



INTERIM REPORT ON THE ACTIVITIES OF BILLBOARD AD, Sofia DURING THE SIX-MONTH PERIOD OF 2020 ON A CONSOLIDATED BASIS

1. IMPORTANT DEVELOPMENTS FOR BILLBOARD AD AND THE SUBSIDIARIES IN THE ECONOMIC GROUP THAT OCCURRED DURING THE PERIOD 01.01.2020 - 30.06.2020

For the period 01.01.2020 – 30.06.2020 BILLBOARD AD has announced the following inside information to FCS, BSE-Sofia AD and the public:

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.

On 29.05.2020 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public the following announcement: With regard to a previous announcement of the management of BILLBOARD AD dated 30.03.2020 on the extended deadlines for submission of the annual audited separate financial statements of the company as of 31.12.2019, we would like to inform hereby that at present the audit procedure has not finished yet.

In view of 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 and consolidated financial statements as of 31.12.2019 within the respectively extended time lines as the company's management makes efforts to complete the audit procedure by the end of June, 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 AND THE SUBSIDIARIES IN THE ECONOMIC GROUP THAT OCCURRED DURING THE PERIOD UNDER REVIEW ON THE RESULTS IN THE FINANCIAL STATEMENTS

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

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

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

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

In the field of **indoor advertising** BILLBOARD AD develops and offers printing of posters and banners with photo quality, including 3D posters, illuminated advertisements, banners, floor graphics,

design and implementation of various backdrops, branding, development of boards and panels, models of objects and people in natural size, advertising on custom interior spaces, expo systems.

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

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

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

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

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

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

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

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

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

Pursuant to the unaudited consolidated financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS as of 30.06.2020 the company reported total net sales revenues in the amount of BGN 13 790 000 compared to BGN 18 021 000 for the same period of 2019 which represents a decrease of the net sales revenues by 23.48 %. As of 30.06.2020 the consolidated production net sales revenues of BILLBOARD AD were in the amount of BGN 13 750 000 compared to the consolidated production net sales revenues registered by 30.06.2019 in the amount of BGN 15 600 000 which represents a decrease by 11.86 %. As of 30.06.2020 the consolidated service net sales revenues of BILLBOARD AD were in the amount of BGN 40 000 compared to the consolidated service net sales revenues registered by 30.06.2019 in the amount of BGN 2 421 000.

As of 30.06.2020 BILLBOARD AD reported consolidated profit before taxes in the amount of BGN 234 000 compared to the consolidated profit before taxes in the amount of BGN 352 000 for the same period of 2019 which represents a decrease of the company's consolidated profit before taxes by 33.52 %. The consolidated net profit of BILLBOARD AD as of 30.06.2020, related to the owners of the parent company is in the amount of BGN 72 000 compared to the consolidated net profit, related to the owners of the parent company as of 30.06.2019 in the amount of BGN 193 000.

As of 30.06.2020 the earnings before taxes and depreciation and amortization, increased with the financial expenses and decreased with the financial incomes (EBITDA) of BILLBOARD AD on a consolidated basis were in the amount of BGN 1 449 000 compared to the EBITDA on a consolidated basis reported by 30.06.2019 in the amount of BGN 1 981 000.

As of 30.06.2020 the earnings before taxes and depreciation and amortization, increased by the financial expenses and decreased by the financial incomes (EBIT) of BILLBOARD AD on a

consolidated basis were in the amount of BGN 419 000 compared to the EBIT on a consolidated basis reported by 30.06.2019 in the amount of BGN 800 000.

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

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

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

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

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

As of 30.06.2020 DEDRAX AD reported net sales revenues in the amount of BGN 10 945 000 compared to the net sales revenues registered by 30.06.2019 in the amount of BGN 12 249 000 which is a 10.65 % decrease of the net sales revenues. As of 30.06.2020 the company reported net profit in the amount of BGN 405 000 compared to the net profit in the amount of BGN 363 000 reported for the same period of 2019 which is a 11.57 % increase of the net profit.

