



INTERIM REPORT ON THE ACTIVITIES OF BILLBOARD AD, Sofia DURING THE SIX-MONTH PERIOD OF 2021

1. IMPORTANT DEVELOPMENTS FOR BILLBOARD AD THAT OCCURRED DURING THE PERIOD 01.01.2021 – 30.06.2021

On 29.01.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial report for the fourth quarter of 2020.

On 01.03.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial report for the fourth quarter of 2020.

On 31.03.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public annual audited separate financial statements as of 31.12.2020.

On 19.04.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public annual audited consolidated financial statements as of 31.12.2020.

On 29.04.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial report for the first quarter of 2021.

On 19.05.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public an invitation to convene a regular session of the general meeting of shareholders of the company on 29.06.2021 at 10.00 local time, and in coordinated universal time UTC 07:00, in Sofia 1463, N 1 Bulgaria Square, National Palace of Culture, “low-rise building”, floor 2 with a unique identification code of the event BOARD-GMS-2021 with ISIN code of the issue BG1100088076 and materials for the general meeting with the following agenda: 1. Adoption of the 2020 annual report of the Board of Directors on the company’s activities. 2. Adoption of the audited 2020 annual financial statements of the company and the auditor's report. 3. Adoption of the 2020 annual consolidated report of the Board of Directors on the company’s activities. 4. Adoption of the 2020 audited consolidated annual financial statements of the company and the auditor's report. 5. Adoption of the report on the implementation of the Remuneration Policy of the members of the Board of Directors BILLBOARD AD for 2020. 6. Adoption of a decision on the 2020 financial result of the company. 7. Adoption of a decision for dismissal of the members of the Board of Directors from responsibility for their activity in 2020. 8. Adoption of the annual report on the activity of the Investor Relations Director of BILLBOARD AD in 2020. 9. Adoption of the report on the activity of the company’s audit committee in 2020. 10. Election of a certified auditor to verify and certify the annual financial statements of the company for 2021.

On 26.05.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial report for the first quarter of 2021.

On 26.05.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public a publication of the invitation to convene a regular session of the general meeting of shareholders of

the company on 29.06.2021 at 10.00 local time, and in coordinated universal time UTC 07:00, in Sofia 1463, N 1 Bulgaria Square, National Palace of Culture, “low-rise building”, floor 2 with a unique identification code of the event BOARD-GMS-2021 with ISIN code of the issue BG1100088076.

On 29.06.2021 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public Minutes from the general meeting of shareholders held on the same date.

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 up to the present moment.

The 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.

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.

The management of BILLBOARD AD believes that the effect of the pandemic and the imposed restrictive measures at European and national level will continue having a negative impact on the company's activities in the current year.

2. IMPACT OF THE IMPORTANT DEVELOPMENTS FOR BILLBOARD AD THAT OCCURRED DURING THE PERIOD OF 2021 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 30.06.2021 the company reported total individual net sales revenues in the amount of BGN 3 738 000 compared to BGN 3 154 000 for the same period of 2020 which represents an increase of the net sales revenues by 18.52 %. As of 30.06.2021 the individual production net sales revenues of BILLBOARD AD were in the amount of BGN 3 509 000 compared

to the individual production net sales revenues reported by 30.06.2020 in the amount of BGN 3 115 000 which represents an increase of the company's individual production net sales revenues by 12.65 %.

As of 30.06.2021 BILLBOARD AD reported individual profit before taxes in the amount of BGN 163 000 compared to the individual profit before taxes for the same period of 2020 in the amount of BGN 58 000 which represents a 181.03 % growth of the individual profit before taxes of the company.

As of 30.06.2021 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 613 000 compared to EBITDA as of 30.06.2010 in the amount of BGN 456 000.

As of 30.06.2021 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 171 000 compared to EBIT in the amount of BGN 11 000 as of 30.06.2020.

