



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

**THIS REPORT WAS PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE. 39 OF THE ACCOUNTANCY ACT, ARTICLE 100N, PARAGRAPH 7 OF THE LAW ON PUBLIC OFFERING OF SECURITIES AND ANNEX № 10 TO ARTICLE 32, PARAGRAPH 1, ITEM 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. 39 of the Accountancy Act, article 100n, paragraph 7 of the LPOS and Annex No 10 to art. 32, para. 1, item 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 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 the company, 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 its position, together with a description of the main risks the company faces.

Enclosed to this Report is a Corporate Governance Declaration of BILLBOARD AD 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 taking 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](http://www.bilbord.bg), News section.

## **I. GENERAL INFORMATION ABOUT THE COMPANY**

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](mailto: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 AD 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 then 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 14<sup>th</sup> 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**

<b>Name of the shareholder</b>	<b>Number of shares hold</b>	<b>Percentage of the capital</b>
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 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) leva, 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) leva 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) leva.

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 AND THE STATUS OF THE COMPANY**

### **1. Major activity**

The company has 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 facilities;
- 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 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.

### MAJOR PRODUCTS AND THEIR VARIATIONS PRODUCED BY BILLBOARD AD AND THEIR SHARE OF THE TOTAL 2019 PRODUCTION

Table №3

Type of product	Description	TYPES	%	
<b>OUTDOOR ADVERTISING</b>	<b>PRINT FOR OUTDOOR ADVERTISING</b>	<b>Types</b>		
<b>Billboard 4 x 3 Piza type</b>	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	<b>10.30%</b>	
		Vinyl -Backlit		
		Scroller		
		Metal boards with paper posters		
		PVC metal boards		
<b>Shop windows advertising</b>	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	Transperant film		
		Tight and sandblasting foil		
		Perforated foil		
		Rear projection		



	of the windows, which folio imitates blinds and doesn't prevent the light to enter the building. The effect is a very pleasant one both for the employees working inside the building and for all the people outside the building, cause the perfo folio merges in a natural way with the front building part. The advertisement on glass front building parts is an image one and is efficient for a long period, since the production of the vision and the assembly are relative expensive.		5.50%	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/m2. 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	Vien pillar	1.90%	
		Rockets		
		Bus Shelter		

	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.			
<b>Flags</b>	The flags are bearers of advertisement messages, related mostly with the image of a particular brand. They are used mainly for outdoor advertisement. They are assembled on pillars with the help of hooks or fixes, additionally strengthened with cord. For their production one uses especially developed polyester fabrics, which are more durable to weather conditions – wind, rain, snow, sunlight etc. The standard sizes are 4x1.5 m, but they could vary.	Advertising flags	<b>1.30%</b>	
		National Flags		
		Windblade		
		Windproof flags		
<b>Pavilions</b>	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	<b>1.00%</b>	
		Vinyl tents		
<b>Signboards</b>	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	<b>0.90%</b>	
		Reflective signs		
		Advertising and directive signs		
		Corporate totems		
<b>Tents</b>	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	<b>0.50%</b>	
		Textile tents		
<b>Wrapping of Buildings</b>	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	<b>0.50%</b>	
		Construction net		
<b>Interior advertising</b>	<b>PRINT FOR INTERIOR ADVERTISING</b>	<b>Type</b>		
<b>POS</b>	Advertising on the place of purchase is related with most efficient way of presenting the products, or so cold Merchandise. Billboard offer a wide variety of different size, type or shape of	Translites	<b>18.30%</b>	
		Stands		
		Pallet zone		
		Security zone		



	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.	Stoppers		39.8%
Dashboards and panels	These are articles, which are placed with decorative, advertisement or indicative purpose. They are intended to be used mostly in the commercial sites. They are made out of different surfaces: foamboard, comatex, PVC material and depending on the function they have they could be printed both one-sided and two-sided. In the cases when one seeks photographic quality, the vision is printed on photo paper and then it is cashed on the surface.	PVC Boards	9.20%	
		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%	
		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		
	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	Vinyl interior banners	1.20%	
		Textile banners		
		Tranperants		

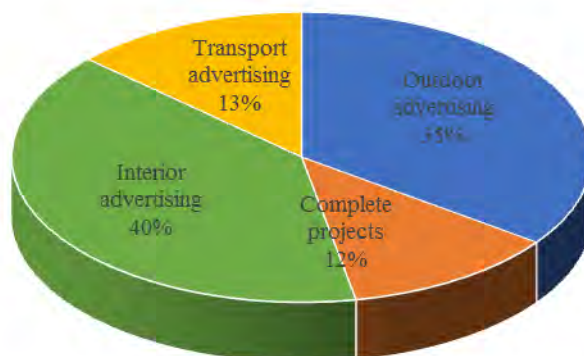
<b>Banners</b>	advertisement. They are used for events with short duration – conferences, promotions, forums or as information boards. The way of fixing is always individual, depending on the conditions, but most often by means of fixes, pockets, metal or PVC pipes. They are made mainly of laminated or glued vinyl and they do not require a special construction for assembly.			
<b>Lifts and escalators</b>	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	<b>1.20%</b>	
		The glass parts of escalators and railings		
		Elevator doors		
		Whole branding of elevator		
<b>Sets and other decorations</b>	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	<b>0.40%</b>	
		Rest place decoration		
		TV studio decoration		
		Showroom decorations		
		Theatre sets		
<b>Transport advertising</b>	<b>PRINTING OF TRANSPORTATION ADVERTISING</b>	<b>Type</b>		
<b>Cars</b>	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	<b>2.10%</b>	
		Partial branding		
		Reflective branding		
		Tuning of cars		
<b>Jeeps and vans</b>	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	<b>0.40%</b>	
		partial branding		
		reflective		
		Special foils tuning		
	Branding of motors is another non-standard and attractive way of submitting the advertisement message. The sticking could be both partial and full. The	whole branding		
		partial branding		
		reflective		

<b>Motors</b>	advantage of these vehicles is the lack of complex curves, although the selection of folio is strictly specific. One recommends the series for vehicles of 3M - ScotchCal 40 and ScotchCal 50, because of the additional scratch resistant cover. Prior to the assembly of the stickers it is necessary that the motor should be measured and designed by the experts of Billboard JSC.	Special foils tuning	<b>0.10%</b>
<b>Cargo vehicles</b>	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	<b>3.10%</b>
		partial branding	
<b>Trucks</b>	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	<b>2.10%</b>
		with PVC vinyl	
		Petrol tank trucks	
<b>Special purpose vehicles</b>	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	<b>1.30%</b>
		Ambulances	
		Security vehicles	
<b>Public transport</b>	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,	Buses	<b>4.10%</b>
		Troleys	
		Trams	
		Mini Buses	
		Metro	



	there are 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.	Sepmpling nad presentations	0.60%	
		Reproduction of art		
		Photo Exhibitions		

## Breakdown of Products by purpose



In 2019 BILLBOARD AD started active work with a new large corporate client for Bulgaria, Serbia, Romania and Austria. Dozens of campaigns were carried out at more than a thousand sites of the oil company related to advertising promotions, rebranding or other types of advertising.

