



**ANNUAL CONSOLIDATED REPORT ON THE
ACTIVITIES OF BILLBOARD AD, SOFIA
FOR THE FINANCIAL YEAR 2019**

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 2019 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.bilbord.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 31.12.2019 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, „low-rise building”, floor 2, 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 31.12.2019 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 2019 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:	31.12.2017	31.12.2018	31.12.2019
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 31.12.2019 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 31.12.2019 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 31.12.2019 BILLBOARD AD holds directly 60 % 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 31.12.2019 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 31.12.2019 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 members of the Board of Directors and the way of representation of the company have been made neither any appointment or discharge of procurator has occurred in 2019.

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

At the regular Annual General Meeting of Shareholders held on June 28, 2019, a resolution was adopted to change the company's management address and to amend the Articles of Association of BILLBOARD AD accordingly. The new management address of BILLBOARD AD No 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 case on 04.07.2019 under No. 20190704100308. The current Articles of Association of the company were announced on the same date.



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 2019 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.

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 2019 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	Vinyl - Front lighted	10.30%	
		Vinyl -Backlit		
		Scroller		
		Metal boards with paper posters		
		PVC metal boards		
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	Transperant film	5.50%	
		Tight and sandblasting foil		
		Perforated foil		
		Rear projection		



	assembly are relative expensive.			35.0%
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 or not lighting, volume, neon etc.	luminous facade advertisements and feyshi	4.20%	
		unlighted		
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/m ² . For this purpose it is mandatory to use strengthened seams, fixes and ropes when making the advertisement board.	Wall Murals	3.20%	
		Megabillboard 8x4m and 12x4m		
		Over-roof Megabillboards		
		Mesh Megabillboards		
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 banners	3.20%	
		Mesh banners		
		Transperants		
		Vertical vinyl baners		
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	2.50%	
		City Lights		
		Totems		
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	1.90%	
		Rockets		
		Bus Shelter		
Flags	The flags are bearers of advertisement messages, related mostly with the image	Advertising flags	1.30%	
		National Flags		



	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.	Windblade Windproof flags		
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).	Foil branded Vinyl tents	1.00%	
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 foil Reflective signs Advertising and directive signs Corporative totems	0.90%	
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 Textile tents	0.50%	
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.	Vinyl net Construction net	0.50%	
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 Stands Pallet zone Security zone Stoppers	18.30%	
	These are articles, which are placed with	PVC Boards	9.20%	



Dashboards and panels	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.	Models and Figures		
		Canvases of Foamboard		
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	3.30%	39.8%
		Menu boards		
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 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.	Posters	2.70%	
		Carton boards		
		Vinyl boards		
		PP posters		
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.	3D lenticular boards	2.00%	
		Standart floor graohics		
		Stairways		
		3D floor graphics		
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	1.50%	
		Refrigerators		
		Refrigerating shop-windows and automates		
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	Vinyl interior banners	1.20%	
		Textile banners		
		Tranperants		



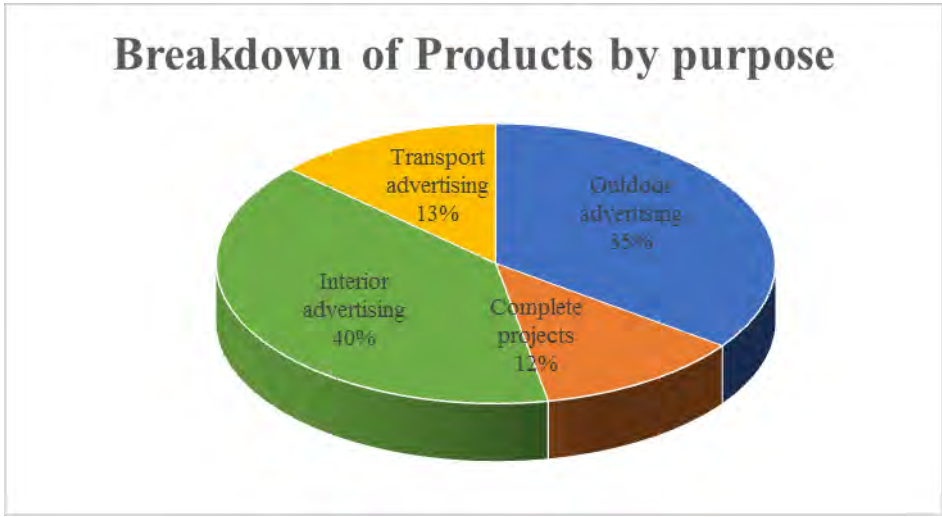
	individual, depending on the conditions, but most often by means of fixes, pockets, metal or PVC pipes. They are made mainly of laminated or glued vinyl and they do not require a special construction for assembly.			
Lifts and escalators	Advertisement on non-standard indoor spaces such as lifts, escalators 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.	Outside of the escalators	1.20%	
		The glass parts of escalators and railings		
		Elevator doors		
		Whole branding of elevator		
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	Halls	0.40%	
		Rest place decoration		
		TV studio decoration		
		Showroom decorations		
Transport 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	2.10%	
		Partial branding		
		Reflective branding		
		Tuning 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	0.40%	13.2%
		partial branding		
		reflective		
		Special foils tuning		
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	whole branding	0.10%	
		partial branding		
		reflective		
		Special foils tuning		



