Resolution:* The General Assembly of Shareholders adopts the presented Report on the activities of the Investor Relations Director of BILLBOARD AD for the year 2018. **9.** Adopting the Report on the activities of the company's audit committee for 2018. *Draft Resolution:* The General Assembly of Shareholders adopts the Report on the activities of the company's audit committee for 2018. **10.** Adopting a resolution for approving amendments to the Statute of the audit committee of BILLBOARD AD. *Draft Resolution:* The General Assembly of Shareholders approves the proposed amendments to the Statute of the company's audit committee. **11.** Adopting a resolution for re-election of the company's audit committee with Zlakta Todorova Kapinkova, Nadya Russeva Budinova and Zarina Vasileva Gencheva as members for a new 3-year terms of office as from the date of the election. *Draft Resolution:* The General Assembly of Shareholders re-elects the company's audit committee with Zlakta Todorova Kapinkova, Nadya Russeva Budinova and Zarina Vasileva Gencheva as members for a new 3-year terms of office as from the date of the election. **12.** Adopting a resolution for the management address of BILLBOARD AD to be changed. *Draft Resolution:* The General Assembly of Shareholders resolves for the current management address of the company: No1 Bulgaria sq., National Palace of Culture, entr. AI 4 to be changed to No1 Bulgaria sq., National Palace of Culture, „low-rise building”, floor 2. **13.** Adopting a resolution for amendments to the Articles of Association of BILLBOARD AD. *Draft Resolution:* The General Assembly of Shareholders approved amendments to the Articles of Association of BILLBOARD AD, reflecting the change of the company's management address.

On 20.05.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public a publication of the invitation for a regular attendance session of the General Assembly of the company's Shareholders on 28.06.2019, at 10.00 a.m. at No1 Bulgaria sq., National Palace of Culture, „low-rise building”, floor 2, 1463 Sofia.

On 30.05.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial report for the first quarter of 2019.

On 28.06.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public announcement on the resolutions adopted by the regular annual General Assembly of the Shareholders together with the minutes from the session of the General Assembly of the Shareholders, dated 28.06.019.

On 01.07.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public the following announcement: Based on a resolution of the Board of Directors of BILLBOARD AD, dated 15.05.2019 was accomplished a sale of 255 equity stakes from the capital of Motion Arts Ltd., representing 51 % of its capital at the price of BGN 157 000 in total.

Based on a resolution of the Board of Directors of BILLBOARD AD, dated 30.04.2018 was assigned an independent market valuation of the of equity stakes of the company Motion Arts Ltd. – 51 % subsidiary company of BILLBOARD AD in 3 separate minority packages of 10, 15 and 26% in view of the financial condition and the high indebtedness of the company to BILLBOARD AD and to financial institutions, reported as of 31.12.2018, the systemic shortage of working capital as well as the agreement between the two companies on the repayment of liabilities accumulated by Motion Arts Ltd. to BILLBOARD AD for a period of 36 calendar months. The valuation was carried out by a team of three licensed valuers under Art. 5 of the Independent Valuers Act through Helan And Co Ltd, with UIC: 131404796. According to the valuation the final market value of a minority package of 50 equity stakes representing 10 % of the capital of Motion Arts Ltd. amounted to BGN 24 770; final market value of a minority package of 75 equity stakes representing 15% of the capital of Motion Arts Ltd. amounted to BGN 41 210; final market value of a minority package of 130 equity stakes, representing 26% of the capital of Motion Arts Ltd., amounted to BGN 89,020.

The sale of the equity stakes from the capital of Motion Arts Ltd. was completed under the following parameters:

Buyers: physical persons and a legal entity, being neither an interested, nor a related party to BILLBOARD AD within the meaning of the Law on Public Offering of Securities.

Price under which the sale was accomplished: minority package of 50 equity stakes – for the amount of BGN 25 000; minority package of 75 equity stakes – for the amount of BGN 42 000 and minority package of 130 equity stakes – for the amount of BGN 90 000 or total purchase price for BILLBOARD AD – BGN 157 000.

Additional condition for each of the buyers: the buyer undertakes, in the capacity of owner of stakes from the capital of Motion Arts Ltd., to execute the agreement between the two companies, as a result of which the obligation undertaken by Motion Arts Ltd. to BILLBOARD AD to be timely paid off.