Financial indicators of the company as of 30.06.2021

Table № 1

LIQUIDITY INDICATORS	30.06.2021	30.06.2020
Total liquidity ratio	1.21	1.48
Quick liquidity ratio	0.98	1.25
Absolute liquidity ratio	0.09	0.08
Immediate ratio	0.17	0.30

Table № 2

PROFITABILITY INDICATORS	30.06.2021	30.06.2020
Profitability of capital	0.011	0.004
Return on equity (ROE)	0.017	0.003
Return assets (ROA)	0.008	0.002

Table № 3

LEVERAGE INDICATORS	30.06.2021	30.06.2020
Financial leverage indicator	1.08	0.65
Debt/Assets	0.52	0.39
Financial autonomy indicator	0.92	1.53

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 June 2021 the total business climate indicator⁴ decreases by 4.0 percentage points in comparison with the previous month, as a reduce of the indicator is registered in industry and construction.

Pursuant to data of the National Statistical Institute in June 2021 the composite indicator 'business climate in industry' decreases by 8.4 percentage points as a result of the more unfavorable industrial entrepreneurs' assessments and expectations about the business situation of the enterprises. The inquiry reports an improvement of the production assurance with orders, but that is not accompanied by increased expectations about the production activity over the next 3 months.

The most serious problem for the business development in the sector continues being the uncertain economic environment, followed by the insufficient domestic demand. In the last month strengthen of the negative impact of the factor 'shortage of labor' is observed, which shifts to the

fourth place the difficulties, connected with the insufficient foreign demand. As regards the selling prices in industry, the managers' forecasts are for certain increase, although the prevailing part of them expect them to preserve their level over the next 3 months.

Pursuant to data of the National Statistical Institute in June 2021 the composite indicator 'business climate in construction' decreases by 6.5 percentage points which is due to the more reserved construction entrepreneurs' assessments about the present business situation of the enterprises. However, their forecasts about both the business situation of the enterprises over the next 6 months and the construction activity over the next 3 months are favorable.

The main factors limiting the activity remain connected with the uncertain economic environment, shortage of labor, competition in the branch and costs of materials, as compared to the previous month, an increase of their negative influence is reported. Concerning the selling prices, the share of the managers who expected an increase over the next 3 months is rising.

Pursuant to data of the National Statistical Institute in June 2021 the composite indicator 'business climate in retail trade' preserves approximately its May level (Annex, Figure 10). The retailers' forecasts about the business development over the next 6 months are unfavorable, as and their expectations about the volume of sales over the next 3 months are reserved.

The uncertain economic environment continues being the main obstacle about the activity, as in the last month a reduction of its negative impact is observed. In the second and the third place are insufficient demand and competition in the branch. As regards the selling prices, the retailers foresee certain increase over the next 3 months.

Pursuant to data of the National Statistical Institute in June 2021 the composite indicator 'business climate in service sector' increases by 2.7 percentage points which is due to the positive managers' assessments about the present business situation of the enterprises. Their opinions about the present and expected demand for services are also favorable.

The main difficulties of the enterprises remain connected with the uncertain economic environment, competition in the branch and the factor 'others'. The prevailing part of the managers expect the selling prices in the service sector to remain unchanged over the next 3 months.

The macroeconomic forecasts of the ECB's experts of 10 June 2021 predict that global economic activity will continue recovering towards the end of the year, despite the intensification of the pandemic, with the emerging market economies becoming the epicenter of new outbreaks worldwide. Although in the fourth quarter of 2020 activity turned out to be slightly higher than expected in previous forecasts, the world economy entered in 2021 weaker in the face of another wave of newly infected and tightening restrictive measures. Recent studies show a strong impetus for global economic activity, although signs of a mismatch between emerging and emerging markets, as well as between manufacturing and the services sector, are becoming increasingly apparent. The significant fiscal stimulus approved by the administration of Biden is expected to support the recovery in the United States and cause some positive side effects worldwide. Under these conditions, the growth forecast for the world economy has changed insignificantly compared to the previous forecasts. World GDP (excluding the euro area) is projected to increase by 6.2% in 2021, before falling to 4.2% and 3.7% in 2022 and 2023, respectively. However, external demand in the euro area has been revised upwards compared to previous forecasts. It is expected to increase by 8.6% this year and by 5.2 and 3.4% in 2022 and 2023, respectively. This mainly reflects the higher demand from the US and the UK - key trade euro area partners. Export prices of the euro area's competitors have been adjusted upwards this year amid higher commodity prices and higher demand. The risks to the global baseline forecast are mainly related to the future development of the pandemic. Other risks to global forecasts of economic activity are generally assessed as balanced, while risks to global inflation tend to underestimate it.