	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.		
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	3.10%
		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	2.10%
		with PVC vinyl	
		Petrol tank trucks	
Special purpose vehicles	Special purpose vehicles require high level reflective materials. Billboard AD offers all reflective series of 3M - SC 580; SC 680; Diamand Gray etc.	Police vehicles	1.30%
		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	Buses	4.10%
		Troleys	
		Trams	
		Mini Buses	
		Metro	



	another possibilities available for indoor and outdoor advertisement: lighting and non lighting constructions, advertisement posters, banners etc.			
Projects	COMPLETE PROJECTS EXECUTION	Type		
Complete projects implementation	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. For the implementation of complete projects, incl. design and architectural solutions, the company relies on its own team and subcontractors for various types of activities.	Design	9.30%	12%
		Architectural solutions		
		Prepress		
		Production of metal structures		
		Installations		
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	2.10%	
		Concerts		
		Oppening		
		Press-conference		
		Company partys		
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.	Sepmling nad presentations	0.60%	
		Reproduction of art		
		Photo Exhibitions		



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

Table № 4

Product	%	%
Advertising materials		
Advertising brochures	8.10%	33.79
Advertising leaflets	6.89%	
Advertising fly-sheets/flyers	5.41%	
Advertising catalogues	3.19%	
Posters	2.34%	
Stickers	1.15%	
Bags	1.72%	
Pyramids	0.86%	
Scratch cards	1.67%	
Inserts	0.51%	
Business cards	0.37%	
Postareti	0.37%	
Pockets	0.33%	
Headers	0.33%	
Cubes	0.33%	
Menues	0.24%	
Packaging		
Cardboard packaging	12.19%	27.63
Corrugated packaging	2.40%	
Boxes	11.70%	
Labels	1.33%	
Periodicals		
Magazines	5.45%	15.81
Textbooks	4.67%	
Books	2.07%	
Notebooks	1.26%	
Cards, Postcards	0.74%	
Recepy books	0.48%	
Newspapers	0.41%	
Envelopes	0.22%	
Coupons	0.22%	
Invitation cards	0.16%	
Bookbinders	0.12%	
Calendars		
Calendars	5.70%	13.46
Notebooks	2.06%	
Folders	1.63%	



Working calendars	2.74%	6.52
Receipt books	0.67%	
Company blanks	0.67%	
POS materials		
Displeys	2.50%	6.52
Woblers	1.86%	
Mats	0.74%	
Shelf tolkers	0.44%	
Shelves	0.44%	
Stoppers	0.30%	
Price tags	0.24%	
Others		
Print only	0.74%	2.80
Playing cards	0.59%	
Show cards	0.52%	
Neck hangers	0.26%	
Sleeves	0.24%	
Cartons	0.15%	
Assistants	0.15%	
Puzzles	0.15%	

With 23 years of experience, DEDRAX AD, part of the Group of BILLBOARD AD, has always been a pioneer in presenting the latest printing technologies. In 1993 the company was established as a pre-printing studio. In 2002 and 2005 after several large investments in the development of offset and digital printing, the company became a leader in the printing industry in Bulgaria with more than 38 machines and 350 printing specialists.