The company has increased its production portfolio with the introduction of several new printing machines and materials. In the sector of interior advertising and POS materials, BILLBOARD AD has established itself as a major supplier for many of the Bulgarian retail companies by offering a wide range of products and services, short terms for implementation and high quality. By means of its own assembly groups throughout the country, the company has offered non-alternative opportunities to its customers and implements numerous comprehensive projects for outdoor advertising and branding.

During the reported period, the company has continued its policy for establishing partnerships with large Bulgarian and international clients - corporate clients, thus reducing the risk of fluctuations, with a continuous increase in volume and capacity. The objective of the management is to maximize production capacity and increase productivity while reducing manual labor and uptaking higher printing capacity orders.

As a continuous trend in 2019, it can be reported that interior advertising has had the highest relative share of the total turnover by almost 40 percent, of which point of sale advertising has had the highest growth. Part of the reasons for this are the increase in the number of retail outlets and the need for increasing activity of the merchandising in order to attract and retain consumers. BILLBOARD AD has strengthened its positions as a leader in the field of digital large format printing and a company with the largest technology park and capacity, along with the best specialists, organization and sales department.

## **Technologies**

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

- **solvent printing** - characterized by high resistance to external conditions and suitable for the production of outdoor advertising with high resistance. BILLBOARD AD has the most modern equipment for digital wide format solvent printing with almost all models of the brand Vutek - a world leader in the field as all of them are the latest generation of 8-color models. Also, the printing base is equipped with a HP Turbojet 8530 machine, which is unique for its kind.

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

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

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

- **3D printing** - the development of digital printing opens up new possibilities for production of 3D models applicable both in the art field and in the field of industrial design, architecture, etc. New technologies facilitate and expedite the process in modeling, which is already



been implemented entirely by using computer systems, 3D modeling softwares and make it much more accessible for implementation.

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

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

BILLBOARD AD disposes of high quality and advanced technology and excellent machine base, including VUTEK UltraVu 3360; VUTEK UltraVu 5330; VUTEK UltraVu 2600; HP DesignJet 9000ps, HP DesignJet Z6100, Z3100, TextileJet, VUTEK UltraVu 200/600W+, Vutek UltraVu 200/600 SC, HP Scitex TurboJet Digital Press, enabling the maximum good production of all of the products offered such as: billboards, banners, mega boards, posters, citylight posters, stickers, pictures, car graphics, floor graphics, decoration for events, packaging of buildings, shop windows graphics, exhibition stands, interior decoration, banners, printing plates, POS advertising, decors.



### **Vutek Ultra Vu 3360 EC**

The UltraVu® 3360 prints with extremely high quality of 1200 dpi being resistant to outdoor conditions with 5 years annual warranty without lamination. Exceptional solution for making Vinyl or PVC foil products with both larger and smaller sizes up to a maximum width of 320 sm, such as: Billboards 4x3m, building wrapping nets, banners, vitrine advertising and more. BILLBOARD AD has three machines of this type.





## Vutek Ultra Vu 5330 EC

UltraVu® II 5330 is a combination of high performance, reliability and huge sizes up to width of 500 sm. An ideal solution for products such as: mega boards, billboards, scrollers, banners, vynil nets with enormous sizes for building wrapping etc. This technology uses high UV resistance solvent base with stability to outdoor conditions up to 5 years.

BILLBOARD AD has 4 machines of this type.



## Vutek Ultra Vu 2600 EC, Vutek Ultra Vu 2360 SC

The UltraVu® 2600 has a photorealistic print quality, eight colors and exceptional resistance to external conditions without the need for laminate up to 5 years. The technology allows printing on any PVC materials, incl. monomer and polymer film, carcass foil for car branding, translucent foil for backlighting, vinyl for banners etc.

BILLBOARD AD has two machines of this type.



## HP-Scitex Turbojet Digital Press

Wideformat digital machine with very high speed of 400 m<sup>2</sup> /h and resolution of 720 dpi. The machine is designed for mass production of large prints of advertising materials made of paper or PVC foil. The technology is the best combination of speed and self-cost with resistance of the advertising materials up to 5 years. This technology allows printing 10 times faster than others. BILLBOARD AD produces various types of posters and stickers with large volumes and requested short production time.



### HP Latex 3100

The HP Latex 3100 printer is designed with the ability to produce the highest quality for unique products such as glowing advertising and displays, interior decoration, etc. HP Latex 3100 delivers speed, quality and flexibility to meet peak production and avoid outsourcing.

The HP Latex 3100 printer uses the latest technology innovations that rely on the benefits of the third-generation HP Latex Ink.



### HP Latex 850

HP Latex Printing Technologies is a HP-based technology for water-based latex printing. They combine the best characteristics of water and solvent inks to achieve photorealistic print quality and maximum resistance to the external environment of a wide variety of media. Also, the printed production can be laminated for greater UV resistance. The machine is suitable for production of transport advertising products as well as for interior solutions with a maximum width of 3m.



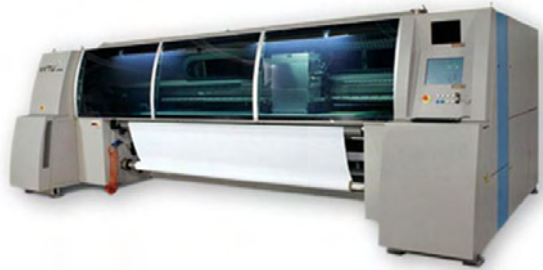
### HP Latex 370

HP Latex Printing Technologies is a HP-based technology for water-based latex printing. They combine the best characteristics of water and solvent inks to achieve photorealistic print quality and maximum



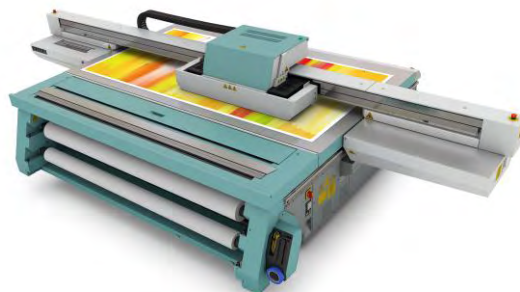
resistance to the external environment of a wide variety of media. Also, the printed output can be laminated for greater scratch and UV resistance. The machine is suitable for the production of transport advertising products as well as for interior solutions with a maximum width of 1.6m.

