



## **INTERIM REPORT ON THE ACTIVITIES OF BILLBOARD AD, Sofia AS OF 31.12.2021 ON A CONSOLIDATED BASIS**

### **1. IMPORTANT DEVELOPMENTS FOR BILLBOARD AD AND THE SUBSIDIARIES IN THE ECONOMIC GROUP THAT OCCURRED DURING THE PERIOD 01.01.2021 - 31.12.2021**

**For the period 01.01.2021 – 31.12.2021 BILLBOARD AD has announced the following inside information to FCS, BSE-Sofia AD and the public:**

**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.

**On 26.07.2021** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public an interim individual financial report for the first six months of 2021.

**On 28.07.2021** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public an interim consolidated financial report for the first six months of 2021.

**On 29.09.2021** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public notifications for share participation as a result of a procedure for inheritance of the shares of Vasil Stefanov Genchev, received in the company on 29.09.2021 by Stefan Genchev, Kalin Genchev and Veneta Gencheva.

**On 29.09.2021** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public a notification under Art. 19 of REGULATION (EU) № 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 on the market abuse by Kalin Genchev - Chairperson of the Board of Directors of Billboard AD, received on 29.09.2021.

**On 29.09.2021** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public a notification under Art. 19 of REGULATION (EU) № 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 on the market abuse by Stefan Genchev – Executive Director of Billboard AD, received on 29.09.2021.

**On 01.11.2021** г. BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public an interim individual financial report as of 30.09.2021.

**On 05.11.2021** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public an interim consolidated financial report as of 30.09.2021.

**On 26.11.2021** BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public the following announcement: BILLBOARD AD completed a procedure for refinancing its loans to the Bulgarian Development Bank AD, UIC 121856059 by concluding an investment bank loan agreement with UNITED BULGARIAN BANK AD with UIC: 000694959 for the total amount of up to BGN 6 340 000. The loan is granted for a period of 72 months after utilization at an interest rate equal to the reference interest rate of UBB for the period of the contract plus 2.2 percentage points allowance per year but not less than 2.2 % per year. The co-debtor of the loan agreement is DEDRAX AD. The collateral for the loan includes the establishment of a mortgage on land in Kostinbrod and Varna owned by BILLBOARD AD and DEDRAX AD and the establishment of a special pledge on assets representing machinery owned by BILLBOARD AD and DEDRAX AD.

DEDRAX AD also completed a procedure for refinancing its loans to Bulgarian Development Bank AD, UIC 121856059 from the UNITED BULGARIAN BANK AD with UIC: 000694959 for the total amount of BGN 5 510 000 under the same conditions. The co-debtor of the loan agreement is BILLBOARD AD.

The refinancing of the loans to Bulgarian Development Bank AD from UNITED BULGARIAN BANK AD has been agreed under significantly more favorable conditions both in terms of the agreed interest rate and in terms of the collateral and servicing costs. With the agreement reached, the long-term costs of the company are not increased but the current costs for interest and debt service have been optimized.

The expectations of the management of BILLBOARD AD are that the achieved refinancing conditions will contribute to better operational activity, financial and economic stability of the company in the medium and long term.

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 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 31.12.2021 the company reported total net sales revenues in the amount of BGN 30 925 000 compared to BGN 28 541 000 for 2020 which represents an increase of the net sales revenues by 8.35%. As of 31.12.2021 the consolidated production net sales revenues of BILLBOARD AD were in the amount of BGN 30 430 000 compared to the consolidated production net sales revenues registered by 31.12.2020 in the amount of BGN 28 461 000 which represents an increase of the company's consolidated production net sales revenues by 6.92 %.

As of 31.12.2021 BILLBOARD AD reported consolidated profit before taxes in the amount of BGN 635 000 compared to the consolidated profit before taxes in the amount of BGN 719 000 for 2020 which represents a decrease of the profit before taxes by 11.69 %. The consolidated net profit of BILLBOARD AD as of 31.12.2021, related to the owners of the parent company is in the amount of BGN 322 000 compared to BGN 108 000 for the same period of the previous year which is a 226.8 % increase.

As of 31.12.2021 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 3748 000 compared to the EBITDA on a consolidated basis reported by 31.12.2020 in the amount of BGN 3896000.