The value of the transaction does not exceed the thresholds under art. 114, para. 1 of the Law on Public Offering of Securities and respectively an explicit authorization by the General Assembly of the Shareholders of BILLBOARD AD is not required.

On 04.07.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public the following announcement: With reference to the resolution for a change in the management address of BILLBOARD AD and the respectively approved amendments to the company's Articles of Association at the regular session of the General Assembly of the Shareholders, held on June 28th, 2019 we would like to announce that the new management address of BILLBOARD AD: N 1 Bulgaria sq., National Palace of Culture, “low-rise building”, floor 2 was filed with the Commercial register to the Registry Agency under the company's batch on 04.07.2019 г. under № 20190704100308. The current Articles of Association of the company were filed on the same date.

On 30.07.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial report for the first six months of 2019.

On 28.08.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public Annual audited consolidated financial statements for the first six months of 2019.

On 25.10.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial report as of 30.09.2019.

On 18.11.2019 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial report as of 30.09.2019.

2. IMPACT OF THE IMPORTANT DEVELOPMENTS FOR BILLBOARD AD AND THE SUBSIDIARIES IN THE ECONOMIC GROUP THAT OCCURRED DURING THE PERIOD UNDER REVIEW ON THE RESULTS IN THE FINANCIAL STATEMENTS

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 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.

In carrying out its activities in the different fields BILLBOARD AD uses various technologies, such as:

- **solvent printing** - characterized by high resistance to external conditions and suitable for the production of outdoor advertising with high resistance. BILLBOARD AD has the most modern equipment for digital wide format solvent printing with almost all models of the brand Vutek - a world leader in the field as all of them are the latest generation of 8-color

models. Also, the printing base is equipped with a HP Turbojet 8530 machine, which is unique for its kind.

- **ink-jet printing** – the technologies for digital wide format printing on a water base are of high quality and are used for printing on paper. BILLBOARD AD has the latest models of the brand HP Designjet which manifest extremely high quality, reliability and fast performance. The company participated as a co-organizer in many exhibitions.

- **UV printing** - the most advanced technology in printing with liquid polymer inks, cured by irradiation with UV light. Instant drying of the inks enables this technology to be used for direct printing on all materials. The printing quality is very high in color mode, which enables displacing the screen printing technologies.

- **textile printing** – the Dye Sublimation technology is the basis for dyeing in textile industry. With the development of digital technologies, the classic method of printing is being displaced by direct printing with sublimation inks and non-standard sizes and formats.

- **3D printing** - the development of digital printing opens up new possibilities for production of 3D models applicable both in the art field and in the field of industrial design, architecture, etc. New technologies facilitate and expedite the process in modeling, which is already been implemented entirely by using computer systems, 3D modeling softwares and make it much more accessible for implementation.

- **multimedia screens** - development of digital technologies increasingly leads to imposition of multimedia screens as a means of visual communication with consumers in interior environments. Through them, static images are being developed in an interactive multimedia environment which creates a dynamic atmosphere and enhances the effect of advertising.

- In addition to the aforementioned technologies BILLBOARD AD has all the necessary equipment needed for cutting the printed output or finished color and for performing all finishing works such as sewing and gluing, laminating and laminating, routing and milling.

Pursuant to the unaudited consolidated financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS as of 31.12.2019 the company reported total net sales revenues in the amount of BGN 35 501 000 compared to BGN 36 067 000 for the same period of 2018 which represents an inconsiderable decrease of the net sales revenues by 1.57 %. As of 31.12.2019 the consolidated production net sales revenues of BILLBOARD AD were in the amount of BGN 33 040 000 compared to the consolidated production net sales revenues registered by 31.12.2018 in the amount of BGN 30 388 000 which represents an increase of the company's consolidated production net sales revenues by 8.73 %. As of 31.12.2019 the consolidated service net sales revenues of BILLBOARD AD were in the amount of BGN 2 461 000 compared to the consolidated service net sales revenues registered by 31.12.2018 in the amount of BGN 5 679 000 which represents a decrease of the company's consolidated service net sales revenues by 56.66 %.

