



INTERIM REPORT ON THE ACTIVITIES OF BILLBOARD AD, Sofia AS OF 30.09.2020

1. IMPORTANT DEVELOPMENTS FOR BILLBOARD AD THAT OCCURRED DURING THE PERIOD 01.01.2020 – 30.09.2020

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.

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.

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 30.09.2020 the company reported total individual net sales revenues in the amount of BGN 4 785 000 compared to BGN 6 076 000 for the same period of 2019 which represents a decrease of the net sales revenues by 21.25 %. As of 30.09.2020 the individual production net sales revenues of BILLBOARD AD were in the amount of BGN 4 719 000 compared to the individual production net sales revenues reported by 30.09.2019 in the amount of 5 995 000 which represents a decrease of the company's individual production net sales revenues by 21.28 %.

As of 30.09.2020 BILLBOARD AD reported individual profit before taxes in the amount of BGN 71 000 compared to the individual profit before taxes for the same period of 2019 in the amount of BGN 269 000 which represents a decrease of the individual profit before taxes of the company by 73.60 %.

As of 30.09.2020 the earnings before taxes and depreciation and amortization, increased by the financial expenses and decreased by the financial incomes of the BILBOARD AD on an individual basis were to the amount of BGN 680 000 compared to EBITDA as of 30.09.2019 in the amount of BGN 1 296 000.

As of 30.09.2020 the earnings before taxes, increased by the financial expenses and decreased by the financial incomes (EBIT) of BILBOARD AD on an individual basis were in the amount of BGN 9 000 compared to EBIT in the amount of BGN 558 000 as of 30.09.2019.

Financial indicators of the company as of 30.09.2020

Table № 1

LIQUIDITY INDICATORS	30.09.2020	30.09.2019
Total liquidity ratio	1.38	1.71
Quick liquidity ratio	1.14	1.60
Absolute liquidity ratio	0.01	0.14
Immediate ratio	0.25	0.60

Table № 2

PROFITABILITY INDICATORS	30.09.2020	30.09.2019
Profitability of capital	0.004	0.018
Return on equity (ROE)	0.004	0.014
Return assets (ROA)	0.003	0.009

Table № 3

LEVERAGE INDICATORS	30.09.2020	30.09.2019
Financial leverage indicatir	0.65	0.62
Debt/Assets	0.39	0.38
Financial autonomy indicator	1.54	1.62

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 September 2020, the total business climate indicator⁴ increases by 0.8 percentage points compared to August as a result of the improved managers' opinions in the retail trade.

Pursuant to data of the National Statistical Institute in September 2020 the composite indicator ‘business climate in industry’ preserves approximately its level from the previous month. The industrial entrepreneurs assess the present production activity as favourable, as their forecasts about the activity over the next 3 months are also improved. The uncertain economic environment remains the main obstacle for the business development. In the second and third place are the insufficient domestic demand and insufficient foreign demand. Concerning the selling prices in industry, the managers’ expectations are them to remain unchanged over the next 3 months.

Pursuant to data of the National Statistical Institute in September 2020, the composite indicator ‘business climate in construction’ decreases by 1.0 percentage point as a result of the more unfavourable construction entrepreneurs’ assessments and expectation about the business situation of the enterprises. In their opinion, there is a decrease in the new orders inflow at the last month, which is accompanied by worsened expectations about the construction activity over the next 3 months. The most serious difficulties for the activity continue to be the uncertain economic environment, shortage of labour and competition of the branch, although in the last month a decrease of their negative influence is reported. As regards the selling prices in construction, the majority of the managers expect them to preserve their level over the next 3 months.

Pursuant to data of the National Statistical Institute in September 2020 the composite indicator ‘business climate in retail trade’ increases by 4.2 percentage points which is due to the improved retailers’ assessments and expectations about the business situation of the enterprises. Their expectations about the volume of sales and orders placed with suppliers over the next 3 months are also more favourable. The uncertain economic environment, competition in the branch and insufficient demand remain the main problems for the business development, as the inquiry registers an increase of the negative impact of the first two factors. Concerning the selling prices, the retailers foresee them to remain unchanged over the next 3 months.

