



## **INTERIM REPORT ON THE ACTIVITIES OF BILLBOARD AD, Sofia AS OF 31.12.2020 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 - 31.12.2020**

**For the period 01.01.2020 – 31.12.2020 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.

**On 30.07.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public annual audited separate financial statements as of 31.12.2019.

**On 30.07.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public annual audited consolidated financial statements as of 31.12.2019.

**On 17.08.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public invitation for a regular attendance session of the General Assembly of the company's Shareholders on 28.09.2020, at 10.00 a.m. at No1 Bulgaria sq., National Palace of Culture, „low-rise building”, floor 2, 1463 Sofia, under the following agenda and draft resolutions: **1.** Approving the Annual Report of the Board of Directors on the company's activities for the year 2019. *Draft Resolution:* The General Assembly of Shareholders approves the Annual Report of the Board of Directors on the company's activities for the year 2019. **2.** Approving the Audited Annual Financial Statements of the company for the year 2019 and the report of the certified auditor. *Draft Resolution:* The General Assembly of Shareholders approves the Audited Annual Financial Statements of the company for the year 2019 and the report of the certified auditor. **3.** Approving the Annual Consolidated Report of the Board of Directors on the company's activities for the year 2019. *Draft Resolution:* The General Assembly of Shareholders approves the Annual Consolidated Report of the Board of Directors on the company's activities for the year 2019. **4.** Approving the Audited Consolidated Annual Financial Statements of the company for the year 2019 and the report of the certified auditor. *Draft Resolution:* The General Assembly of Shareholders approves the Audited Consolidated Annual Financial Statements of the company for the year 2019 and the report of the certified auditor. **5.** Approving the Report on the implementation of the remuneration Policy for the members of the Board of Directors of BILLBOARD AD for 2019. *Draft Resolution:* The General Assembly of Shareholders approves the Report on the implementation of the remuneration Policy for the members of the Board of Directors of BILLBOARD AD for 2019. **6.** Adopting a resolution for the financial result, generated by the company in 2019. *Draft Resolution:* The General Assembly of Shareholders adopts a resolution for the financial result of BILLBOARD AD, generated in 2019 pursuant to the draft resolution of the Board of Directors as reflected in the written materials. **7.** Adopting a resolution to release from responsibility the members of the Board of Directors for their activities during 2019. *Draft Resolution:* The General Assembly of Shareholders releases the members of the Board of Directors Kalin Vasilev Genchev, Stefan Vasilev Genchev, Borislav Hristov Borisov and Asen Georgiev Kostadinov from responsibility for their activities during 2019. **8.** Adopting the Annual Report on the activities of the Investor Relations Director of BILLBOARD AD for the year 2019. *Draft Resolution:* The General Assembly of Shareholders adopts the presented Report on the activities of the Investor Relations Director of BILLBOARD AD for the year 2019. **9.** Adopting the Report on the activities of the company's audit committee for 2019. *Draft Resolution:* The General Assembly of Shareholders adopts the Report on the activities of the company's audit committee for 2019. **10.** Adopting a new Remuneration Policy for the members of the Board of Directors of BILLBOARD AD in accordance with the requirements of Ordinance № 48 of the FSC as of March 20, 2013 on the requirements for the remunerations. *Draft Resolution:* The General Assembly of Shareholders approves the proposed new Remuneration Policy for the members of the Board of Directors of BILLBOARD AD in accordance with the requirements of Ordinance № 48 of the FSC as of March 20, 2013 on the requirements for the remunerations. **11.** Election of a certified auditor to verify and certify the annual financial statements of the company for 2020. *Draft Resolution:* The General Assembly of Shareholders adopts a resolution to renew the engagement of Reg. Auditor Magdalena Tsvetkova with Reg. № 0659 to verify and certify the annual financial statements of the company for 2020, as recommended by the audit committee.

**On 21.08.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public a publication of the invitation for the regular attendance session of the General Assembly of the company's Shareholders on 28.09.2020, at 10.00 a.m. at No1 Bulgaria sq., National Palace of Culture, „low-rise building”, floor 2, 1463 Sofia.

**On 04.09.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial statements for the first quarter of 2020.

**On 09.09.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial statements for the first quarter of 2020.

**On 25.09.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial statements for the first half of 2020.

**On 29.09.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public announcement on the resolutions adopted at the regular annual general assembly of the shareholders as well as minutes from the session of the General Assembly of Shareholders as of 28.09.2020.

