



INTERIM REPORT ON THE ACTIVITIES OF BILLBOARD AD, Sofia AS OF 31.03.2020

1. IMPORTANT DEVELOPMENTS FOR BILLBOARD AD THAT OCCURRED DURING THE PERIOD 01.01.2020 – 31.03.2020

On 30.01.2020 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial report for the fourth quarter of 2019.

On 20.02.2020 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial report for the fourth quarter of 2019.

On 30.03.2020 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public an announcement on the following: Given the established serious anti-epidemic, restrictive measures and prohibitions with regard to the declared state of emergency in the Republic of Bulgaria as from 13.03.2020, currently the process of exchange of documents and information in connection with the audit of the annual individual financial statements of BILLBOARD AD for 2019 is technically seriously hampered. Due to these reasons, it will be objectively impossible for the company to disclose the annual report for 2019 in compliance with the initially envisaged deadlines in the Public Offering of Securities Act.

In connection with the above stated and on the basis of the extended deadlines for submission of financial and reporting information by issuers, adopted by the Law on Measures and Actions during the State of Emergency of 13.03.2020, announced by a decision of the National Assembly, the company will present its annual audited individual financial statements as of 31.12.2019 within the respectively extended time lines.

The management of the company makes serious efforts to complete the audit procedure as soon as possible and currently expresses confidence that the annual audited financial statements of BILLBOARD AD for 2019 will be disclosed by the end of May, 2020.

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

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

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

- reducing the volume of the activity as a result of the significant reduction of the economic activity and consumption in the country;

- difficulties in the operational activity due to cancellation of deliveries, difficult logistics of materials and finished products.

As of the date of approval of the financial statements of BILLBOARD AD as of 31.03.2020, 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.

2. IMPACT OF THE IMPORTANT DEVELOPMENTS FOR BILLBOARD AD THAT OCCURRED DURING THE PERIOD OF 2020 UNDER REVIEW ON THE RESULTS IN THE FINANCIAL REPORT

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

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

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

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

In the field of **indoor advertising** BILLBOARD AD develops and offers printing of posters and banners with photo quality, including 3D posters, illuminated advertisements, banners, floor graphics, design and implementation of various backdrops, branding, development of boards and panels, models of objects and people in natural size, advertising on custom interior spaces, expo systems.

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

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

- **solvent printing** - characterized by high resistance to external conditions and suitable for the production of outdoor advertising with high resistance. BILLBOARD AD has the most modern equipment for digital wide format solvent printing with almost all models of the brand

Vutek - a world leader in the field as all of them are the latest generation of 8-color models. Also, the printing base is equipped with a HP Turbojet 8530 machine, which is unique for its kind.

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

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

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

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

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

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

Pursuant to the unaudited individual financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS, as of 31.03.2020 the company reported total individual net sales revenues in the amount of BGN 1 729 000 compared to BGN 1 822 000 for the same period of 2019 which represents a decrease of the net sales revenues by 5.10 %. As of 31.03.2020 the individual production net sales revenues of BILLBOARD AD were in the amount of BGN 1 709 000 compared to the individual production net sales revenues reported by 31.03.2019 in the amount of BGN 1 802 000 which represents a decrease of the company's individual production net sales revenues by 5.16 %.

As of 31.03.2020 BILLBOARD AD reported individual profit before taxes in the amount of BGN 46 000 compared to the individual profit before taxes for the same period of 2019 in the amount of BGN 85 000 which represents a decrease of the individual profit before taxes of the company by 45.88 %.

As of 31.03.2020 the earnings before taxes and depreciation and amortization, increased by the financial expenses and decreased by the financial incomes of the BILLBOARD AD on an individual basis were to the amount of BGN 246 000 compared to EBITDA as of 31.03.2019 in the amount of BGN 393 000.

As of 31.03.2020 the earnings before taxes, increased by the financial expenses and decreased by the financial incomes (EBIT) of BILLBOARD AD on an individual basis were in the amount of BGN 25 000 compared to EBIT in the amount of BGN 158 000 as of 31.03.2019.