As of 31.12.2021 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 881 000 compared to the EBIT on a consolidated basis reported by 31.12.2020 in the amount of BGN 1822 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 31.12.2021 DEDRAX AD reported net sales revenues in the amount of BGN 23743000 compared to the net sales revenues registered by 31.12.2020 in the amount of BGN 22619000 which is a 4.97 % increase of the net sales revenues. As of 31.12.2021 the company reported net profit in the amount of BGN 490 000 compared to the net profit in the amount of BGN 1199 000 reported for 2020 which is a 59.13 % decrease 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 31.12.2021 DIGITAL PRINT EOOD reported net sales revenues in the amount of BGN 118 000 compared to the net sales revenues registered by 31.12.2020 in the amount of BGN 116 000 which is a 1.72 % increase of the net sales revenues. As of 31.12.2021 the company reported a loss in the amount of BGN 63 000.

### 3. CONSOLIDATED FINANCIAL INDICATORS OF THE COMPANY AS OF 31.12.2021

Table № 1

LIQUIDITY INDICATORS	31.12.2021	31.12.2020
Total liquidity ratio	0,98	0,93
Quick liquidity ratio	0,76	0,80
Absolute liquidity ratio	0,07	0,05
Immediate ratio	0,10	0,16

Table № 2

<b>PROFITABILITY INDICATORS</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>Profitability of capital</b>	0,035	0,04
<b>Return on equity(ROE)</b>	0,025	0,03
<b>Return assets (ROA)</b>	0,013	0,014

Table № 3

<b>LEVERAGE INDICATORS</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>Financial leverage indicatir</b>	0,98	1,05
<b>Debt/Assets</b>	0,50	0,51
<b>Financial autonomy indicator</b>	1,02	0,95

#### **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 уде the company operates and therefor they cannot be managed and controlled by the company's management.

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

Pursuant to data of the National Statistical Institute in December 2021, the total business climate indicator<sup>4</sup> increases by 2.6 percentage points compared to the previous month. An improvement of the indicator is observed in construction, retail trade and service sector, and in industry is registered a reduction. Industry.

Pursuant to data of the National Statistical Institute the composite indicator ‘business climate in industry’ decreases by 0.7 percentage points. The industrial entrepreneurs’ assessments about the present business situation of the enterprises are worsened, as their expectations about the next 6 months are more reserved. At the same time, the inquiry also reports certain decrease of the production assurance with orders. The uncertain economic environment and shortage of labor continue to be the main problems for the business development. In comparison with November, the managers’ share who forecast the selling prices in industry to increase over the next 3 months is rising.

Pursuant to data of the National Statistical Institute in December, 2021 the composite indicator ‘business climate in construction’ increases by 3.3 percentage points which is due to the more favorable construction entrepreneurs’ assessments and expectation about the business situation of the enterprises. According to them, the present production assurance with orders is preserved, and the forecasts about the construction activity over the next 3 months are shifted to the more moderate opinions. The most serious difficulties for the activity of the enterprises remain connected with the uncertain economic environment, costs of materials and shortage of labor, pointed out respectively by 63.6%, 50.3% and 40.0% of the enterprises.

Pursuant to data of the National Statistical Institute in December, 2021 the composite indicator ‘business climate in retail trade’ increases by 4.9 percentage points as a result of the improved 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 positive. The uncertain economic environment continues to be the main obstacle for the business development, as in the last month a decrease of its negative influence is registered.

Pursuant to data of the National Statistical Institute in December, 2021 the composite indicator ‘business climate in service sector’ increases by 5.9 percentage points which is due to the optimistic managers’ assessments and expectations about the business situation of enterprises. Their opinions about the demand for services over the next 3 months are also favorable. The uncertain economic environment and competition in the branch remain the main factors limiting with the most extend the activity of the enterprises.

Compared to previous forecasts, the growth prospects of the global economy in the macroeconomic forecasts of the Eurosystem's experts from December 2021 have been revised slightly upwards for 2021, remain the same for 2022 and slightly increased for 2023. World GDP growth in real terms (excluding the euro area) it is expected to increase to 6.0% in 2021, after which it will slow down to 4.5% in 2022, to 3.9% in 2023 and to 3, 7% in 2024. External demand in the euro area is expected to increase by 8.9% in 2021, by 4.0% in 2022, by 4.3% in 2023 and by 3.9% in 2024, but for 2021 and 2022 it has been revised downwards compared to the previous forecasts. The revision mainly reflects the negative impact on world imports of the current supply difficulties. They are expected to start declining as from the second quarter of 2022 and by 2023 to disappear completely. Export prices of euro area competitors were revised upwards for 2021 and 2022 amid rising commodity prices, supply difficulties and recovering demand. The future course of the pandemic remains a key risk affecting baseline forecasts for the global economy. Other risks to growth prospects are assessed as prone to overestimation, while the balance of risks to global inflation is more uncertain.