**On 29.09.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial statements for the first half of 2020.

**On 29.10.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim separate financial statements as of 30.09.2020.

**On 26.11.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial statements as of 30.09.2020.

**On 31.12.2020** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public an announcement that Sofia Argirova-Atanasova will occupy the position of the Investor Relations Director of BILLBOARD AD until 31.12.2020. As from the beginning of 2021 the Investor Relations Director of BILLBOARD AD will be Ana Sokolova – tel. 02/916 6502, e-mail: ir@digitalprint.bg.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the unaudited consolidated financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS as of 31.12.2020 the company reported total net sales revenues in the amount of BGN 28 541 000 compared to BGN 35 501 000 for the same period of 2019 which represents a decrease of the net sales revenues by 19.61%. As of 31.12.2020 the consolidated production net sales revenues of BILLBOARD AD were in the amount of BGN 28 461 000 compared to the consolidated production net sales revenues registered by 31.12.2019 in the amount of BGN 33 040 000 which represents a decrease of the company's consolidated production net sales revenues by 13.86 %.

As of 31.12.2020 BILLBOARD AD reported consolidated profit before taxes in the amount of BGN 842 000 compared to the consolidated loss before taxes in the amount of BGN 2 957 000 for 2019. The consolidated net profit of BILLBOARD AD as of 31.12.2020 is in the amount of BGN 682 000 compared to the consolidated net loss of the company as of 31.12.2019 in the amount of 2 972 000. The consolidated net profit of BILLBOARD AD as of 31.12.2020, related to the owners of the parent company is in the amount of BGN 210 000.

As of 31.12.2020 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 3 754 000 compared to the EBITDA on a consolidated basis reported by 31.12.2019 in the amount of BGN 4 163 000.

As of 31.12.2020 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 1 680 000 compared to the EBIT on a consolidated basis reported by 31.12.2019 in the amount of BGN -1 673 000.

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

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

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

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

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

As of 31.12.2020 DEDRAX AD reported net sales revenues in the amount of BGN 22 619 compared to the net sales revenues registered by 31.12.2019 in the amount of BGN 26 021 000 which is a 13.08 % decrease of the net sales revenues. As of 31.12.2020 the company reported net profit in the amount of BGN 1 181 000 compared to the net profit in the amount of BGN 752 000 reported for the same period of 2018 which is a 57.05 % increase of the net profit.

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

As of 31.12.2020 DIGITAL PRINT EOOD reported net sales revenues in the amount of BGN 116 000 compared to the net sales revenues registered by 31.12.2019 in the amount of BGN 416 000 which is a 72.11 % decrease of the net sales revenues. As of 31.12.2020 the company reported net loss in the amount of BGN 198 000.

### **3. CONSOLIDATED FINANCIAL INDICATORS OF THE COMPANY AS OF 31.12.2020**

Table № 1

<b>LIQUIDITY INDICATORS</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Total liquidity ratio</b>	0,92	0,87
<b>Quick liquidity ratio</b>	0,81	0,81
<b>Absolute liquidity ratio</b>	0,05	0,14
<b>Immediate ratio</b>	0,16	0,18

Table № 2

PROFITABILITY INDICATORS	31.12.2020	31.12.2019
Profitability of capital	0,045	-0,20
Return on equity(ROE)	0,033	-0,15
Return assets (ROA)	0,016	-0,069

Table № 3

LEVERAGE INDICATORS	31.12.2020	31.12.2019
Financial leverage indicatir	1,03	1,23
Debt/Assets	0,51	0,55
Financial autonomy indicator	0,97	1,00

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

##### **SYSTEMATIC RISKS**

Systematic risks are related to the market and the macro environment where the company operates and therefore they cannot be managed and controlled by the company's management.

##### **OVERALL MACROECONOMIC RISK**

Pursuant to data of the National Statistical Institute in December 2020, the total business climate indicator decreases by 1.7 percentage points in comparison with the previous month. A reduction of the indicator is observed in retail trade and in service sector, in construction preserves its level from November, and in industry an increase, is registered.

Pursuant to data of the National Statistical Institute in December 2020, the composite indicator 'business climate in industry' increases by 2.6 percentage point as a result of the favourable managers' assessments and expectations about the business situation of the enterprises. According to them, at the last month there is 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 uncertain economic environment, factor 'others', insufficient domestic demand, and insufficient foreign demand continues to be the main obstacles for the business development, as compared to the last month, the negative influence of the second factor is growing. 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 2020, the composite indicator 'business climate in construction' preserves its November level. Concerning present construction activity, the inquiry registers certain decrease in comparison with the previous month, as well as the forecasts over the next 3 months remain reserved. The most serious difficulties for the activity of enterprises remain connected with the uncertain economic environment, shortage of labour and factor 'others'. The prevailing part of the managers foresee that the selling prices in construction remain unchanged over the next 3 months.