Financial indicators of the company as of 31.03.2020

Table № 1

LIQUIDITY INDICATORS	31.03.2020	31.03.2019
Total liquidity ratio	1.32	2.09
Quick liquidity ratio	1.16	1.99
Absolute liquidity ratio	1.16	0.13
Immediate ratio	0.33	0.69

Table № 2

PROFITABILITY INDICATORS	31.03.2020	31.03.2019
Profitability of capital	0.003	0.006
Return on equity (ROE)	0.003	0.004
Return assets (ROA)	0.002	0.003

Table № 3

LEVERAGE INDICATORS	31.03.2020	31.03.2019
Financial leverage indicatir	0.68	0.60
Debt/Assets	0.40	0.37
Financial autonomy indicator	1.46	1.67

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

SYSTEMATIC RISKS

OVERALL MACROECONOMIC RISK

Pursuant to data of the National Statistical Institute in March 2020, the total business climate indicator decreases by 3.7 percentage points in comparison with February which is due to the worsened business climate in industry, retail trade and service sector.

Pursuant to data of the National Statistical Institute in March 2020, the composite indicator ‘business climate in industry’ decreases by 5.2 percentage points as a result of the pessimistic industrial entrepreneurs’ assessments and expectations about the business situation of the enterprises. According to them, there is a decrease of the production assurance with orders, which is also accompanied by reduced expectations about the activity and the personnel over the next 3 months.

In the last month the unfavourable influence of the factor ‘uncertain economic environment’ is strengthened, which shifts to the second place the difficulties of the enterprises connected with the shortage of labour. Concerning the selling prices in industry, the prevailing managers’ expectations are them to remain unchanged over the next 3 months.

Pursuant to data of the National Statistical Institute in March 2020, the composite indicator ‘business climate in construction’ increases by 1.4 percentage points which is mainly due to the favourable construction entrepreneurs’ assessments about the present business situation of the enterprises. In their opinion, there is some increase in the new orders inflow at the last month, and their expectations about the construction activity over the next 3 months are improved.

The inquiry registers a strengthen of the negative impact of the factor ‘shortage of labour’, as 52.2% of the managers is pointed out it as main problem for their activity. In second and third place remain the difficulties, connected with the uncertain economic environment and competition in the branch. As regards the selling prices, the managers foresee them to preserve their level over the next 3 months.

Pursuant to data of the National Statistical Institute in March 2020, the composite indicator ‘business climate in retail trade’ drops by 6.6 percentage points as a result of the more unfavourable retailers’ assessments and expectation about the business situation of the enterprises. Their forecasts about the volume of sales and the orders placed with suppliers (from both domestic and foreign market) over the next 3 months are also more reserved.

The competition in the branch continues to be the main problem for the business development. An increase of the negative influence of the factor ‘uncertain economic environment’ is reported, which shifts to the third place the difficulties, connected with the insufficient demand.

As regards to the selling prices, the majority of the retailers expect them to remain unchanged over the next 3 months.

Pursuant to data of the National Statistical Institute in March 2020 the composite indicator 'business climate in service sector' decreases by 3.1 percentage points which is due to the reserved managers' assessments and expectations about the business situation of the enterprises. As regards the demand of services the present tendency is assessed as slight reduced, while the expectations over the next 3 months are favourable. The main factors limiting the activity remain connected with the competition in the branch, uncertain economic environment and shortage of labour. At the same time the last inquiry reports an increase of the unfavourable impact of the factor 'insufficient demand' (by 9.1 percentage points). Concerning the selling prices in the service sector, the managers foresee them to preserve their level over the next 3 months.

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 based on the economic and monetary analysis of the situation as of the date of the meeting of 12 March 2020 of the ECB's Governing Council shows that the growing epidemic of COVID-19 worsens the prospects for the development of the world economy which is set in the macroeconomic forecasts of the ECB's experts since March 2020.