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

As of 30.06.2020 DIGITAL PRINT EOOD reported net sales revenues in the amount of BGN 55 000 compared to the net sales revenues registered by 30.06.2019 in the amount of BGN 236 000 which is a 76.69 % decrease of the net sales revenues. As of 30.06.2020 the company reported net loss in the amount of BGN 87 000 compared to the net loss reported for the same period of 2019 in the amount of BGN 5 579 000.

3. CONSOLIDATED FINANCIAL INDICATORS OF THE COMPANY AS OF 30.06.2020

Table № 1

LIQUIDITY INDICATORS	30.06.2020	30.06.2019
Total liquidity ratio	0.94	0.89
Quick liquidity ratio	0.81	0.81
Absolute liquidity ratio	0.08	0.14
Immediate ratio	0.12	0.16

Table № 2

PROFITABILITY INDICATORS	30.06.2020	30.06.2019
Profitability of capital	0.016	0.024
Return on equity (ROE)	0.012	0.016
Return assets (ROA)	0.005	0.007

Table № 3

LEVERAGE INDICATORS	30.06.2020	30.06.2019
Financial leverage indicator	1.19	1.18
Debt/Assets	0.54	0.54
Financial autonomy indicator	0.84	0.85

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

SYSTEMATIC RISKS

OVERALL MACROECONOMIC RISK

Pursuant to data of the National Statistical Institute in June 2020, the total business climate indicator increases by 11.4 percentage points in comparison with the previous month which is due to more favourable business climate in all observed sectors - industry, construction, retail trade and services.

Pursuant to data of the National Statistical Institute in June 2020 the composite indicator 'business climate in industry' increases by 9.7 percentage points as a result of the optimistic industrial entrepreneurs' assessments and expectations about the business situation of the enterprises. At the same time, the production assurance with orders is assessed as sufficient, which is accompanied by increased expectations about the activity over the next 3 months.

The uncertain economic environment continues to be the main factor, limiting the activity followed by factor 'other' pointed out respectively by 55.9 % and 34.2 % of the enterprises. As regards the selling prices in industry, the prevailing managers' expectations are for preservation of their level over the next 3 months.

Pursuant to data of the National Statistical Institute in June 2020, the composite indicator 'business climate in construction' increases by 14.4 percentage points which is due to the improved construction entrepreneurs' assessments and expectations about the business situation of the enterprises. According to them, the new orders inflow at the last month has increased, and the forecasts about the activity over the next 3 months are optimistic.

The most serious problems for the business development remain the uncertain economic environment, shortage of labour and factor 'others'. Concerning the selling prices in construction, the managers foresee them to remain unchanged over the next 3 months.

Pursuant to data of the National Statistical Institute in June 2020, the composite indicator 'business climate in retail trade' increases by 15.8 percentage points as a result of the more favourable retailers' assessments and expectations about the business situation of the enterprises. Their opinions about the volume of sales over the last 3 months, as well their expectations over the next 3 months are also more positive.

The main obstacle for the activity in the sector remains the uncertain economic environment followed by the insufficient demand and competition in the branch. As regards the selling prices, certain expectations for an increase are registered, although the majority of the managers foresee preservation of their level over the next 3 months.

Pursuant to data of the National Statistical Institute in June 2020, the composite indicator 'business climate in service sector' increases by 7.0 percentage points which is due to the more positive managers' expectations about the business situation of the enterprises over the next 6 months. At the same time, certain improvement in their expectation about the demand of services over the next 3 months is observed.

The most serious problems for the business of the enterprises remain connected with the uncertain economic environment, insufficient demand and the factor 'others'. Concerning the selling prices in the sector, the managers' expectations are them to remain unchanged over the next 3 months.

The assessment of the state of the economy and finances as of the date of the ECB's Governing Council on 4 June 2020 shows that the COVID-19 pandemic has caused a sharp decline in global development prospects, as reflected in the macroeconomic forecasts of ECB's experts as of June 2020.