## **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 meeting on monetary policy in December 2021 the Governing Council of the ECB reviewed its assessment of the state of the economy and the measures taken against the pandemic. In addition, the Governing Council reaffirmed its measures in support of the ECB's mandate to maintain price stability, namely the ECB's key interest rate level and its interest rate benchmark within the future key interest rate trajectory.

### **Base interest rates set by the Bulgarian National Bank for the period 01.01.2021 – 31.12.2021**

Month	Base Interest Rate
January, 2021	0.00 %
February, 2021	0.00 %
March, 2021	0.00 %
April, 2021	0.00 %
May, 2021	0.00 %
June, 2021	0.00 %
July, 2021	0.00 %
August, 2021	0.00 %
September, 2021	0.00 %
October, 2021	0.00 %
November, 2021	0.00 %
December, 2021	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 December 2021 compared to November 2021 was 100.9 %, i.e. the monthly inflation was 0.9%. The annual inflation in December 2021 compared to December 2020 was 7.8%. The annual average inflation, measured by CPI, in the last 12 months (January 2021 - December 2021) compared to the previous 12 months (January 2020 - December 2020) was 3.3%.

According to data of the NSI, the harmonized index of consumer prices in December 2021 compared to November 2021 was 100.8%, i.e. the monthly inflation was 0.8%. The annual inflation in December 2021 compared to December 2020 was 6.6%. The annual average inflation, measured by HICP, in the last 12 months (January 2021 - December 2021) compared to the previous 12 months (January 2020 - December 2020) was 2.8%.



According to data of the NSI, the consumer price index in November 2021 compared to October 2021 was 101.4%, i.e. the monthly inflation was 1.4%. The inflation rate since the beginning of the year (November 2021 compared to December 2020) has been 6.8% and the annual inflation in November 2021 compared to November 2020 was 7.3%. The annual average inflation, measured by CPI, in the last 12 months (December 2020 - November 2021) compared to the previous 12 months (December 2019 - November 2020) was 2.7%.

According to data of the NSI, the harmonized index of consumer prices in November 2021 compared to October 2021 was 101.1%, i.e. the monthly inflation was 1.1%. The inflation rate since the beginning of the year (November 2021 compared to December 2020) has been 5.7% and the annual inflation in November 2021 compared to November 2020 was 6.3%. The annual average inflation, measured by HICP, in the last 12 months (December 2020 - November 2021) compared to the previous 12 months (December 2019 - November 2020) was 2.3%.

According to data of the NSI, the consumer price index in October 2021 compared to September 2021 was 101.8%, i.e. the monthly inflation was 1.8%. The inflation rate since the beginning of the year (October 2021 compared to December 2020) has been 5.4% and the annual inflation in October 2021 compared to October 2020 was 6.0%. The annual average inflation, measured by CPI, in the last 12 months (November 2020 - October 2021) compared to the previous 12 months (November 2019 - October 2020) was 2.1%.

According to data of the NSI, the harmonized index of consumer prices in October 2021 compared to September 2021 was 101.3%, i.e. the monthly inflation was 1.3%. The inflation rate since the beginning of the year (October 2021 compared to December 2020) has been 4.6% and the annual inflation in October 2021 compared to October 2020 was 5.2%. The annual average inflation, measured by HICP, in the last 12 months (November 2020 - October 2021) compared to the previous 12 months (November 2019 - October 2020) was 1.8%.

The macroeconomic forecasts of the Eurosystem's experts as of December 2021 envisage annual inflation of 2.6% in 2021, 3.2% in 2022, 1.8% in 2023 and 1.8% in 2024. - significantly higher than in the previous September forecasts. Inflation (excluding energy and food) is expected to average 1.4% in 2021, 1.9% in 2022, 1.7% in 2023 and 1.8% in 2024 and is also higher than in the September forecasts.

#### **Inflation for the period 01.01.2021 – 31.12.2021**

<b>Month</b>	<b>% of inflation</b>
January, 2020	0.2 %
February, 2020	0.6 %
March, 2020	0.1 %
April, 2021	0.7 %
May, 2021	0.1 %
June, 2021	- 0.2 %
July, 2021	0.8 %
August, 2021	0.8 %
September, 2021	0.4 %
October, 2021	1.3 %
November, 2021	1.1 %
December, 2021	0.8 %

\*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 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 second quarter of 2021 continued and the prospects for the introduction of vaccines are encouraging, the



new wave of the pandemic continues posing 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 31.12.2021**

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 31.12.2021.

25. 02.2022  
Sofia

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