Changes that have taken place since the forecast deadline indicate that the risks to lower the growth of global activity arising from the spread of COVID-19 have partly become a reality, suggesting that global activity will be weaker this year than envisaged in the forecast. The outbreak of the disease struck a blow to the world economy at a time when signs of activity stabilization appeared and trade and the signing of the so-called first phase of the US-China trade agreement, accompanied by tariff cuts, reduced uncertainty. In the long run, the projected recovery of the world economy is expected to gain only little momentum. This will depend on the recovery in a number of still vulnerable emerging economies, while the projected cyclical downturn in developed economies and the structural transition to a lower growth direction in China will adversely affect development prospects in the medium term. Risks to global activity have changed but their balance continues tending to decline. Currently, the strongest risk of decline is associated with the possible wider and longer-term impact of the spread of COVID-19, as it continues increasing. Inflation pressure remains limited worldwide.

According to the ECB's macroeconomic projections for the euro area of March 2020 real GDP is expected to increase on a yearly basis by 0,8 % in 2020, by 1.3 % in 2021 and by 1.4 % in 2022.

Compared to the ECB's staff macroeconomic projections as of December 2019, the forecast for real GDP growth has been revised downwards by 0.3 % for 2020 and by 0.1 % for 2021 mainly due to the outbreak of coronavirus infection, as the recent rapid spread of the virus in the euro area is only partially reflected. The risks regarding the economic growth perspectives in the euro area tend visibly to decline.

The spread of coronavirus adds a new and significant source of risk for lowering growth prospects to the risks related to geopolitical factors, growing protectionism and vulnerabilities in emerging economies.

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 March 12, 2020, the Governing Council of the ECB decided on a comprehensive package of monetary policy measures. Along with the existing already significant monetary stimulus, these measures will support liquidity and financing conditions for households, businesses and banks and will help maintain the smooth provision of credit to the real

economy. After the last meeting of the Governing Council at the end of January, the spread of the coronavirus (COVID-19) has been a major blow to the growth prospects of the global and euro area economies and has intensified market fluctuations. Even if it ultimately has a temporary nature, it will have a significant impact on the economic activity. This will, in particular, slow down production as a result of disrupted supply chains and reduce domestic and external demand, especially due to the negative effect of the necessary measures for its restriction. In addition, increased uncertainty adversely affects the expenditure plans and their financing. With regard to the growth prospects in the euro area, the risks for its decline are distinct. To the previously identified risks associated with geopolitical factors, growing protectionism and vulnerability in emerging markets, the spread of coronavirus adds a new and significant source of risk for lowering growth prospects. In these circumstances, the Governing Council of the ECB adopted a number of monetary policy decisions in order to maintain its monetary position and support the transmission of monetary policy decisions to the real economy.

**Base interest rates set by the Bulgarian National Bank for the period
01.01.2020 – 31.03.2020**

Table № 4

Month	Base Interest Rate
January, 2020	0.00 %
February, 2020	0.00 %
March, 2020	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.

According to the preliminary data of the NSI, the consumer price index in January 2020 compared to December 2019 was 100.9%, i.e. the monthly inflation was 0.9 %. The annual inflation in January 2020 compared to January 2019 was 4.2 %. The annual average inflation, measured by CPI, in the last 12 months (February 2019 - January 2020) compared to the previous 12 months (February 2018 - January 2019) was 3.2 %.

According to the preliminary data of the NSI, the harmonized index of consumer prices in January 2020 compared to December 2019 was 100.5 %, i.e. the monthly inflation was 0.5 %. The annual inflation in January 2020 compared to January 2019 was 3.4 %. The annual average inflation, measured by HICP, in the last 12 months (February 2019 - January 2020) compared to the previous 12 months (February 2018 - January 2019) was 2.5 %.

According to data of the National Statistical Institute, the consumer price index in February 2020 compared to January 2020 was 100.1 %, i.e. the monthly inflation was 0.1 %. The inflation rate since the beginning of the year (February 2020 compared to December 2019) has been 1.0 % and the annual inflation in February 2020 compared to February 2019 was 3.7 %. The annual average inflation, measured by CPI, in the last 12 months (March 2019 - February 2020) compared to the previous 12 months (March 2018 - February 2019) was 3.2 %.