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 June 2021, the Governing Council of the ECB decided to reaffirm its strongly stimulating position on monetary policy in order to maintain favorable financing conditions for all sectors of the economy, which is necessary for sustainable economic recovery and to maintain price stability. The Governing Council decided to keep the key

ECB interest rates unchanged. They are expected to remain at their current or lower levels until it is found that the inflation forecast is very close to a level close enough, but below 2% within the forecast horizon and has been reflected accordingly. in the dynamics of core inflation.

**Base interest rates set by the Bulgarian National Bank for the period
01.01.2021 – 30.06.2021**

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 2021 compared to March 2021 was 100.7%, i.e. the monthly inflation was 0.7 %. The inflation rate since the beginning of the year (April 2021 compared to December 2020) has been 1.6 % and the annual inflation in April 2021 compared to April 2020 was 2.0 %. The annual average inflation, measured by CPI, in the last 12 months (May 2020 - April 2021) compared to the previous 12 months (May 2019 - April 2020) was 0.8 %.

The harmonized index of consumer prices in April 2021 compared to March 2021 was 100.7 %, i.e. the monthly inflation was 0.7 %. The inflation rate since the beginning of the year (April 2021 compared to December 2020) has been 1.6 % and the annual inflation in April 2021 compared to April 2020 was 2.0 %. The annual average inflation, measured by HICP, in the last 12 months (May 2020 - April 2021) compared to the previous 12 months (May 2019 - April 2020) was 0.6 %.

According to data of the NSI, the consumer price index in May 2021 compared to April 2021 was 100.1 %, i.e. the monthly inflation was 0.1 %. The inflation rate since the beginning of the year (May 2021 compared to December 2020) has been 1.7 % and the annual inflation in May 2021 compared to May 2020 was 2.5 %. The annual average inflation, measured by CPI, in the last 12 months (June 2020 - May 2021) compared to the previous 12 months (June 2019 - May 2020) was 0.9 %.

The harmonized index of consumer prices in May 2021 compared to April 2021 was 100.1%, i.e. the monthly inflation was 0.1 %. The inflation rate since the beginning of the year (May 2021 compared to December 2020) has been 1.7 % and the annual inflation in May 2021 compared to May 2020 was 2.3 %. The annual average inflation, measured by HICP, in the last 12 months (June 2020 - May 2021) compared to the previous 12 months (June 2019 - May 2020) was 0.7 %.

According to data of the National Statistical Institute, the consumer price index in June 2021 compared to May 2021 was 99.8 %, i.e. the monthly inflation was -0.2%. The inflation rate since the beginning of the year (June 2021 compared to December 2020) has been 1.5% and the annual inflation in June 2021 compared to June 2020 was 2.7%. The annual average inflation, measured by CPI, in the last 12 months (July 2020 - June 2021) compared to the previous 12 months (July 2019 - June 2020) was 1.0%.

The harmonized index of consumer prices in June 2021 compared to May 2021 was 100.0%, i.e. the monthly inflation was 0.0%. The inflation rate since the beginning of the year (June 2021 compared to December 2020) has been 1.7% and the annual inflation in June 2021 compared to June 2020 was 2.4%. The annual average inflation, measured by HICP, in the last 12 months (July 2020 - June 2021) compared to the previous 12 months (July 2019 - June 2020) was 0.8 %.

Inflation for the period 01.01.2021 – 30.06.2021 is as follows:

Month	% of inflation
January, 2020	0.2 %
February, 2020	0.6 %
March, 2020	0.1 %
April, 2020	0.7 %
May, 2020	0.1 %
June, 2020	- 0.2 %

*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. The lack of opportunity to form a stable government and parliament in Bulgaria and to go to the next elections will have a strong negative impact on the economy and business environment in our country.

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.

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 process 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 30.06.2021

The concluded large transactions with related parties to BILLBOARD AD (in the Group and outside the Group) as of 30.06.2021 are shown in the individual financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS as of 30.06.2021.

26.07.2021
Sofia

For BILLBOARD AD:.....

Stefan Genchev
/Executive Director/