As of 31.12.2019 BILLBOARD AD reported consolidated profit before taxes in the amount of BGN 1 020 000 compared to the consolidated profit before taxes in the amount of BGN 552 000 for the same period of 2018 which represents an increase of the company's consolidated profit before taxes by 84.78 %. The consolidated net profit of BILLBOARD AD as of 31.12.2019 is in the amount of BGN 971 000 compared to the consolidated net profit of the company as of 31.12.2018 in the amount of 478 000. The consolidated net profit of BILLBOARD AD as of 31.12.2019, related to the owners of the parent company is in the amount of BGN 571 000 compared to the consolidated net profit, related to the owners of the parent company as of 31.12.2018 in the amount of BGN 241 000.

As of 31.12.2019 the earnings before taxes and depreciation and amortization, increased with the financial expenses and decreased with the financial incomes (EBITDA) of BILLBOARD AD on a consolidated basis were in the amount of BGN 4 234 000 compared to the EBITDA on a consolidated basis reported by 31.2.2018 in the amount of BGN 4 076 000.

As of 31.12.2019 the earnings before taxes and depreciation and amortization, increased by the financial expenses and decreased by the financial incomes (EBIT) of BILLBOARD AD on a consolidated basis were in the amount of BGN 1 950 000 compared to the EBIT on a consolidated basis reported by 31.12.2018 in the amount of BGN 1 543 000.

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.

DEDRAX AD has been developing several innovative products and services. Since the beginning of 2007 the Company 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.

As of 31.12.2019 DEDRAX AD reported net sales revenues in the amount of BGN 26 021 000 compared to the net sales revenues registered by 1.12.2018 in the amount of BGN 23 511 000 which is a 10.68 % increase of the net sales revenues. As of 31.12.2019 the company reported net profit in the amount of BGN 954 000 compared to the net profit in the amount of BGN 544 000 reported for the same period of 2018 which is a 75.37 % increase of the net profit.

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.

As of 31.12.2019 DIGITAL PRINT EOOD reported net sales revenues in the amount of BGN 416 000 compared to the net sales revenues registered by 31.12.2018 in the amount of BGN 1 480 000 which is a 71.89 % decrease of the net sales revenues. As of 31.12.2019 the company reported net loss in the amount of BGN 5 819 000 compared to the net loss reported for the same period of 2018 in the amount of BGN 222 000.

3. CONSOLIDATED FINANCIAL INDICATORS OF THE COMPANY AS OF 31.12.2019

Table № 1

LIQUIDITY INDICATORS	31.12.2019	31.12.2018
Total liquidity ratio	0,90	0,72
Quick liquidity ratio	0,84	0,62
Absolute liquidity ratio	0,14	0,11
Immediate ratio	0,18	0,13

Table № 2

PROFITABILITY INDICATORS	31.12.2019	31.12.2018
Profitability of capital	0,065	0,032
Return on equity(ROE)	0,042	0,022
Return assets (ROA)	0,021	0,010

Table № 3

LEVERAGE INDICATORS	31.12.2019	31.12.2018
Financial leverage indicatir	1,03	1,23
Debt/Assets	0,51	0,55
Financial autonomy indicator	0,97	0,81

4. DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES WHICH BILLBOARD AD WILL FACE DURING THE END OF THE FINANCIAL YEAR

SYSTEMATIC RISKS

OVERALL MACROECONOMIC RISK

Pursuant to data of the National Statistical Institute in December 2019 the total business climate indicator increases by 0.9 percentage points compared to the previous month as a result of the indicators' improvement in industry, construction and service sector.

Pursuant to data of the National Statistical Institute in December 2019 the composite indicator 'business climate in industry' increases by 0.7 percentage point, which is due to the favorable managers' assessments about the present business situation of the enterprises. The inquiry also reports certain increase of the production assurance with orders, which is not accompanied by increased expectations about the production activity over the next 3 months.

The main factors limiting the activity of the enterprises remain connected with the shortage of labor and uncertain economic environment. As regards the selling prices in industry, the managers' expectations are for preservation of their level over the next 3 months.

Pursuant to data of the National Statistical Institute in December 2019 the composite indicator 'business climate in construction' increases by 2.6 percentage points as a result of the improved construction entrepreneurs' assessments about the present business situation of the enterprises. In their opinion, the new orders inflow over the last month is preserved, but the forecasts about the activity over the next 3 months are worsened.

The shortage of labour, uncertain economic environment and competition in the branch continue to be the main problems limiting the business in the sector. Concerning the selling prices in construction, the majority of the managers expect them to remain unchanged over the next 3 months.