BILLBOARD AD has 4 machines of this type.



### **Polytype Virtu RS 35, RS 25**

Virtu RS 35 is the best UV printer model of the company Spuhl which is leading machine tool maker. The machine provides possibilities for direct printing on any rigid and flexible materials with up to 10 sm thickness such as PVC, Plexiglas, Polypropylene, MDF, Glass, Aluminum and many others. The extra white color allows printing on colorful and transparent materials. The massive construction and the amazing head movement technology make it possible to print up to 100 m2 per hour, as well as print on heavy and massive materials. BILLBOARD AD has 3 machines of this type.



### **Fujifilm Acurity HD 2504, OCE ARIZONA 350GT**

FujiFilm Acurity HD 2504 and OCE ARIZONA 350GT is a modern technology for direct UV printing with Variable Dot Printing technology with a drop size of 6 to 40 picolitres. This OCE technology, along with the special inks, allows production of photographic quality promotional materials on any flat and flexible material such as: PVC boards, cardboards and all types of paper, PVC foil, glass, etc. The extra white color adds the capabilities of using colorful and transparent materials to make unique promotional products.



## **Esko Kongsberg iXL**

Esko Kongsberg iXL is the most modern, unique in its kind milling machine for cutting flat materials. In its functionality it combines several machines in one with a set of different cutting tools and a router with a torque of 60 000 rpm. and air cooling; an oscillating knife, a planing machine and a V-shaped cutter blade. All this is combined with an optical navigation control system during cutting, as well as a reinforced vacuum table for maintaining the cutting material. BILLBOARD AD has two machines of this type.



## **The Original Direct Printing & Fixation**

It is a machine for direct printing and fixation of polyester textiles. It is designed to make high-quality banners and textile banners for both interior and exterior use. The technology allows printing of any type and thickness of polyester fabrics which can be used for production of products such as flags, umbrellas, curtains, wallpaper, interior decoration, fabrics and many others. Direct fixation greatly improves quality and speeds up processes to shorten production deadlines to the maximum.



## **WeldMaster 112 CS**

WeldMaster 112 CS is a sticking machine using hot compressed air for vinyl sticking. The machine was manufactured by the American company WeldMaster - a leader in the field. The combination of temperature, pressure and speed give extreme bonding strength for both small and large plots. BILLBOARD AD has two machines of this type. One has a maximum sticking size of 13 meters and the other has a maximum size of 8 meters. The technology allows sticking of various types of vinyls and nets, for billboards, truck covers, for illuminated advertising, stadium networks, building networks, etc.



## Summa S 160 T

Summa S160 T is the top quality cutting plotter with tangential knife and pressure up to 600N. This cutting plotter is an ideal machine for cutting images, text and printing with maximum precision, high speed and reliability. The plotter also has a special Opos system for cutting the line of print graphics. The additional pressure of the knife allows cutting of thicker materials such as laminated PVC, cardboard, paper, PP film etc.



## Rolls Roller

Rolls Roller is a unique of its kind flat laminator for casing, placing transportation paper and laminating flat and rigid materials. The advantage of machine casing and lamination is the high speed and quality of the process. The maximum sheet size is 540 x 220 sm.

BILLBOARD AD is the only company that has this modern machine and provides a 100% quality guarantee when applying foil on hard surfaces.

## 2. Major raw materials

Prime and raw materials essential to the core business of BILLBOARD AD - wide-format digital printing are four main groups - vinyl and vinyl mesh, PVC folios, paper and ink.

### Vinyl And Vinyl Mesh

**Vinyl** is one of the most commonly used materials in outdoor advertising. It is characterized by the following qualities:

- weather-resistant;
- strength and toughness of the material;
- excellent color rendering;





- allows repeated assembly/disassembly without changing its quality and appearance.

This material is most commonly used to print advertising images for billboards, banners, blinds, signs, and other non-standard advertising solutions. For the purpose of billboard advertising two types of vinyl are most commonly used:

- **coated vinyl** - extremely durable and suitable for prolonged advertising campaigns or such with multiple rotations;
- **laminated vinyl** - suitable for shorter campaigns, characterized by lower cost and lower strength (weather resistance) than coated vinyl.

**Vinyl mesh** is a highly preferred material, most commonly used to "wrap" buildings under repair or in construction. It is also be used for production of banners for indoor and outdoor use as well as to replace any vinyl alternatives where air or light passage through the advertising material could be required. Although the structure of the fabric is not dense, images are being printed with good quality, visions attract with their dimensions, and the scale of the canvas gives consumers the confidence and thrust in the brand to be advertised.

In 2019 vinyl and vinyl mesh did not register a change compared to the previous year. Stabilization in the price of the offered product was observed and during the period there was an increase in the use of higher quality vinyl compared to the previous year. BILLBOARD AD continues developing new materials (lighter and thinner) to create a new market niche with a higher profit margin. This is mostly the case for billboards.

## PVC foil

Foil finds application in many different aspects. In advertising, it is most often used for window displays branding and decoration, complete and partial branding of cars, buses and other types of vehicles, stickers for various use, for illuminated and non-illuminated, decorative plates, signboards, doors and others. It is used in both outdoor and indoor environments. As a material, PVC foil is distinguished by the possibility for excellent printing on gloss or matte surface and is found in different colors. Part of the folios BILLBOARD AD uses are:

- **Reflective foil** - mainly used for non-illuminated advertisements; in billboard advertising separate inscriptions are placed on the advertising visions for good visibility on the part of users traveling in the dark part of the day;

- **Perfo self-adhesive foil** - mainly used for branding of shop windows, shops, vehicles;

- **Automotive foil** - used primarily for plates with uneven curves, such as car advertising etc.

BILLBOARD AD uses high quality products of 3M which allows implementation of any creative ideas and various projects.

The prices of this type of material are relatively constant, with fluctuations in the range of 1-2% per year. In 2019 was reported stability in the price of this raw material.

BILLBOARD AD continued its policy for offering higher quality PVC products due to the fact that very often with cheaper self-adhesive materials defects occur not immediately, but after a certain period, thus leaving customers deceived and disappointed.