Pursuant to data of the National Statistical Institute in December 2020, the composite indicator 'business climate in retail trade' decreases by 5.8 percentage points as a result of the unfavourable retailers' assessments and expectations about the business situation of the enterprises. Their forecasts about the volume of sales and the orders placed with suppliers over the next 3 months are also more reserved. The factor, limiting with the most extent the business development continue to be the uncertain economic environment, followed by insufficient demand and competition in the branch. As regards the selling prices, the retailers' expectations are for preservation of their level over the next 3 months.

Pursuant to data of the National Statistical Institute in December 2020, the composite indicator 'business climate in service sector' drops with 7.8 percentage points, which is due to the more pessimistic managers' assessments and expectations about the business situation of the enterprises. Their opinions about the present and expected demand for services are also negative. The main problems for the activity remain connected with the uncertain economic environment, insufficient demand, factor 'others' and competition in the branch, although in the last month to report a decrease of the unfavourable impact of the last factor. The majority of the managers foresee the selling prices in the sector to remain unchanged over the next 3 months.

The assessment of the state of economy and finances as of the date of the meeting of the ECB's Governing Council on 10 December 2020 shows that in the third quarter of 2020, the global economy experienced a strong recovery, followed by a sustained growth momentum in the early fourth quarter but some adverse factors overshadowed the short-term outlook for the economic development. Although the latest news about the development of effective vaccines against coronavirus has inspired optimism in the financial market, the prospects for the global economy in the short term remain unclear as a result of the pandemic. The significant increase in the number of new COVID-19 infections, especially in developed economies, has led to the reintroduction of restrictive measures, although these measures are considered to be less disruptive in terms of economy than those implemented during the first wave of the pandemic.

According to the macroeconomic forecasts of the Eurosystems' experts from December 2020, real GDP worldwide (excluding the euro area) will shrink by 3.0 % this year and increase by 5.8 % in 2021 before growing by 3.9 % and 3.6 % in 2022 and 2023, respectively. World trade (excluding the euro area) shrank more sharply than real GDP in 2020 but is expected to recover more strongly in 2021. This mainly reflects the more pronounced pro-cyclicality of trade, especially during an economic downturn. These adverse effects are expected to be weaker in the context of the latest new wave of infection. The risk balance for the global economic development is seen as less negative than previously expected due to the news for the viability of several vaccines which bring the conclusion that it is less likely to lead to a bad scenario. The baseline scenario of the macroeconomic forecasts for the euro area of the Eurosystems' experts from December 2020 projects annual GDP growth in real terms of -7.3% in 2020, 3.9% in 2021, 4.2% in 2022 and 2.1% in 2023. Compared to the macroeconomic forecasts of the ECB's experts from September 2020, the outlook for economic activity has been revised downwards in the short term but in the medium term is generally expected to recover to the level envisaged in the baseline scenario of the September forecasts. Overall, the risks related to the euro area's growth prospects remain downward oriented but are less pronounced. Although reports of vaccine opportunities are encouraging, the risks of overestimation of the effects of the pandemic on economic and financial conditions remain.

## **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 10 December 2020, the Governing Council of the ECB decided to recalibrate its monetary policy instruments. Although the recovery in economic activity in the third quarter was stronger than expected and the prospects for the introduction of vaccines are encouraging, the coronavirus pandemic (COVID-19) continues to pose serious risks to public health and economies in the euro area and globally. The new wave of cases of COVID-19 and the corresponding measures to control it significantly limit the economic activity in the euro area, which is expected to shrink in the fourth quarter of 2020. While activity in the manufacturing sector remains at a good level, in services it is severely affected by the increase in the percentage of infected and the new restrictive measures in social contacts and mobility. Inflation remains very low under the conditions of weak demand and significant unused capacity in the labor, goods and services markets. Generally, incoming data and the macroeconomic forecasts of the Eurosystems' experts from December 2020 suggest a stronger impact of the pandemic on the economy in the short term and a longer period of weak inflation than originally projected.



**Base interest rates set by the Bulgarian National Bank for the period  
01.01.2020 – 31.12.2020**

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 %
July, 2020	0.00 %
August, 2020	0.00 %
September, 2020	0.00 %
October, 2020	0.00 %
November, 2020	0.00 %
December, 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 National Statistical Institute, the consumer price index in October 2020 compared to September 2020 was 100.6%, i.e. the monthly inflation was 0.6 %. The inflation rate since the beginning of the year (October 2020 compared to December 2019) has been -0.5% and the annual inflation in October 2020 compared to October 2019 was 0.8 %. The annual average inflation, measured by CPI, in the last 12 months (November 2019 - October 2020) compared to the previous 12 months (November 2018 - October 2019) was 2.2 %.