Pursuant to data of the National Statistical Institute in December 2019 the composite indicator 'business climate in retail trade' preserves approximately its level from the previous month. The retailers' forecasts about both the volume of sales and orders placed with suppliers from foreign market over the next 3 months are favourable.

The most serious difficulties for the activity of the enterprises remain the competition in the branch, insufficient demand and uncertain economic environment. As regards the selling prices, the prevailing retailers' expectations are for preservation of their level over the next 3 months.

Pursuant to data of the National Statistical Institute in December 2019 the composite indicator 'business climate in service sector' increases by 0.9 percentage points as a result of the more favourable managers' assessments and expectations about the business situation of the enterprises. Their opinions about the demand for services over the next 3 months are also more optimistic.

The competition in the branch, uncertain economic environment and shortage of labour continue to be the main obstacles for the business development. Concerning the selling prices in the sector, the managers foresee them to remain unchanged over the next 3 months.

The assessment of the state of economy and finance as of the date of the meeting of 12 September 2019 of the ECB's Governing Council indicates that real GDP growth (excluding the euro area) has slowed down in the first half of 2019 but signs of stabilization begin to appear by the end of the year. The weak momentum of growth is characterized by a slowdown in both manufacturing industry and investments which is compounded by increased economic and political uncertainty, especially with the escalating tensions in trade relations and the Brexit

related events. More recent information, however, indicates stabilization of global growth which was confirmed by research data. In particular, sales manager indices (PMI) show a moderate recovery in growth of manufacturing industry and certain slowdown in services. In the long term, recovery in global economic activity is expected to be slow reflecting slower growth in developed economies and sluggish recovery in some emerging market economies. In 2019 world trade slowed down and in the medium term is expected to grow at a slower pace than global activity. Global inflationary pressures remain subdued and the balance of risks to global economic activity continues showing its overestimation although the risks are less pronounced. In the third quarter of 2019, a 0.2 % real GDP growth of the euro area was observed on a quarterly basis - unchanged compared to the previous quarter. Still weak international trade in an environment of ongoing global uncertainty continues having detrimental effect on the manufacturing sector in the euro area and suppressing investment growth. At the same time, incoming economic data and observational information, although generally weak, show certain stabilization in the slowdown turn in the euro area economic growth. The services and construction sectors remain sustainable despite some delay in the second half of 2019. In the future, the economic upswing in the euro area will continue being supported by favorable financing conditions, further increase in employment along with rising salaries, by the slightly expansionary fiscal position of the euro area and a continuing - although somewhat slower - increasing rate of global economic activity.

This assessment is broadly reflected in the ECB's macroeconomic projections for the euro area of December 2019. According to the projections real GDP is expected to increase on a yearly basis by 1.2 % in 2019, 1.1 % in 2020 and 1.4 % in 2021 and 2022. Compared to the ECB's staff macroeconomic projections as of September 2019, the forecast for real GDP growth has been revised slightly downwards for 2020. The risks regarding the economic growth perspectives in the euro area, related to geopolitical factors, growing protectionism and vulnerabilities in emerging economies, still tend to overestimate the projections but remain somewhat less pronounced.

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 12, 2019, the Governing Council of the ECB, based on a thorough assessment of the prospects for economic and inflation development in the euro area, and taking into account the latest macroeconomic projections of the ECB's staff, resolved to keep the ECB's key interest rates unchanged and to confirm its benchmarks for interest rates on monetary policy operations, net asset purchases and reinvestments. Data reported after the last meeting of the Governing Council as of the end of October indicate still moderate inflationary pressures and weak euro area growth dynamics, although there are some initial signs for stabilization in the growth slowdown and slight increase in the base inflation in line with the previous expectations. Continuing employment growth and rising salaries still contribute to the sustainability of the euro area economy. Under all of these conditions, and given the weak inflation prospects, the Governing Council reaffirmed the need for monetary policy to remain highly non-restrictive for a continuous period of time in order to stimulate underlying inflationary pressures and base inflation in the medium term.

In any case, the Governing Council remains prepared, where appropriate, to make adjustments to all of its instruments in order to ensure that inflation consistently goes closer to its target and in line with its commitment to symmetrical action.