## Paper

Paper is a material, intended for short-term and promotional campaigns. This is the cheapest material for production, the price of which is almost constant. The basic characteristic that defines the price of this type of material is the volume being purchased. In this respect, the expenses of





BILLBOARD AD have decreased over the years. Transportation expenses for delivery are also essential, which are also being influenced positively by the economies in the volumes.

In 2019, BILLBOARD AD introduced several new machines for direct printing on plain paper, which significantly reduced the cost for printing on paper for banners and posters.

## Ink

Ink is another major consumable for the company's production. The price of ink is directly dependent on the quantities used. BILLBOARD AD consumes about 13 tons of inks for different types of machines per year, and given the volumes, the company achieves the best prices offered by suppliers in Bulgaria. For the last year the management of BILLBOARD AD succeeded to negotiate more than 5 % reduction in the ink price.

## 3. Markets And Sales

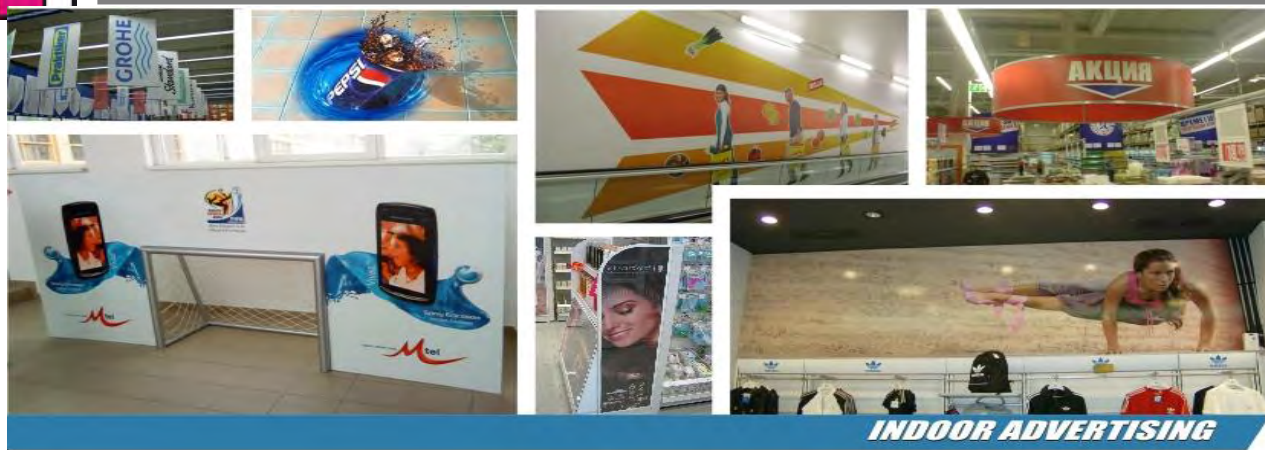


BILLBOARD AD has more than 17 years of experience in wide format digital printing. Outdoor advertising products are the core product category since the foundation of the company. The constant investing in printing technologies gives possibility for:

- Production of huge sizes and variety of the images that could be printed on media with the width of 5 m. Mega boards with sizes 12 x 5 m, 8 x 4 m could be produced with one piece of vinyl without sticking or sewing which improves quality and resistance to external conditions;
- Short production time – BILLBOARD AD has a large number of digital printing machines with sizes 3 and 5 meters, allowing optimization of production deadlines and capacity;
- Competitive prices – company's big capacity leads to lower production costs.

BILLBOARD AD has a major market share in the production of the following outdoor advertising products:

- Vinyl billboards - 450 gr/m<sup>2</sup>,
- Blue back paper billboards – 150 gr/m<sup>2</sup>
- Vinyl megaboards with up to 5m width - 450 gr/m<sup>2</sup>
- City lights paper posters - 150 gr/m<sup>2</sup>
- Vinyl mesh for wrapping of buildings, stadiums etc. – perforated PVC vinyl 9x9
- Vinyl banners 450 gr/m<sup>2</sup> with different sizes for outdoor advertising.



With the introduction of the HP Scitex Vision Turbojet city lights technology posters are being produced at a speed of 400m<sup>2</sup> / h - productivity that surpasses any competition in the Balkan Peninsula. The most commonly used media for outdoor advertising are vinyl, mesh, PVC etc.

The product range of BILLBOARD AD was sharply enlarged in the sector of POS advertising and indoor decoration. For this purpose, a large variety of over two hundred media is used, which, in combination with the most contemporary printing technologies, offer distinctive and memorable vision of products such as:

- Hangers from forex or lightboard 3/5 mm;
- Window graphics from perforated PVC foil, sandblast, thick or transparent foil;
- Floor graphics from PVC foil with special floor lamination;
- Promotional stands and Displays branding from PVC foil, lightboard or paperboard 10-16mm
- Wall and ceiling decoration from special PVC foil or textile;
- Art reproductions from canvas.

Digital printing is the best method for interior decoration and creative design projects.

The indoor service of the products brings the necessity for maximum quality of the printed image as well safely while using. Therefore, BILLBOARD AD uses HP's latest generation digital machines HP Latex with latex based printing technology. They allow the production of completely harmless and environmentally friendly products. Such types of products are also:

- backlit films;
- premium photo paper posters;
- paper posters 120 – 250 gr/m<sup>2</sup> without limitation in size;
- textile frames - with the possibility for frontlight or backlight;
- magnetic foils - designed for sticking to metallic objects.