According to data of the National Statistical Institute the harmonized index of consumer prices in October 2020 compared to September 2020 was 100.2 %, i.e. the monthly inflation was 0.2 %. The inflation rate since the beginning of the year (October 2020 compared to December 2019) has been -0.5 % and the annual inflation in October 2020 compared to October 2019 was 0.6 %. The annual average inflation, measured by HICP, in the last 12 months (November 2019 - October 2020) compared to the previous 12 months (November 2018 - October 2019) was 1.6 %.

According to data of the National Statistical Institute, the consumer price index in November 2020 compared to October 2020 was 100.1%, i.e. the monthly inflation was 0.1 %. The inflation rate since the beginning of the year (November 2020 compared to December 2019) has been -0.4 % and the annual inflation in November 2020 compared to November 2019 was 0.4 %. The annual average inflation, measured by CPI, in the last 12 months (December 2019 - November 2020) compared to the previous 12 months (December 2018 - November 2019) was 2.0 %.

According to data of the National Statistical Institute, the harmonized index of consumer prices in November 2020 compared to October 2020 was 100.0 %, i.e. the monthly inflation was 0.0%. The inflation rate since the beginning of the year (November 2020 compared to December 2019) has been -0.5 % and the annual inflation in November 2020 compared to November 2019 was 0.3 %.The annual average inflation, measured by HICP, in the last 12 months (December 2019 - November 2020) compared to the previous 12 months (December 2018 - November 2019) was 1.5 %.

According to data of the National Statistical Institute, the consumer price index in December 2020 compared to November 2020 was 100.5 %, i.e. the monthly inflation was 0.5 %. The annual inflation in December 2020 compared to December 2019 was 0.1 %. The annual average inflation, measured by CPI, in the last 12 months (January - December 2020) compared to the previous 12 months (January - December 2019) was 1.7 %.

According to data of the National Statistical Institute, the harmonized index of consumer prices in December 2020 compared to November 2020 was 100.5 %, i.e. the monthly inflation was 0.5 %. The annual inflation in December 2020 compared to December 2019 was 0.0 %. The



annual average inflation, measured by HICP, in the last 12 months (January - December 2020) compared to the previous 12 months (January - December 2019) was 1.2 %.

### **Inflation for the period 01.01.2020 – 31.12.2020**

<b>Month</b>	<b>% of inflation</b>
January, 2020	0.9 %
February, 2020	0.1 %
March, 2020	- 0.6 %
April, 2020	-0.6 %
May, 2020	-0.3 %
June, 2020	-0.4 %
July, 2020	0.5 %
August, 2020	0.00 %
September, 2020	-0.6 %
October, 2020	0.6 %
November, 2020	0.1 %
December, 2020	0.5 %

\*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, as well as the economic and political uncertainty with regard to the pressure strengthening in trade between the USA and China.

The global coronavirus pandemic (COVID-19) continues having a major impact on the economy of the country and the world. Although the recovery in economic activity in the third quarter of 2020 was stronger than expected and the prospects for the introduction of vaccines are encouraging, the pandemic continues to pose serious risks to public health and economies in the euro area and globally.

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

### **CURRENCY RISK**

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

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

Theoretically, currency risk could increase when Bulgaria joins the second phase of the European Exchange Rate Mechanism (ERM II). This is a regime under which the country must

maintain the currency rate against the euro within a + / -15% from central parity. In practice, all countries which are currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) have witnessed fluctuations that were significantly smaller than the allowed  $\pm 15\%$ .

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

## **LIQUIDITY RISK**

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

## **UNSYSTEMATIC RISKS**

### **SECTOR RISK**

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

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

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

### **RISK OF INTRODUCTION OF NEW TECHNOLOGIES**

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

### **DEPENDENCE ON KEY PERSONNEL**

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

hiring such specialists difficult in view of the mass shortage of well-trained staff. At the same time, the retention of this type of personnel by the company in recent years is also dependent on the expected high levels of remunerations (the average salary in Sofia is considerably higher than in the rest of the country).

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

### **RISK OF INCREASE IN PRICES OF BASIC MATERIALS**

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

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

### **5. INFORMATION ABOUT THE CONCLUDED LARGE TRANSACTIONS WITH RELATED PARTIES AS OF 31.12.2020**

The transactions, concluded during the period under review on the part of BILLBOARD AD and the companies in the Group are stated in the financial statements under IAS/IFRS as of 31.12.2020.

01.03.2021  
Sofia

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