The COVID-19 pandemic has paralyzed the global economy, and the measures to limit the spread of the virus by governments around the world have been a major factor in the recent sharp decline in the economic activity. Several countries have recently begun to loosen restrictive measures but this process is likely to be very gradual. Economic activity, especially in emerging economies, has been negatively affected by the sharp decline in commodity prices, tighter financing conditions and significant capital outflows. Incoming data confirm that the adverse effects of the restrictive measures on the economy will be sharp and profound. In view of these severe global disturbances, the macroeconomic projections of the Eurosystem's experts as of June 2020 predict that real GDP (excluding the euro area) will shrink by 4.0 % worldwide this year. This shrink will be at a faster rate and on a larger scale than observed during the Great Depression. After the sharp shrink during the first two quarters of 2020, global activity is expected to start recovering in the third quarter and increase by 6.0 % and 3.9 % in 2020 and 2022, respectively. Global trade will be more severely affected inasmuch as disruptions in logistics and closed borders increase the impact of the consequences. Despite the sharp decline in the outlook for global economic development, which is reflected in the June forecast, the risks associated with this outlook still tend to be overestimated. And most importantly, the impact of the pandemic may be stronger and longer lasting than currently expected.

According to the baseline scenario of the macroeconomic forecasts for the euro area of the Eurosystem's experts as of June 2020, annual real GDP is expected to decline by 8.7 % in 2020 and to increase by 5.2 % in 2021 and by 3.3 % in 2022. Compared to the macroeconomic forecasts of the ECB's experts as of March 2020, the real GDP growth forecasts have been revised significantly downwards - by 9.5 percentage points for 2020 and upwards - by 3.9 percentage points for 2021 and by 1.9 percentage points for 2022. Given the extreme uncertainty at present, associated with this perspective, the projections include two alternative scenarios. In general, the range of shrink and recovery will depend mainly on the duration and effectiveness of the restrictive measures, the success of policies to reduce the adverse effects on income and employment, and the extent to which supply capacity and domestic demand are permanently affected. In general, the Governing Council of the ECB considers that the risk balance in terms of the baseline scenario tends to be overestimated.

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 4 June 2020, the Governing Council of the ECB decided to increase the amount and extend the term of the Pandemic Emergency Purchase Program (PEPP) and reinvest the proceeds from maturing principal assets, while continuing with the Asset Purchasing Program (APP) and the reinvestment of funds under this program, as well as to keep the key interest rates of the ECB unchanged. Incoming data confirm that the euro area economy is experiencing an unprecedented shrinking. As a result of the coronavirus pandemic (COVID-19) and measures to its limitation, there has been a sharp decline in the economic activity. The serious loss of jobs and income and the extremely increased uncertainty regarding the economic development prospects have led to a serious decline in consumer costs and investments. Although real-time observations and indicators of economic activity show some signs of bottom-up as while at the same time restrictive measures gradually loosen, so far improvement has been very slow compared to the rate at which the indicators collapsed during the previous two months. The macroeconomic forecasts for the euro area of the Eurosystem's experts as of June 2020 predict a growth slowdown at unprecedented rate during the second quarter of the year before recovering again during the second half of the year, strongly supported by strong support for fiscal and monetary policy. At the same time, the forecasts include a significant downward revision of both the level of economic activity and the inflation outlook throughout the whole forecast period, despite the baseline scenario is being associated with an extreme degree of uncertainty. While base inflation has been subdued due to the lower energy prices, price pressures are expected to remain weak due to the sharp decline in real GDP and the associated significant increase in unused economic resources. Under these conditions, the Governing Council decided on a set of monetary policy measures to support the economy in the period of its gradual recovery and to maintain price stability in the medium term.