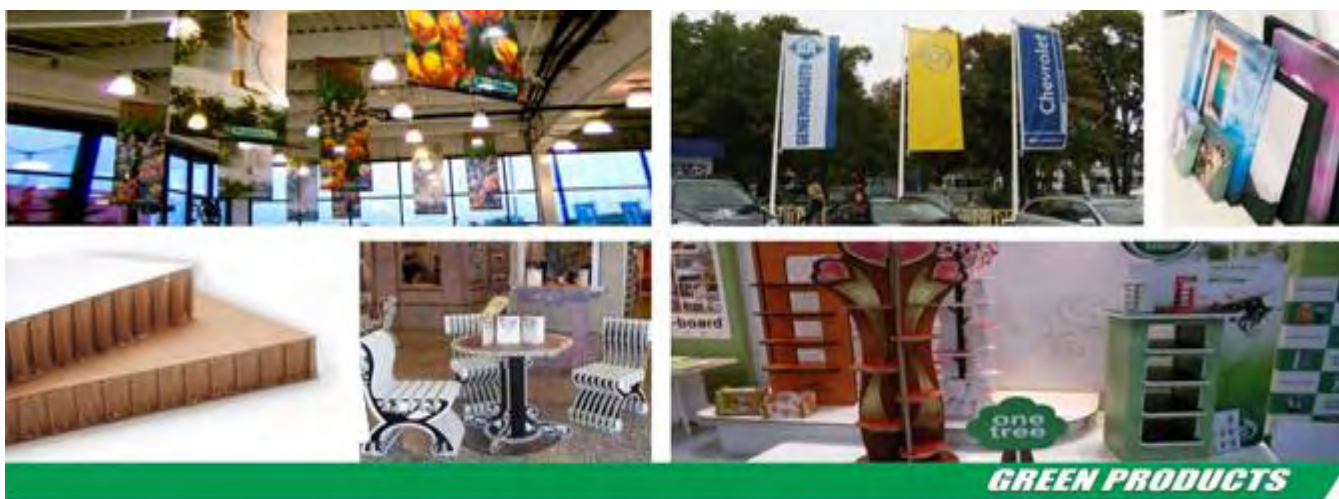


Vehicles could be fully or partially branded for both advertising and private usage. BILLBOARD AD is the only oauthorized 3M Scotchprint producer for Bulgaria which gives additional guarantee for the highest quality. The company has its own teams working on branding. Major products of transport advertising are:

- Automobiles without compound 3D curves (material 3M Scotchcal 40 + 3M 40-11 lamination);
- Automobiles with compound 3D curves (material 3M cast foil SC 170 + lamination 3M8518);
- Transportation vehicles – trucks, buses, tanks etc. (material 3M foil SC 40 + lamination 3M 40-11);
- Public transport – buses, trolleys, trams, trains (material 3M Scotchcal 25 + lamination 3M 25-11).

Transport advertising is an effective marketing tool with proven success for both corporate image and promotional campaigns. Different 3M materials are used depending on the complexity of the project and the warranty sought. Night vision images made of special 3M reflective foils could also be produced.

BILLBOARD AD offers the car branding t service throughout the country with the support of the regional offices in Sofia, Plovdiv, Varna and Bourgas.



BILLBOARD AD offers comprehensive solutions for socially responsible companies that focus on using environmentally friendly products. The range of products is focused on using recyclable materials or those that naturally dissolve in nature. Such type of products are:

- Stands and paperboard figures - produced from unique material of 100% recycled paper with thickness of 10 or 16 mm. The structure consists of wavy multilayered cells and a special pad. Constructions are strong enough and do not require additional holding means. Products include: promotional stands, displays, panels, entire solutions for events and exhibitions, pallet zones, racks, hangers, mobiles, 3D figures etc.

- Textile products - 100% polyester with full recycling possibilities. They are lightweight and easy to place. They are suitable for both interior and exterior use. Textile products are:

- corporate and national flags;
- textile banners, gonfalons;
- wind blades, pop-up;
- ceiling, curtains and decorations.

BILLBOARD AD develops products which are out of the standard and need special design. The company has a special "Projects" department, which carries out activities on the so-called "Project Management". It specializes in design, planning and building advertising constructions, illuminated advertisement and entire branding design. The projects are developed and implemented for buildings, offices and petrol stations, as well as corporate and special events. They include a variety of visuals to fulfill effective and memorable atmosphere:

- Window graphics
- Illuminated signs and logos
- Totems
- Flags
- Information and security signs
- Interior decoration
- Others

As of 31.12.2019 the individual net sales revenues of BILLBOARD AD pursuant to the IAS/IFRS amounted to BGN 8 252 000 which represents a growth by 5.02 % compared to the individual net sales revenues reported by 31.12.2018 in the amount of BGN 7 856 000. As of 31.12.2019 the production sales revenues of the company were in the amount of BGN 8 150 000 and the service sales revenues were in the amount of BGN 102 000.

**Table № 4**

Revenue type	31.12.2017	31.12.2018	31.12.2019
Production sales including	7 752	7 735	8 150
sales revenues from servives including	107	121	102
<b>Total</b>	<b>7 859</b>	<b>7 856</b>	<b>8 252</b>

**In 2019 BILLBOARD AD generated the following revenues from abroad:**

**Table № 5**

Sales revenues generated abroad	Value in BGN '000
Hungary	19
Romania	553
France	2
Serbia	84
Switzerland	6
Great Britain	7
Austria	4
Others	1
<b>Total</b>	<b>676</b>

**In 2019 BILLBOARD AD used the following basic marketing strategies:**

**Direct marketing** - The Trade Department of the company continuously collects information about the market - for new customers, for those who do not work with the company, for competitors and others.



The information is being analyzed and a specific strategy to the specific client is been set. When the new customer is a company that does not use the services of BILLBOARD AD and does not work with competitive companies, meetings with the management of the company are being organized, where to present all products and services of BILLBOARD AD, explain their competitive advantages and identify an appropriate approach to the customer. When the potential new client develops its potential towards a competitor, the management and the Sales Department of the company look for weaknesses of the competition and offer better solutions.

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

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

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

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

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

## **INFORMATION ON ISSUES RELATED TO ECOLOGY AND EMPLOYEES**

### **ECOLOGY**

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

The Company has developed and consistently applies environmental policy related to the obligations for charging the waste of packaging. BILLBOARD AD works jointly with Eco Bulpack in



order to optimize the 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 41 %.

**Table № 6**

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.

## III. OPERATING RESULTS

As a result of the economic activity carried out in 2019 BILLBOARD AD reported individual financial result - net loss in the amount of BGN 2 415 000 compared to the net profit in the amount of BGN 330 000 reported for 2018.

For 2019 the company reported positive results from operational activities in the amount of BGN 695 thousand (for 2018: BGN 573 thousand), without impairment of non-financial assets reported at fair value.

The negative financial result for 2019 is due to accrued impairments for credit losses for financial assets reported at amortized value in accordance with the requirements of IFRS 9 and the adopted accounting policy - BGN 2 414 thousand and losses reported in the financial result from revaluations of non-financial assets /unrealized losses/, reported at revalued amount - BGN 251 thousand.