Pursuant to data of the National Statistical Institute in September 2020, the composite indicator ‘business climate in service sector’ remains to its August level. The managers’ assessments and expectations about the present and expected demand for services are shifting to the more moderate opinions. The main factor limiting the activity of the enterprises continues to be the uncertain economic environment, followed by the insufficient demand and competition in the branch. As regards the selling prices in the service sector, the managers’ expectations are them to preserve their level 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 September 2020 shows that the coronavirus pandemic remains a major source of uncertainty for the global economy. Following a temporary stabilization in mid-May that led to the gradual phasing out of the restrictive measures, the number of new cases registered per day has recently started to rise again, fueling fears of a strong second wave of coronavirus infection. These concerns affect consumer confidence. Incoming data confirm that global economic activity pushed back from the bottom in the second quarter and began to recover in mid-May, in line with the phasing out of the restrictive measures. The macroeconomic forecasts of the Eurosystem’s experts as of September 2020 predict that in real terms, global GDP (excluding the euro area) will shrink by 3.7 % this year and will increase by 6.2 % and 3.8 % respectively in 2021 and 2022. The shrink in the world trade will be more severe both because of its strong procyclicality, especially during an economic downturn, and because of the particular nature of the coronavirus crisis, which has led to disruptions in world production chains as well as increased trade costs due to the restrictive measures applied. The risks in terms of global forecasts remain shifted to overestimation due to the continuing uncertainty related to the pandemic development which could lead to long-term effects on the global economy. Other risks of overestimation are related to the results of the Brexit negotiations, the risk of increased trade protectionism, as well as the longer-term negative effects on global supply chains.

Real GDP in the euro area shrank by 11.8 % on a quarterly basis in the second quarter of 2020. Incoming data and the results from the observations show a continuous recovery of the euro area economy and a jump in GDP during the third quarter although remaining below pre-crisis levels. Along with the significant recovery in industrial production and services, there are also signs of a clear recovery in consumption. Recently, the services sector inertia has slowed down compared to that in the manufacturing sector which can be seen also in the results of the August survey. The

increase in the rate of coronavirus infection during the summer months is an obstacle to the short-term prognosis. In the long run, further sustainable recovery remains highly dependent on the development of the pandemic and the success of the restrictive measures policy. Although the uncertainty related to the pandemic development is likely to undermine the recovery of the labor market, consumption and investments, the euro area economy must be supported by favorable financing conditions, an expansionary budgetary position, increased economic activity and demand worldwide.

This assessment is broadly reflected in the macroeconomic forecasts for the euro area of the ECB's experts as of September 2020. According to them -8.0 % annual growth rate of real GDP is expected in 2020, 5.0 % in 2021 and 3.2 % in 2022. Compared to the macroeconomic forecasts of the Eurosystem's experts as of June 2020, the forecast for real GDP growth has been revised upwards for 2020 and remains broadly unchanged for 2021 and 2022. Given the extreme uncertainty currently associated with the perspectives, the forecast includes two alternative scenarios - favorable and unfavorable, corresponding to the different assumptions about the development of the pandemic.

Generally, the risk balance associated with the euro area's economic growth outlook appears to remain overvalued. This assessment largely reflects the still uncertain economic and financial consequences of the pandemic.

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 September 2020, the Governing Council of the ECB decided to continue its non-restrictive monetary policy. Incoming data show a significant, albeit incomplete, recovery in economic activity, broadly in line with previous expectations, although the level of activity remains well below the pre-pandemic levels of COVID-19.