The company offers a full range of services - design, pre-printing, printing and finishing operations thus giving its customers the opportunity to accomplish their ideas at one place. Customers can receive the entire closed cycle of services related to the production of printed materials - calendars, magazines and corporate periodicals, newsletters and flyers, brochures and catalogs, printed office supplies, posters, labels and packaging, promotional materials, shelves etc. DEDRAX AD also offers high quality of finishing operations and delivery of products throughout Europe.

The company has highly qualified specialists always ready to give professional advice on formats, materials, colors and printing technologies.

Major products depending on their application

- **Periodicals (magazines, books, textbooks, educational and all other types of literature)**

DEDRAX AD has many years of experience in the production of publishing materials such as: magazines, books, textbooks, all kinds of educational and all other types of literature. The printing process is extremely complex and responsible, including organization of the pre-printing approval, which is being specified with final checks and accepted and signed by the publisher. The sample shows exactly what the book or magazine will look like in the actual final version. One of the most important elements for the final product in the production of publishing formats is the choice of materials and technologies for binding.



In its production activity the company uses only materials of high quality/ media and inks / from world-famous manufacturers and suppliers which provides security for its customers in terms of quality and service life of the products.

The printing bases are equipped with modern printing and finishing machines from leading manufacturers in the industry. For the partners, this guarantees high-quality printing and precise processing ending with a finished product, in which process non-mechanized labor is minimized.

Closing the entire production cycle, the company provides the best service with precise pre-printing, high quality printing, a variety of mandatory and luxurious finishing operations and short production time at cost-effective prices.

- **Advertising materials (catalogs, brochures, leaflets, coupons, posters, flyers, packaging)**

There is a huge number of printed advertising and information materials in the market space such as: catalogs, brochures, leaflets, coupons, posters, flyers, packaging and many others. Most often, they are used to visually present the image of the client company due to which it is absolutely necessary for the quality of their production to be in line with the expectations of the client.

DEDRAX AD is equipped with the latest technologies of the world-renowned manufacturer of printing equipment Man Roland that sets quality standards in the printing industry. Printing accuracy is controlled and guaranteed by automatic color management systems and integrated spectrometers. The transfer of images to the printing plates is performed completely automatically by the CTP device of the company Luscher whose innovation is revolutionary for the market.

- **POS - merchandising materials for the point of sale (leaflets, advertising displays, wobblers, stickers, pyramids, meeting cards, price labels)**

Point of sale materials are mainly used in retail and are very important for the customer to make a decision in the purchase process. Examples of such materials are: leaflets, advertising displays, wobblers, stickers, pyramids, meeting cards, price labels, hanging elements or signs, shelf stoppers, coupons, etc. Production of intriguing and distinctive products for the point of sale requires special equipment for various finishing operations such as: punches, machines for automatic lamination and varnishing, gluing, and then plenty of manual labor. DEDRAX AD is one of the largest producers of printed and information materials on the Balkan Peninsula and, in order to meet the expectations of its customers, disposes with the most modern technologies in the industry.

- **Packaging (different types of cardboard and corrugated boxes, labels, covers, etc.)**

Packaging is used to protect and present products in the process of distribution, storage and sale. In the last century, packaging has played a significant role in marketing and product positioning in the retail network. The diversity of the product line and optimization of products for sale is a task in which all manufacturers invest a lot of time and money.

During the last several years, in addition to the modernization of the main printing base in Sofia, DEDRAX AD has made significant investments in the development of the new production base in Varna, where a line for the production of cardboard packaging has been specially developed. The objective is to be created a high-tech production for innovative and high quality packaging that serves the specific needs of the food and pharmaceutical industries, cosmetics, electronics etc.

The production park is equipped with the latest BOBST machines whose Swiss precision makes them desired solution for the production of packagings for automatic packaging at large volumes. The production line for paper packaging of DEDRAX AD serves the local and foreign markets with a capacity of over 200 000 packages per hour. All processes - printing, cutting, gluing,



are automated and the level of quality and control is according to the requirements of the international quality standards ISO 9001: 2008, FSC and SMETA.

- **Calendars and notebooks (work calendars, multi-page calendars, notebooks, folders, etc.)**

The variety of calendars and notebooks offered by the company includes: wall or desktop, multi-sheet - with different shapes and sizes, single-зъже, business calendars, pyramids, mini calendars, hard or soft cover notebooks, luxury or work, pocket notebooks, gliders and others. DEDRAX AD is the only company in Bulgaria that has special and unique equipment for the production of calendars and notebooks which provides absolute accuracy in inserting the pages of the notebooks and the calendars. Thus, the quality of the products is guaranteed not only by the professional printing but also by the level of automation in the binding process.