**Table № 7**

BGN '000					
SHAREHOLDERS' EQUITY	2017	%	2018	%	2019
a	2		3		3
SHAREHOLDERS' EQUITY					
Share capital	15 000	0 %	15 000	0 %	15 000
Revaluation reserve	1 020	16.67%	1 190	13.36 %	1 349
Reserves	3 688	0%	3 668	0%	3 668





<b>Financial result</b>	<b>1 297</b>	<b>- 23.59%</b>	<b>991</b>	<b>-243.69%</b>	<b>-3 406</b>
1. Retained earnings (losses)	1037	-227.39 %	-1 321	- 24.98 %	-991
2. Current financial result	260	26.92%	330	-831.82 %	-2415

### Operating revenues by category

Table № 8

BGN '000					
SALES REVENUES	2017	%	2018	%	2019
Production sales	7 752	-0.22 %	7 735	5.36 %	8 150
Service sales	107	13.08 %	121	-15.00 %	102
<b>Total:</b>	<b>7 859</b>	<b>-0.04%</b>	<b>7 856</b>	<b>5.04%</b>	<b>8 252</b>
FINANCIAL INCOME					
Interest revenue	173	2.31%	177	6.78 %	189
Divident income	53	137.73 %	126	-84.13 %	20
<b>Total financial income:</b>	<b>226</b>	<b>34.07%</b>	<b>303</b>	<b>-31.02%</b>	<b>209</b>

As of 31.12.2019 BILLBOARD AD reports individual net sales revenues in the amount of BGN 8 252 000 which is a 5.04 % increase compared to the individual net sales revenues as of 31.12.2018 in the amount of BGN 7 856 000.

The financial income of the company as of 31.12.2019 was in the amount of BGN 209 000 and reports a decrease by 31.02 % compared to the previous year.

### Operating expenditures by category

Table № 9

BGN '000					
EXPENSES	2017	%	2018	%	2019
Expenditures					
Materials	2 920	10.86 %	3 237	7.82 %	3 490
External services	1 778	-9.84 %	1 603	6.61 %	1 709
Depreciation and impairment of of non-financial assets	1 136	1.32 %	1 151	7.91 %	1242
Salaries	1 010	6.14 %	1 072	16.23 %	1 246
Social secutiry	168	7.14 %	180	12.22 %	202
Other operating expenditures	86	-34.88 %	56	75.00 %	98
<b>Total:</b>	<b>7 098</b>	<b>2.83 %</b>	<b>7 299</b>	<b>9.43 %</b>	<b>7 987</b>
Financial expenses					
Interest expenses	393	-16.03 %	330	17.88 %	389
Negative exchange differences	2	200.00 %	6	0 %	6
Expected credit losses and losses for impairment of financial assets	205	-86.34%	28	8521%	2414
Other financial differencies	55	-5.45 %	52	19.23 %	62
<b>Total financial expenses</b>	<b>655</b>	<b>-36.49%</b>	<b>416</b>	<b>590.14%</b>	<b>457</b>

As of 31.12.2019 the expenditures of BILLBOARD AD were in the amount of BGN 7 978 000 and report a 9.43 % increase compared to the company's expenditures for 2018. The largest share of the operational expenditures reported by BILLBOARD AD for 2019 takes the materials amounting to BGN 3 490 000 and the expenses for external services in the amount of BGN 1 709 000.

## **FINANCIAL INDICATORS**

### **1. LIQUIDITY INDICATORS**

**Table № 10**

<b>LIQUIDITY INDICATORS</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
Total liquidity ratio	2.96	2.44	1.40
Quick liquidity ratio	2.73	2.34	1.27
Absolute liquidity ratio	0.11	0.23	0.20
Immediate ratio	0.68	0.72	0.38

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 considered to be universal and 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 of BILLBOARD AD was 1.40 and reported a decrease compared to the reported value for 2018. The decrease in the value of this ratio for 2019 compared to 2018 is due to the decrease in the current assets of the company by 33.49 % and the increase of the current liabilities by 15.86 %.

### **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 was 0.38 and reported a decrease compared to the value registered by the company for the previous financial year. In 2019 compared to 2018 the current financial assets decreased by 57.72 %, the company's cash and cash equivalents decreased by 0.22 % and the current liabilities increased by 15.86 %.

### **QUICK LIQUIDITY RATIO**

The quick liquidity ratio represents the ratio of current assets minus inventories to current liabilities.

The value of the quick liquidity ratio of BILLBOARD AD as of 31.12.2019 was 1.27 and decreased inconsiderably compared to its values reported for 2018.

The decrease in the value of the quick liquidity ratio of BILLBOARD AD in 2019 compared to 2018 was due to the increase in the value of the company's inventories by 53.03 %, the increase in the company's current liabilities by 15.86 % and the decrease in the value of the current assets by 33.49 %.

## **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 by 31.12.2019 was 0.20. In 2019 compared to 2018 the individual current liabilities of BILLBOARD AD increased by 15.86 % and the cash and cash equivalents decreased by 0.22 %.

## **2. Capital resources**

Table №11

<b>LEVERAGE INDICATORS</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
<b>Financial leverage indicator</b>	<b>0.44</b>	<b>0.47</b>	<b>0.67</b>
<b>Debt/Assets</b>	<b>0.31</b>	<b>0.32</b>	<b>0.40</b>
<b>Financial autonomy indicator</b>	<b>2.27</b>	<b>2.13</b>	<b>1.48</b>

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 indicators on the share of capital obtained through loans show what part of the total capital represents borrowings. The larger the share of long-term debt compared to equity is, the bigger the probability of default in payment of fixed obligations will be.

## **FINANCIAL AUTONOMY RATIO**

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

As of 31.12.2019 the value of the financial autonomy ratio was 1.48 and reported a decrease compared to its value reported for 2018. The decrease in the value of the financial autonomy ratio of BILLBOARD AD in 2019 compared to 2018 is due to the decrease in the shareholder's equity by 11.96 % while the total debt increased by 26.29 %.

## **FINANCIAL LEVERAGE RATIO**

The financial leverage ratio shows the ratio between debt and equity in the company.

The value of the financial leverage as of 31.12.2019 was 0.67 and reported an increase compared to its value as of 31.12.2018. The increase in the value of the financial leverage ratio of BILLBOARD AD for 2019 compared to 2018 is due to the increase in the total debt by 26.29 % in comparison with a decrease in the value of the shareholder's equity by 11.96 %.

### **DEBT TO TOTAL ASSETS RATIO**

The ratio of debt to assets shows what percentage of the assets is being financed through debt.

As of 31.12.2019 the value of the Debt/Assets ratio was 0.40 and unconsiderably increase compared to its value for 2018.

### **3. PROFITABILITY INDICATORS**

Table № 12

<b>PROFITABILITY INDICATORS</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
<b>Profitability of capital</b>	<b>0.017</b>	<b>0.031</b>	<b>-0.198</b>
<b>Return on equity (ROE)</b>	<b>0.012</b>	<b>0.022</b>	<b>-0.152</b>
<b>Return assets (ROA)</b>	<b>0.006</b>	<b>0.010</b>	<b>-0.068</b>

### **PROFITABILITY OF CAPITAL**

As of 31.12.2019 the indicator for profitability of capital reported a negative value (-0.198) due to the reported negative financial result for the year while the capital of the company remained unchanged in 2019 compared to 2018.