Base interest rates set by the Bulgarian National Bank for the period 01.01.2019 – 31.12.2019

Month	Base Interest Rate
January, 2019	0.00 %
February, 2019	0.00 %

March, 2019	0.00 %
April, 2019	0.00 %
May, 2019	0.00 %
June, 2019	0.00 %
July, 2019	0.00 %
August, 2019	0.00 %
September, 2019	0.00 %
October, 2019	0.00 %
November, 2019	0.00 %
December, 2019	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 2019 compared to September 2019 was 100.8 %, i.e. the monthly inflation was 0.8 %. The inflation rate since the beginning of the year (October 2019 compared to December 2018) has been 2.5 % and the annual inflation in October 2019 compared to October 2018 was 2.4 %. The annual average inflation, measured by CPI, in the last 12 months (November 2018 - October 2019) compared to the previous 12 months (November 2017 - October 2018) was 3.0 %.

Pursuant to data of the National Statistical Institute, the harmonized index of consumer prices in October 2019 compared to September 2019 was 100.2 %, i.e. the monthly inflation was 0.2 %. The inflation rate since the beginning of the year (October 2019 compared to December 2018) has been 2.0% and the annual inflation in October 2019 compared to October 2018 was 1.6 %. The annual average inflation, measured by HICP, in the last 12 months (November 2018 - October 2019) compared to the previous 12 months (November 2017 - October 2018) was 2.5 %.

Pursuant to data of the National Statistical Institute, the consumer price index in November 2019 compared to October 2019 was 100.5 %, i.e. the monthly inflation was 0.5 %. The inflation rate since the beginning of the year (November 2019 compared to December 2018) has been 3.1% and the annual inflation in November 2019 compared to November 2018 was 3.0 %. The annual average inflation, measured by CPI, in the last 12 months (December 2018 - November 2019) compared to the previous 12 months (December 2017 - November 2018) was 3.0%.

Pursuant to data of the National Statistical Institute, the harmonized index of consumer prices in November 2019 compared to October 2019 was 100.3 %, i.e. the monthly inflation was 0.3 %. The inflation rate since the beginning of the year (November 2019 compared to December 2018) has been 2.3 % and the annual inflation in November 2019 compared to November 2018 was 2.2 %. The annual average inflation, measured by HICP, in the last 12 months (December 2018 - November 2019) compared to the previous 12 months (December 2017 - November 2018) was 2.4 %.

Pursuant to data of the National Statistical Institute, the consumer price index in December 2019 compared to November 2019 was 100.7 %, i.e. the monthly inflation was 0.7 %. The annual inflation in December 2019 compared to December 2018 was 3.8 %. The annual average inflation, measured by CPI, in the last 12 months (January - December 2019) compared to the previous 12 months (January - December 2018) was 3.1 %.

Pursuant to data of the National Statistical Institute, the harmonized index of consumer prices in December 2019 compared to November 2019 was 100.8 %, i.e. the monthly inflation was 0.8 %. The annual inflation in December 2019 compared to December 2018 was 3.1 %. The annual average inflation, measured by HICP, in the last 12 months (January - December 2019) compared to the previous 12 months (January - December 2018) was 2.5 %.

Inflation for the period 01.01.2019 – 31.12.2019 is as follows:

Month	% of inflation
January, 2019	0.5 %
February, 2019	0.5 %
March, 2019	0.1 %
April, 2019	0.5 %
May, 2019	0.1 %
June, 2019	-0.6%
July, 2019	0.8 %
August, 2019	0.1 %
September, 2019	-0.3 %
October, 2019	0.8 %
November, 2019	0.5 %
December, 2019	0.7 %

*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 state, enhancing social stability, reducing inefficient expenses, on one hand, as well as the economic and political uncertainty with regard to Brexit and the and the pressure strengthening in trade between the USA and China. The volatile situation of the Middle East countries, the potential possibility for terrorist attacks in Europe, the refugee waves and the instability of key countries close to Bulgaria continue affecting the political stability in the region.

Bulgaria together with the other countries – EU members from the region continue being affected by the common European problem with the 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

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.

5. INFORMATION ABOUT THE CONCLUDED LARGE TRANSACTIONS WITH RELATED PARTIES AS OF 31.12.2019

During the period under review BILLBOARD AD and the companies in the Group have not concluded large transactions with related parties out of the economic group.

20.02.2020
Sofia

For BILLBOARD AD:.....
Stefan Genchev
/Executive Director/