2. Markets And Sales

Pursuant to the annual consolidated financial statements of BILLBOARD AD in accordance with IAS/IFRS as of 31.12.2019 BILLBOARD AD reports consolidated net sales revenues in the amount of BGN 35 502 000 which is a decrease by 1.57% compared to the 2018 consolidated net sales revenues in the amount of BGN 36 067 000.

The consolidated production net sales revenues of BILLBOARD AD as of 31.12.2019 BILLBOARD AD are in the amount of BGN 33 040 000 and report a growth by 8.73 % compared to the consolidated production net sales revenues as of 31.12.2018 and the services net sales revenues are to the amount of BGN 2 462 000 and decreased by 56.67 % compared to 31.12.2018.

Table № 5

Revenues (in thousand BGN)	31.12.2017	31.12.2018	31.12.2019
Production sales	29 311	30 388	33 040
Services sales	5 806	5 679	2 462
Total	35 117	36 067	35 502

The 2019 consolidated production net sales revenues in the amount of BGN 33 040 000 represent 93.06 % of the consolidated net sales revenues and the services net sales revenues in the amount of BGN 2 462 000 and represent 6.94 % of the consolidated net sales revenues.

As of 31.12.2019 the companies in the economic group of BILLBOARD AD report export revenues in the total amount of BGN 2 643 000.

Breakdown of the export revenues of BILLBOARD AD on a consolidated basis as of 31.12.2019 is the following:

Table № 6

Country	Revenues in BGN '000
France	1 087
Romania	587
Germany	328
Netherlands	245
Serbia	84
Great Britain	79
Hungary	64
Belgium	37
Austria	36
Greece	32



Spain	24
Latvia	20
Italy	6
Switzerland	6
Denmark	2
Luxembourg	2
Malta	2
Czech Republic	1
Others	1
Total:	2 643

In 2019 BILLBOARD AD used the following basic marketing strategies

Direct marketing - The Trade Departments of the companies continuously collect information about the market - for new customers, for those who do not work with the companies in the group, for competitors and others. The information is being analyzed and a specific strategy to the specific client is set. When the new customer is a company that does not use the services of the companies in the group 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 and the companies in the group, to 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 companies look for weaknesses of the competition and offer better solutions.

Direct sales - the Sales Departments of the companies accept 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 and the companies in the group monitor and control 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 success of BILLBOARD AD and the companies in the group is their good reputation and high quality of products and services imposed on the market. BILLBOARD AD and the companies in the group strictly adhere to the principle that the best advertisement is the work itself. For this purpose the companies do 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 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 31.12.2019 BILLBOARD AD has 94 employees. 55 people out of these employees or 59 % are engaged in the production activity. The total number of employees engaged with administrative services in the company is 39 people or 415 %.

Table № 7

Type of personnes	2017	2018	2019
Management Specialists	12	17	13
Analytical Specialists	7	9	10
Professionals	6	9	13
Administrative personnel	3	2	3
Qualified production personnel	33	39	45
Machine operators	1	2	3
Low qualified personnel	3	5	7

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 31.12.2019 DEDRAX AD has 355 employees. 283 people out of these employees or 80% are engaged in the production activity. The total number of employees engaged with administrative services in the company is 72 people or 20 %.



III. OPERATING RESULTS

As a result of the economic activity in 2019 BILLBOARD AD reported consolidated financial result - net loss in the amount of BGN 2 972 000, compared to the consolidated net profit in the amount of BGN 478 000 as of 31.12.2018. The loss, related to the owners of the parent company as of 31.12.2019 was in the amount of BGN 3 291 000.

The negative consolidated financial result of the company reported for 2019 is due to impairment of non-financial assets totaling BGN 3 544 thousand and trade receivables amounting to BGN 352 thousand.

In 2019 the company reported on a consolidated basis a positive result from operating activities without impairment in the amount of BGN 1 871 thousand.