### **RETURN ON EQUITY (ROE)**

As of 31.12.2019 the Return on Equity indicator reported a negative value (-0.152) due to the reported negative financial result of BILLBOARD AD for the year while the shareholder's equity decreased by 11.96 % in 2019 compared to 2018.

### **RETURN ON ASSETS (ROA)**

The Return on Assets indicator shows the effectiveness of using the total assets. ROA is calculated as a ratio of operating profit to total assets and shows what operating profit is being generated for one BGN assets.

As of 31.12.2019 the value of the Return on Assets indicator also reported a negative value (-0.056) due to the reported negative financial result for 2019 while the total assets of the company increased by 0.27 % compared to 2018.

## **IV. PRINCIPAL RISKS WHICH THE COMPANY FACES**

### **SYSTEMATIC RISKS**

#### **OVERALL MACROECONOMIC RISK**

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

**Figure 1. Business climate - total**



**Sorce: 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  $\pm 15\%$  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 separate 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 COMPANY**

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.

Pursuant to the annual financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS, as of 31.12.2019 the company generated individual net sales revenues in the amount of BGN 8 252 000 which is a growth by 5.04 % compared to the net sales revenues for 2018. The production net sales revenues as of 31.12.2019 were in the amount of BGN 8 150 000 and the services net sales revenues were in the amount of BGN 102 000. The production net sales revenues represent over 98 % of the company's net sales revenues. In 2019 BILLBOARD AD 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 company's activities 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 view of the above stated in 2020 BILLBOARD AD will also retain a conservative policy of making investments in new production facilities.





As of the date of approval of the individual annual financial statements of BILLBOARD AD for 2019, it is practically not possible to value the potential risks for the company as a result of the pandemic of / SARS-CoV-2 /.

## **VII. RESEARCH AND DEVELOPMENT ACTIVITIES**

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

## **VIII. INFORMATION 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 has not acquired neither has transferred own shares.

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

The company does not hold own shares.

## **IX. INFORMATION REQUIRED PURSUANT TO ART. 247 OF THE COMMERCIAL ACT**

**1. The total remuneration received during the year by the board members**

The overall gross amount of the 2019 remunerations of the members of the Board of Directors of BILLBOARD AD was given under table No 24 herein as well as in the Report on the implementation of the Remuneration Policy.

**2. The acquired, possessed and transferred stocks and bonds of the company by the members of the boards during the year**

As of 31.12.2019 the shares from the capital hold by members of the Board of Directors of BILLBOARD of the company are as follows:

**Table №15**

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 %

During the reported year members of the company's Board of Directors have not transferred and acquired shares from the capital of BILLBOARD AD.





### 3. The rights of the members of the boards to acquire stocks and bonds of the company

Members of the Board of Directors of the Company may freely acquire shares from the company's capital on the regulated securities market subject to the applicable provisions of the Bulgarian legislation and the European regulation.

### 4. Participation of the board members in commercial companies as unlimited liable partners, possession of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperations as procurators, managers or members of boards as of 31.12.2019

Table № 16

Full name	Participation in management and supervisory bodies of other companies or cooperations and participation as unlimited liable partners	Direct participation exceeding 25 % of the capital of other companies	Companies where the person exercises direct control
<b>Kalin Vassilev Genchev</b>	Managing Director of Motion Arts Ltd. with UIC: 121446455;	Holds directly over 25 per cent of the votes at the general assembly of Megaproject Ltd. – officially closed company	The person does not exercise direct control.
<b>Stefan Vassilev Genchev</b>	Managing director of GVS computing Ltd. with UIC:831334212	Holds directly over 25 per cent of the votes at the general assembly of Motion Arts Ltd. with UIC: 121446455.	The person does not exercise direct control.
<b>Borislav Hristov Borisov</b>	The person does not participate.	The person does not have holdings.	The person does not exercise direct control.
<b>Asen Georgiev Kostadinov</b>	The person does not participate.	The person does not have holdings.	The person does not exercise direct control.

### 5. Executed contracts with members of the Board of Directors or their related persons beyond the usual activity of the company or substantially diverted from the market requirements

In 2019 have not been executed transaction with members of the Board of Directors or their related persons beyond the usual activity of the company or substantially diverted from the market requirements.

### 6. Planned economic policy for the next year, including the expected investments and development of the personnel, the expected revenue from investments and development of the company, as well as the forthcoming transactions of substantial importance for the activity of the company

Information on the planned economic policy and forthcoming projects for the next year is presented under item V. PROBABLE FUTURE DEVELOPMENT herein.

## **X. AVAILABILITY OF BRANCHES OF THE ENTERPRISE**

The company does not have registered branches in the country and abroad.

## **XI. FINANCIAL INSTRUMENTS USED BY THE COMPANY**

The Company actively uses leasing and factoring in the implementation of its investment policy. Standard bank financing for working capital and investment purposes are possible.

Beyond the described above, the Company does not use special financial instruments in implementing its financial policy, including upon hedging and managing financial risk.

BILLBOARD AD has not used financial instruments in 2019 laying hedge risks from changes in foreign exchange rates, interest rates or cash flows. During the year under review the company has made no transactions to hedge the currency risk, as no transactions in USD or other currencies floating against the BGNexchange rate have been executed.

The company might have exposure to liquidity, market, interest rate, currency and operational risks from its use of financial instruments.

## **XII. ADDITIONAL INFORMATION UNDER SECTION VI A OF 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**

As of 31.12.2019 the net sales revenues of BILLBOARD AD, pursuant to the annual financial statements, drawn up according to the IAS/IFRS were in the amount of BGN 8 252 000 which represents a 5.02 % increase compared to the individual net sales revenues reported by 31.12.2018 in the amount of BGN 7 856 000. As of 31.12.2019 the production net sales revenues of the company were in the amount of BGN 8 150 000 and reported an increase by 5.36 % compared to the previous year, and the service revenues were in the amount of BGN 102 000 reporting a decrease by 15.7 % compared to the previous year.

**Table № 17**

<b>Revenue type</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
<b>Production sales including</b>	<b>7 752</b>	<b>7 735</b>	<b>8 150</b>
<b>sales revenues from servives including</b>	<b>107</b>	<b>121</b>	<b>102</b>
<b>Total</b>	<b>7 859</b>	<b>7 856</b>	<b>8 252</b>

The main categories of products and services offered by BILLBOARD AD in 2019 are presented in Section II of this report.