According to data of the National Statistical Institute the harmonized index of consumer prices in February 2020 compared to January 2020 was 100.0 %, i.e. the monthly inflation was 0.0 %. The inflation rate since the beginning of the year (February 2020 compared to December 2019) has been 0.5 % and the annual inflation in February 2020 compared to February 2019 was 3.1 %. The annual average inflation, measured by HICP, in the last 12 months (March 2019 - February 2020) compared to the previous 12 months (March 2018 - February 2019) was 2.6 %.

According to data of the National Statistical Institute, the consumer price index in March 2020 compared to February 2020 was 99.4 %, i.e. the monthly inflation was -0.6 %. The inflation rate since the beginning of the year (March 2020 compared to December 2019) has been 0.4% and the annual inflation in March 2020 compared to March 2019 was 3.0 %. The annual average

inflation, measured by CPI, in the last 12 months (April 2019 - March 2020) compared to the previous 12 months (April 2018 - March 2019) was 3.2 %.

According to data of the National Statistical Institute, the harmonized index of consumer prices in March 2020 compared to February 2020 was 99.5 %, i.e. the monthly inflation was -0.5 %. The inflation rate since the beginning of the year (March 2020 compared to December 2019) has been 0.0% and the annual inflation in March 2020 compared to March 2019 was 2.4 %. The annual average inflation, measured by HICP, in the last 12 months (April 2019 - March 2020) compared to the previous 12 months (April 2018 - March 2019) was 2.6 %.

Inflation for the period 01.01.2020 – 31.03.2020 is as follows:

Table № 5

Month	% of inflation
January, 2020	0.9 %
February, 2020	0.1 %
March, 2020	- 0.6 %

*Source: NSI

POLITICAL RISK

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

Political risks for Bulgaria in the international aspect are associated with the commitments for implementation of significant structural reforms in the country in its capacity of a full-right EU member state, enhancing social stability, reducing inefficient expenses, on one hand, as well as the economic and political uncertainty with regard to Brexit and the and the pressure strengthening in trade between the USA and China. The volatile situation of the Middle East countries, the potential possibility for terrorist attacks in Europe, the refugee waves and the instability of key countries close to Bulgaria continue affecting the political stability in the region.

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

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

CURRENCY RISK

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

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

Theoretically, currency risk could increase when Bulgaria joins the second phase of the European Exchange Rate Mechanism (ERM II). This is a regime under which the country must maintain the currency rate against the euro within a + / -15% from central parity. In practice, all

countries which are currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) have witnessed fluctuations that were significantly smaller than the allowed $\pm 15\%$.

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

LIQUIDITY RISK

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

UNSYSTEMATIC RISKS

SECTOR RISK

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

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

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

RISK OF INTRODUCTION OF NEW TECHNOLOGIES

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

DEPENDENCE ON KEY PERSONNEL

The specificity of the main activity of BILLBOARD AD, as well as the use of different types of technologies such as solvent printing, Ink-jet printing, UV printing, textile printing, 3D printing require well-trained, highly qualified specialists to carry out precisely and responsibly all operations and to handle freely with the respective technologies. This makes the process of hiring such specialists difficult in view of the mass shortage of well-trained staff. At the same time, the

retention of this type of personnel by the company in recent years is also dependent on the expected high levels of remunerations (the average salary in Sofia is considerably higher than in the rest of the country).

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

RISK OF INCREASE IN PRICES OF BASIC MATERIALS

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

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

4. INFORMATION ABOUT CONCLUDED LARGE TRANSACTIONS WITH RELATED PARTIES AS OF 31.03.2030

The concluded large transactions with related parties to BILLBOARD AD (in the Group and outside the Group) as of 31.03.2020 are shown in the individual financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS as of 31.03.2020.

04.09.2020
Sofia

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