Table № 8

BGN '000					
SHAREHOLDERS' EQUITY	2017	%	2018	%	2019
SHAREHOLDERS' EQUITY					
Share capital	15 000	0 %	15 000	0 %	15 000
Revaluation reserve	1 020	16.67 %	1 190	20.29 %	1 493
Reserves	3 868	2.39 %	3 960	0 %	3 960
Financial result	1 114	-123.16 %	-258	1275.58%	-3 549
1. Retained earnings (losses)	715	-169.79 %	-499	-48.30 %	-258
2. Current year profit/loss	399	-39.60 %	241	-1465.56%	-3 291
Group equity	21 002	-5.58 %	19 892	-15.02%	16 904
Non-controlling interest	2 274	-2.94 %	2 209	12.62 %	2 528
TOTAL SHAREHOLDERS' EQUITY	23 276	-5.32 %	22 101	-13.73 %	19 432

Operating revenues by category

Table № 9

BGN '000					
SALES REVENUES	2017	%	2018	%	2019
Production sales	29 311	3.67 %	30 388	8.73 %	33 040
Service sales	5 806	-2.19 %	5 679	-56.67 %	2 462
Total:	35 117	2.71 %	36 067	-1.57 %	35 502
FINANCIAL INCOME					
Interest revenue	57	-50.88 %	28	-17.86 %	23
Divident income	0	0 %	0	100 %	20
Total financial income:	57	-50.88 %	28	53.57 %	43

As of 31.12.2019 BILLBOARD AD reported consolidated net sales revenues in the amount of BGN 35 502 000 which is a 1.57 % decrease compared to the consolidated net sales revenues of the



company as of 31.12.2018 in the amount of BGN 36 067 000. The consolidated financial income of the company as of 31.12.2019 was in the amount of BGN 43 000 and reported an increase by 53.37 % compared to the previous year.

Operating expenditures by category

Table № 10

EXPENSES	2017	%	BGN '000		
			2018	%	2018
Expenditures					
Materials	15 430	4.10 %	16 062	7.37 %	17 245
External services	8 157	-2.32 %	7 968	-20.56 %	6 330
Depreciation impairment of non-financial assets	2 306	9.84 %	2 533	130.44 %	5 837
Salaries	5 938	18.51 %	7 037	-0.54 %	6 999
Social security	882	3.85 %	916	0.87 %	924
Other operating expenses	326	-35.58 %	210	7.62 %	226
Changes in inventories of finished goods	87	-212.64 %	-98	-200.00 %	98
Total:	33 126	4.53 %	34 628	8.75 %	37 659
Financial expenses					
Interest expenses	1 074	-19.18 %	868	-9.10 %	789
Negative exchange differences	9	33.33 %	12	50.00 %	18
Losses from operations with financial instruments	0	-	0	-	20
Expected credit losses and losses from impairment of financial losses	392	-60.71 %	154	129 %	352
Other financial differences	190	-26.84 %	139	6.47 %	148
Total financial expenses	1 665	-29.55 %	1 173	13.13 %	1 327

The consolidated operating expenses of BILLBOARD AD as of 31.12.2019 were in the amount of BGN 37 659 000 which represents an increase by 8.75 % compared to the operating expenses reported as of 31.12.2018 in the amount of BGN 34 628 000.

The most essential part of the operating expenses takes the materials in the amount of BGN 17 245 000 which report an increase by 7.37 % compared to 2018.

The consolidated external services expenses for 2019 were in the amount of BGN 6 330 000 and decreased by 20.56 % compared to the consolidated external services expenses for 2018.

FINANCIAL INDICATORS

1. LIQUIDITY

Table № 11

LIQUIDITY INDICATORS	31.12.2017	31.12.2018	31.12.2019
Total liquidity ratio	0.89	0.72	0.87
Quick liquidity ratio	0.76	0.62	0.81
Absolute liquidity ratio	0.16	0.10	0.14
Immediate ratio	0.24	0.13	0.18



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 31.12.2019 the value of the total liquidity ratio on a consolidated basis is 0.87 and reports an increase compared to its 2018 value. During the current financial period the company has reported a decrease of the consolidated current assets by 5.51 % while the current liabilities decreased by 21.37 %.

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 31.12.2019 the value of the quick liquidity ratio on a consolidated basis is 0.81 and also reports an increased compared to its rate reported in 2018 which is due to the decrease of the consolidated current assets by 5.51 % as well as a decrease in the inventories by 51.85 % with a decrease in the current liabilities by 21.37 %.