In 2019 BILLBOARD AD has generated revenues from abroad in the total amount of BGN 676 thousand and their distribution by markets is presented under Table 5 of this Report.

**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 company**



Table № 18

					BGN '000
SALES REVENUES	2017	%	2018	%	2019
Production sales	7 752	-0.22 %	7 735	5.36 %	8 150
Service sales	107	13.08 %	121	-15.00 %	102
<b>Total:</b>	<b>7 859</b>	<b>-0.04%</b>	<b>7 856</b>	<b>5.04%</b>	<b>8 252</b>
FINANCIAL INCOME					
Interest revenue	173	2.31%	177	6.78%	189
Divident income	53	137.73 %	126	-84.13 %	20
<b>Total financial income:</b>	<b>226</b>	<b>34.07%</b>	<b>303</b>	<b>-31.02%</b>	<b>209</b>

As of 31.12.2019 the individual net sales revenues of BILLBOARD AD, pursuant to the IAS/IFRS, were in the amount of BGN 8 252 000 which represents a growth by 5.04 % compared to the individual net sales revenues reported by 31.12.2018 in the amount of BGN 7 856 000.

There is no concentration or dependence of the company 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 economic group.

◇ Information on the revenues allocated by domestic and external markets

During the reporting year, the company reported sales revenues mainly from the Bulgarian market again. In 2019 the generated sales revenues by BILLBOARD AD amounted to BGN 8 252 000, out of which BGN 676 000 were revenue generated by foreign markets.

### 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.

### 4. Information about the transactions concluded between the company and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer's financial status

As of 31.12.2019 the concluded big transactions between BILLBOARD AD and related parties are as follows:

Table № 19

Related party	Type of relation	Volume of the transactions, in BGN '000	Explanatory notes Sales of:
DEDRAX AD	subsidiary where BILLBOARD AD holds 60 % of the capital	197	printed production, fixed assets and rentals, etc.



MOTION ARTS Ltd.	subsidiary where BILLBOARD AD holds 51 % of the capital until 01.08.2019.	491	printed production, services, fixed assets and rentals
DIGITAL PRINT EOOD	subsidiary where BILLBOARD AD holds 100 % of the capital	94	printed production, services and fixed assets

Table № 20

Related party	Type of relation	Volume of the transactions, in BGN '000	Explanatory notes Purchase of:
DEDRAX AD	subsidiary where BILLBOARD AD holds 60 % of the capital	637	materials, services
MOTION ARTS Ltd.	subsidiary where BILLBOARD AD holds 51 % of the capital until 01.08.2019.	85	advertising services
DIGITAL PRINT EOOD	subsidiary where BILLBOARD AD holds 100 % of the capital	4 690	materials, services, fixed assets

The concluded transactions with related parties are not outside its usual activity and do not substantially deviate from the market conditions.

## 5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation

Events or indicators of unusual for the company nature have not occurred.

## 6. Information about off-balance kept transactions in 2018 – 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 issuer

During 2019 have not been concluded off-balance kept transactions.

## 7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate properties, as well as investments in holding outside its group of enterprises within the meaning of the Accountancy Act 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 № 21

Name of the Company	Scope of Activity	Capital share or percentage of votes at the General Assembly
DIGITAL PRINT EOOD	Digital printing, advertising, intellectual property transactions, leasing, and any other transactions which are not prohibited by law	100 % of the capital



<b>DEDRAX AD</b>	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
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## 8. Information about the concluded by the issuer, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts

As of 31.12.2019 the parameters of the liabilities under loan agreements are:

Table № 22

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%	20.01.2029	293	13	2 184	-
Bulgarian Development Bank AD	960	3M EURIB + 3.00% > 4.50%	20.01.2021	442	3	32	-

## 9. Information about the concluded by the issuer, by its subsidiary or the parent undertaking, in their capacity of lenders, loan contracts

Table № 23

Granted Loans (Principal and Interests)				
Borrower	Current part at depreciated value		Long-term at depreciated value	
	Principal	Interests	Principal	Interests
Digital Print EOOD	-	516	3 500	-
Dedraks AD	255	9	-	-
<b>Total</b>	<b>255</b>	<b>525</b>	<b>3 500</b>	<b>-</b>

## 10. Information on the use of the funds from a new issue of securities during the reported period

In 2019 BILLBOARD AD has not issued a new issue of shares.

## 11. 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 resultd for the reported period.



## **12. 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**

BILLBOARD AD performs its operating activities as 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.

As of 31.12.2019 the company does not meet difficulties in serving its liabilities to financial institutions and suppliers.

## **13. 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 company's activities 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 view of the above stated in 2020 BILLBOARD AD will also retain a conservative policy of making investments in new production facilities.

As of the date of approval of the individual annual financial statements of BILLBOARD AD for 2019, it is practically not possible to value the potential risks for the company as a result of the pandemic of / SARS-CoV-2 /.

## **14. 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.

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

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

### **General description of the internal control and risk management systems**

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



periodically adjusted to the changed conditions. Assessment is proportionate to the characteristics of the company and the influence of the risks identified.

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

The internal control and risk management systems are aimed at:

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

## Control environment

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

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

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

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

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

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



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

### **Risk valuation process in the Company**

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

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

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

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

### **Risk management process in the Company**

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

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

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

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

- ensuring that the information required for disclosure by the applicable financial reporting framework is collected, reflected, processed, summarized and that it is properly recorded in the financial statements.

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

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

### Current monitoring of the controls

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

## 16. Information on the changes in the management and supervisory bodies of the company in 2019

As of 31.12.2019 the Board of Directors of BILLBOARD AD includes the following members:

- Kalin Vassilev Genchev – Chairperson of the Board of Directors
- Stefan Vassilev Genchev – Executive Director
- Borislav Hristov Borisov – Independent member of the Board of Directors
- 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.

## 17. 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:

- received amounts and non-money remunerations;
- contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time;
- 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 № 24

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.

**18. 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 №25**

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.

**19. Information about the known to the company agreements as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders**

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.

**20. 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**

There are not any pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at the amount of at least 10 percent of its equity.

**21. Information about the Investor Relations Director:**

Sophia Argirova - Atanasova

Tel. +359 2 62 50 71;

e-mail : [ir@digitalprint.bg](mailto:ir@digitalprint.bg)

No 1 Bulgaria Sq., National Palace of Culture, „low-rise building”, floor 2, 1463 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 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:  
28.07.2020  
Sofia

For BILLBOARD AD .....  
Stefan Genchev  
/Executive member of the Board of Directors/