The sustainability of recovery is characterized by significant uncertainty, as it continues to depend to a large extent on the future development of the pandemic and the successful implementation of the restrictive measures. Domestic demand in the euro area has recovered significantly from its low levels, although stronger uncertainty about the economic outlook continues to complicate consumer spending and business investment. Overall inflation remains sluggish due to low energy prices and weak price pressures amid weak demand and serious labor market stagnation. In this context, the need for significant monetary stimulus remains unchanged in order to support economic recovery and maintain medium-term price stability. Therefore, at its meeting on 10 September 2020, the Governing Council of the ECB decided to reaffirm its non-restrictive position on monetary policy.

Base interest rates set by the Bulgarian National Bank for the period 01.01.2020 – 30.09.2020

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 %

*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 July 2020 compared to June 2020 was 100.5 %, i.e. the monthly inflation was 0.5 %. The inflation rate since the beginning of the year (July 2020 compared to December 2019) has been -0.5 % and the annual inflation in July 2020 compared to July 2019 was 1.2 %. The annual average inflation, measured by CPI, in the last 12 months (August 2019 - July 2020) compared to the previous 12 months (August 2018 - July 2019) was 2.6 %.

According to data of the National Statistical Institute the harmonized index of consumer prices in July 2020 compared to June 2020 was 100.8 %, i.e. the monthly inflation was 0.8 %. The inflation rate since the beginning of the year (July 2020 compared to December 2019) has been 0.2 % and the annual inflation in July 2020 compared to July 2019 was 0.4 %. The annual average inflation, measured by HICP, in the last 12 months (August 2019 - July 2020) compared to the previous 12 months (August 2018 - July 2019) was 2.0 %.

According to data of the National Statistical Institute, the consumer price index in August 2020 compared to July 2020 was 100.0 %, i.e. the monthly inflation was 0.0 %. The inflation rate since the beginning of the year (August 2020 compared to December 2019) has been -0.5 % and the annual inflation in August 2020 compared to August 2019 was 1.2 %. The annual average inflation, measured by CPI, in the last 12 months (September 2019 - August 2020) compared to the previous 12 months (September 2018 - August 2019) was 2.5 %.

According to data of the National Statistical Institute, the harmonized index of consumer prices in August 2020 compared to July 2020 was 100.4%, i.e. the monthly inflation was 0.4 %. The inflation rate since the beginning of the year (August 2020 compared to December 2019) has been 0.6 % and the annual inflation in August 2020 compared to August 2019 was 0.6 %. The annual average inflation, measured by HICP, in the last 12 months (September 2019 - August 2020) compared to the previous 12 months (September 2018 - August 2019) was 1.8 %.

According to data of the National Statistical Institute, the consumer price index in September 2020 compared to August 2020 was 99.4 %, i.e. the monthly inflation was -0.6 %. The inflation rate since the beginning of the year (September 2020 compared to December 2019) has been -1.1 % and the annual inflation in September 2020 compared to September 2019 was 0.9 %. The annual average inflation, measured by CPI, in the last 12 months (October 2019 - September 2020) compared to the previous 12 months (October 2018 - September 2019) was 2.3 %.

According to data of the National Statistical Institute, the harmonized index of consumer prices in September 2020 compared to August 2020 was 98.8 %, i.e. the monthly inflation was -1.2 %. The inflation rate since the beginning of the year (September 2020 compared to December 2019) has been -0.7 % and the annual inflation in September 2020 compared to September 2019 was 0.6 %. The annual average inflation, measured by HICP, in the last 12 months (October 2019 - September 2020) compared to the previous 12 months (October 2018 - September 2019) was 1.7 %.

Inflation for the period 01.01.2020 – 30.09.2020 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 %
July, 2020	0.5 %
August, 2020	0.00 %
September, 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 30.09.2030

The concluded large transactions with related parties to BILLBOARD AD (in the Group and outside the Group) as of 30.09.2020 are shown in the individual financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS as of 30.09.2020.

29.10.2020
Sofia

For BILLBOARD AD:.....

Stefan Genchev
/Executive Director/