IMMEDIATE LIQUIDITY RATIO

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

In 2019 the value of the immediate liquidity ratio on a consolidated basis is 0.18 and reports an inconsiderable increase compared to the value registered by the company for the previous financial year. In 2019 compared to 2018 the consolidated current financial assets reported an increase by 34.95 % as the cash and cash equivalents of the company increased by 6.33 % while the current liabilities decreased by 21.37 %.

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 31.12.2019 is 0.14. In 2019 compared to 2018 the consolidated current liabilities of BILLBOARD AD decreased by 21.37 % and the cash and cash equivalent increased by 6.33 %.

2. CAPITAL RESOURCES

Table № 12

LEVERAGE INDICATORS	31.12.2017	31.12.2018	31.12.2019
Financial leverage indicator	1.25	1.23	1.23
Debt/Assets	0.56	0.55	0.55
Financial autonomy indicator	0.79	0.81	0.81



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 0.81 and remains unchanged compared to its 2018 value. In 2019 compared to 2018 the debt of BILLBOARD AD on a consolidated basis decreased by 12.23 % and the shareholder's equity decreased by 12.08 %.

FINANCIAL LEVERAGE RATIO

In 2019 in comparison with 2018 the value of the financial leverage ratio on a consolidated basis also remains unchanged compared to the previous year which is due to the decrease in the total debt by 12.23 % while the shareholder's equity decreased by 12.08 %.

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 31.12.2019 the value of the Debt/Assets ratio on a consolidated basis is 0.55 and also remains at the 2018 value. In 2019 compared to 2018 the amount of consolidated debt of the company decreased to BGN 23 895 000 and the value of assets decreased by 12.16 %.

3. Profitability indicators

Table №13

PROFITABILITY INDICATORS	31.12.2017	31.12.2018	31.12.2019
Profitability of capital	0.046	0.031	-0.198
Return on equity (ROE)	0.030	0.022	-0.152
Return assets (ROA)	0.013	0.010	-0.068

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 2019 compared to 2018 the Return on Equity indicator of BILLBOARD AD reported a negative due to the reported negative financial result and the shareholder's equity on a consolidated basis decreased by 12.08 %.

RETURN ON ASSETS (ROA)

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

As of 31.12.2019 the value of the Return on Assets indicator is also negative (-0.068) due to the reported negative financial result. In 2019 the company reported a decrease by 12.16 % in the consolidated assets compared to 2018.

PROFITABILITY OF CAPITAL

As of 31.12.2019 the indicator for profitability of capital also reported a negative value (-0.198) due to the reported negative financial result while the registered capital remains unchanged.

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

SYSTEMATIC RISKS

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.

Figure 1. Business climate - total



Source: NSI

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

Table № 13

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:

Table № 14

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.

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

In the beginning of March 2020, a pandemic of an infectious disease caused by the virus /SARS-CoV-2/ appeared in the country. On March 13, 2020, a state of emergency was declared by a decision of the National Assembly and on March 24, 2020 the Law on Measures and Actions during the State of Emergency came into force, introducing a number of extraordinary measures concerning the business: extending and/or interrupting administrative terms, suspension of procedural terms and statutes of limitations, changes in the labor legislation introducing new working hours, suspension of work and use of leave.

The pandemic has caused a significant reduction in economic activity and has created significant uncertainty about macroeconomic processes in 2020 and after that.

The possible risks and uncertainties for the company as a result of the declared state of emergency and the created difficulties and uncertainties in the economic activity not only in the country, but also in Europe and the whole world can be summarized in the following directions:

- reducing the volume of the activity as a result of the significant reduction of the economic activity and consumption in the country;
- difficulties in the operational activity due to cancellation of deliveries, difficult logistics of materials and finished products.

As of the date of approval of the financial statements of BILLBOARD AD for 2019, it is practically impossible to value the potential risks for the company as a result of the pandemic of /SARS-CoV-2/.

At this stage, the measures taken by the company's management to deal with the emergency situation include strict application of anti-epidemic and other restrictive measures declared by orders of the Minister of Health, including increasing sanitary and hygienic requirements for work in the company's premises (disinfection, ventilation, provision of protective equipment) and providing the opportunity for remote work (from home) of the administrative staff, as well as taking actions to renegotiate the relations with creditors (banks and leasing companies) and contractors of the company.