**Base interest rates set by the Bulgarian National Bank for the period
01.01.2020 – 30.06.2020**

Month	Base Interest Rate
January, 2020	0.00 %
February, 2020	0.00 %
March, 2020	0.00 %
April, 2020	0.00 %
May, 2020	0.00 %
June, 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 data of the NSI, the consumer price index in April 2020 compared to March 2020 was 99.4 %, i.e. the monthly inflation was -0.6 %. The inflation rate since the beginning of the year (April 2020 compared to December 2019) has been -0.3 % and the annual inflation in April 2020 compared to April 2019 was 1.8 %. The annual average inflation, measured by CPI, in the last 12 months (May 2019 - April 2020) compared to the previous 12 months (May 2018 - April 2019) was 3.0 %.

According to data of the NSI, the harmonized index of consumer prices in April 2020 compared to March 2020 was 99.6 %, i.e. the monthly inflation was -0.4 %. The inflation rate since the beginning of the year (April 2020 compared to December 2019) has been -0.4 % and the annual inflation in April 2020 compared to April 2019 was 1.3 %. The annual average inflation, measured by HICP, in the last 12 months (May 2019 - April 2020) compared to the previous 12 months (May 2018 - April 2019) was 2.4 %

According to data of the National Statistical Institute, the consumer price index in May 2020 compared to April 2020 was 99.7 %, i.e. the monthly inflation was -0.3 %. The inflation rate since the beginning of the year (May 2020 compared to December 2019) has been -0.6 % and the annual inflation in May 2020 compared to May 2019 was 1.3 %. The annual average inflation, measured by CPI, in the last 12 months (June 2019 - May 2020) compared to the previous 12 months (June 2018 - May 2019) was 2.8 %.

According to data of the National Statistical Institute the harmonized index of consumer prices in May 2020 compared to April 2020 was 99.8 %, i.e. the monthly inflation was -0.2 %. The inflation rate since the beginning of the year (May 2020 compared to December 2019) has been -0.6 % and the annual inflation in May 2020 compared to May 2019 was 1.0 %. The annual average inflation, measured by HICP, in the last 12 months (June 2019 - May 2020) compared to the previous 12 months (June 2018 - May 2019) was 2.3 %.

According to data of the National Statistical Institute, the consumer price index in June 2020 compared to May 2020 was 99.6 %, i.e. the monthly inflation was -0.4 %. The inflation rate since the beginning of the year (June 2020 compared to December 2019) has been -1.0% and the annual inflation in June 2020 compared to June 2019 was 1.6%. The annual average inflation, measured by CPI, in the last 12 months (July 2019 - June 2020) compared to the previous 12 months (July 2018 - June 2019) was 2.7 %.

According to data of the National Statistical Institute, the harmonized index of consumer prices in June 2020 compared to May 2020 was 99.9 %, i.e. the monthly inflation was -0.1 %. The inflation rate since the beginning of the year (June 2020 compared to December 2019) has been -0.7% and the annual inflation in June 2020 compared to June 2019 was 0.9 %. The annual average inflation, measured by HICP, in the last 12 months (July 2019 - June 2020) compared to the previous 12 months (July 2018 - June 2019) was 2.1 %.

Inflation for the period 01.01.2020 – 30.06.2020 is as follows:

Month	% of inflation
January, 2020	0.9 %
February, 2020	0.1 %
March, 2020	- 0.6 %
April, 2020	-0.6 %
May, 2020	-0.3 %
June, 2020	-0.4 %

*Source: NSI

POLITICAL RISK

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

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

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

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

CURRENCY RISK

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

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

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

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

LIQUIDITY RISK

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

UNSYSTEMATIC RISKS

SECTOR RISK

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

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

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

RISK OF INTRODUCTION OF NEW TECHNOLOGIES

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

DEPENDENCE ON KEY PERSONNEL

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

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

RISK OF INCREASE IN PRICES OF BASIC MATERIALS

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

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

5. INFORMATION ABOUT THE CONCLUDED LARGE TRANSACTIONS WITH RELATED PARTIES AS OF 30.06.2020

The concluded large transactions with related parties to BILLBOARD AD as of 30.06.2020 are shown in the consolidated financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS as of 30.06.2020.

29.09.2020
Sofia

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