VI. PROBABLE FUTURE DEVELOPMENT OF THE COMPANIES IN THE GROUP

In 2019 BILLBOARD AD continued developing the direction of increasing exports to Western European and Balkan countries. The work under a contract for production and delivery of advertising materials for a leading European company for the markets in Austria, Bulgaria, Romania, Serbia and Moldova has started. In the long term, the company strives for more than 40 % of the revenues to be generated by foreign customers.

The company invests in reliable technologies to fully serve corporate clients with different needs in a way that smaller companies are not able to. Establishing long-term partnerships is a key part of the trade policy of BILLBOARD AD. Increase in production volumes by means of more efficient utilization of the capacities leads to lower production costs and more optimal price conditions for the clients at the same time. In this sense, the objectives of the management of BILLBOARD AD are, by segmenting orders, to offer its customers a wider range of products, faster



production terms and most importantly better price conditions, while maintaining a good profit margin per unit of production.

The emphasis in the production portfolio continues being focused on the point of sale (POS) advertising but in 2019 BILLBOARD AD also managed to significantly maintain and increase production of advertising materials for outdoor advertising, such as billboards, megaboards, etc., thus maintaining its leading position in the most competitive segment of its business.

As regards the development of outdoor and indoor advertising in 2019 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. In the conditions of a stable macroeconomic environment, the printing industry was developing in a stable way with a positive outlook.

The main efforts of DEDRAX AD in 2019 were aimed at continuing the trend of increasing the export of basic advertising products such as catalogs, leaflets, books and many others. New relationships were established and existing relationships with foreign customers were deepened, with a focus on building lasting relationships directly with customers 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.

The production of packaging allows retention and sustainable growth even in the condition of a crisis due to the specific nature of the applications that are most often in the pharmaceutical, food and electronics industries, which largely generate essential products.

Despite the significant difficulties in transforming the production in the city of Varna from advertising to packaging in the last few years, the efforts are being rewarded with constantly growing results and new customers.

Pursuant to the annual consolidated financial statements of BILLBOARD AD, drawn up according to the IFRS forms, as of 31.12.2019 the company generated consolidated net sales revenues in the amount of BGN 35 502 000 which is a decrease by 1.57 % compared to the net sales revenues for 2018 in the amount of BGN 36 067 000. The consolidated production net sales revenues as of 31.12.2019 were in the amount of BGN 33 040 000 and reported an increase by 8.73 % compared to the consolidated production net sales revenues as of 31.12.2018 and the consolidated services net sales revenues were in the amount of BGN 2 462 000 and decreased by 56.65% compared to 31.12.2018.

In 2019 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 2019 as well as the state of emergency in Bulgaria, declared in March 2020 due to the pandemic of /SARS-CoV-2/, the management of BILLBOARD AD believes that during the current financial year the activities of BILLBOARD AD and the companies in the Group will be entirely dependent on the consequences of the extraordinary situation, which is already causing difficulties in economic activity not only in the country, but also in Europe and the world. In terms of results in financial terms, BILLBOARD AD and the companies in the group will continue being dependent on the domestic consumption and the conservative advertising budgets of the companies in the country.

As of the date of approval of the consolidated annual financial statements of BILLBOARD AD for 2019 it is practically impossible to value the potential risks for the companies in the Group as a result of the pandemic of / SARS-CoV-2 /.



VII. RESEARCH AND DEVELOPMENT ACTIVITIES

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

As from the beginning of 2019 the activity of the subsidiary "Digital Print" Ltd. has been mainly focused on research and development activities in order to create a working technology for conversion and upgrade of old models of printing machines (high-performance solvent roll digital machines with size over 3m, flatbed high performance UV digital machines and flatbed high resolution UV digital machines) in a new generation of machines.

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 31.12.2019 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 31.12.2019 BILLBOARD AD holds directly 60 % 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 31.12.2019 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 2019 BILLBOARD AD and DEDRAX AD have not acquired neither have transferred own shares.

The other company in the Group of enterprises of BILLBOARD AD is not a joint stock company.

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 2019 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 31.12.2019 BILLBOARD AD reported consolidated net sales revenues in the amount of BGN 35 502 000 which is a decrease by 1.57 % compared to the 2018 consolidated net sales revenues in the amount of BGN 36 067 000.

The consolidated production net sales revenues of BILLBOARD AD as of 31.12.2019 BILLBOARD AD were in the amount of BGN 33 040 000 and reported a growth by 8.73 % compared to the consolidated production net sales revenues as of 31.12.2018 and the services net sales revenues are to the amount of BGN 2 462 000 decreased by 56.65 % compared to 31.12.2018.

Table №16

Revenues (in thousand BGN)	31.12.2017	31.12.2018	31.12.2019
Production sales	29 311	30 388	33 040
Services sales	5 806	5 679	2 462
Total	35 117	36 067	35 502

The 2019 consolidated production net sales revenues in the amount of BGN 33 040 000 represent 93.06 % from the consolidated net sales revenues and the services sales revenues in the amount of BGN 2 462 000 represent 6.94 % from the consolidated net sales revenues.

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 31.12.2019 the companies in the economic group of BILLBOARD AD report export revenues in the total amount of BGN 2 643 000.

Breakdown of the export revenues of BILBOARD AD on a consolidated basis as of 31.12.2019 is the following:

Table № 17

Country	Revenues in BGN '000
France	1 087
Romania	587
Germany	328
Netherlands	245
Serbia	84
Great Britain	79
Hungary	64
Belgium	37
Austria	36

Greece	32
Spain	24
Latvia	20
Italy	6
Switzerland	6
Denmark	2
Luxembourg	2
Malta	2
Czech Republic	1
Others	1
Total:	2 643

3. Information about concluded material transactions

In 2019 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 31.12.2019.

Information on the larger transactions with related parties outside the group of BILLBOARD AD concluded in 2019 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 2019 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 2019 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 31.12.2019 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
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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

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 31.12.2019 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 AD	6356	3M EURIB + 3.00 % > 4.50%	20.3.2025	689	16	3 673	-
Bulgarian Development Bank AD	2 800	3M EURIB + 3.00 % > 4.50%	20.1.2029	293	13	2184	-
Bulgarian Development Bank AD	960	3M EURIB + 3.00 % > 4.50%	20.1.2021	442	3	32	-
Bulgarian Development Bank AD	5379	3M EURIB + 3.00 % > 4.50%	20.3.2025	551	5	2896	-
Bulgarian Development Bank AD	2850	3M EURIB + 3.00 % > 4.50%	20.1.2029	270	4	2184	-
Bulgarian Development Bank AD	700	3M EURIB + 3.00 % > 4.50%	20.1.2021	134	-	-	-
Eurobank Bulgaria AD	1173	Прайм + 3.50 %	30.10.2020	800	1	-	-

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 2019 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 31.12.2019.

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 2019 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 2019 BILLBOARD AD has not published forecasts on its consolidated result 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 31.12.2019 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 2019 as well as the state of emergency in Bulgaria, declared in March 2020 due to the pandemic of /SARS-CoV-2/, the management of BILLBOARD AD believes that during the current financial year the activities of BILLBOARD AD and the companies in the Group will be entirely dependent on the consequences of the extraordinary situation, which is already causing difficulties in economic activity not only in the country, but also in Europe and the world. In terms of results in financial terms, BILLBOARD AD and the companies in the group will continue being dependent on the domestic consumption and the conservative advertising budgets of the companies in the country.

As of the date of approval of the consolidated annual financial statements of BILLBOARD AD for 2019 it is practically impossible to value the potential risks for the companies in the Group as a result of the pandemic of / SARS-CoV-2 /.

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:

- 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);
- presenting the relevant information concerning these risks to the Board of Directors in order to ensure a possibility for taking informed management decisions;
- control on the existence of compliance with the legal provisions, regulations and guidelines of the management operations;
- 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 31.12.2019 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 members of the Board of Directors and the way of representation of the company have been made neither any appointment or discharge of procurator has occurred in 2019.

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 2019 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	47 040.00
Stefan Vassilev Genchev	Executive Director	47 040.00
Borislav Hristov Borisov	Independent member of the Board of Directors	33 600.00
Asen Georgiev Kostadinov	Independent member of the Board of Directors	33 600.00

In 2019 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 31.12.2019 BILLBOARD AD do not owe amounts for payment of pensions, compensations at retiring on a pension or other similar compensations.

In 2019 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 2019 the managing director of Digital Print Ltd. has received total gross annual remuneration in the amount of BGN 6 720.

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 31.12.2019 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 %
Asen Georgiev Kostadinov	Independent member of the Board of Directors	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, „low-rise building, floor 2, 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:

29.07.2020

Sofia

For BILLBOARD AD

Stefan Genchev

/Executive member of the Board of Directors /