

**REPORT
ON THE ACTIVITIES OF THE AUDIT COMMITTEE
of BILLBOARD AD
during 2015**

Dear shareholders,

This Report of the audit committee of BILLBOARD AD was prepared on the grounds of the provision of art. 40l of the Law on the Independent Financial Audit. The activities of the audit committee in 2015 was directed towards increasing the effectiveness of the financial reporting processes, the internal control and risk management systems in the company on an individual and consolidated basis.

The audit committee of the company including Valeri Tanov – Chairperson and Stanimir Genchev – member was elected at the regular annual session of the general assembly of the shareholders of BILLBOARD AD, held on 30.06.2014 with 2 years terms of office.

2015 activities of the audit committee:

The major activities of the audit committee of BILLBOARD AD in compliance with the provisions of art. 40 h of the Law on the Independent Financial Audit include:

- Observing the financial reporting processes in the company;
- Observing the effectiveness of the internal control systems;
- Observing the effectiveness of the risk management systems;
- Observing the independent financial audit in the company;
- Reviewing the independence of the certified auditor of the Company in accordance with the law and the Professional Accountants Code of Ethics.

On the basis of the primary information received, the professional analyzes and expert discussions held and in strict accordance with the requirements of the Law on the Independent Financial Audit and the Law on the Public Offering of Securities, the Audit Committee of Billboard AD formulated the following findings, conclusions and recommendations for activities the company in 2015:

Observing the financial reporting processes in the company

In 2015 the company complied with adequate financial reporting in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and adopted by the Commission of the European Union.

The following new standards, amendments to standards and interpretations are mandatory in preparation of the financial statements for accounting periods beginning on or after January 1, 2015, and are applicable to the Company:

IFRIC 21 "Levies": IFRIC 21 is an interpretation of IAS 37. IAS 37 specifies criteria for the recognition of obligations, one of which is the requirement for the company now to have a present obligation as a result of a past event (known as obligating event). The Interpretation clarifies that the obligating event giving rise to the obligation to pay tax obligations, beyond those related to income taxes, is the action as described in the relevant regulatory provisions, making the payment of such obligations mandatory. The Company applies the explanation, but it had no material effect on its financial statements.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS WHICH WILL BE IN FORCE FOR THE FIRST TIME IN 2016 OR AFTERWARDS, APPLICABLE TO THE COMPANY BUT HAVE NOT BEEN ADOPTED EARLIER

The following new standards, amendments to standards and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after various dates, the earliest of which is January 1, 2016 and are applicable to the Company:

IFRS 9 "Financial Instruments"

The package of improvements that are presented in IFRS 9 includes logical model for classification and evaluation, a unified, forward-looking model of impairment "expected losses" and substantially reformed approach to hedge accounting.

IFRS 15 "Revenue from contracts with customers" and subsequent amendment related to postpone the date of entry into force.

The basic principle of the new standard is companies to recognize revenue in a way that reflects the transfer of goods or services to customers and values that reflect the consideration (i.e. payment), which the company expects to receive in exchange for those goods or services. The new standard also results in the introduction of enhanced disclosures about revenue, guidance for transactions that have not previously been addressed in fullness (e.g. sales of services and modifications to contracts) and improved guidelines on arrangements involving multiple elements.

The Company will apply the new standard after its adoption by the European Commission. Currently it is not expected that the new standard will lead to a significant amendment on the financial statements of the Company.

IFRS 16 "Lease"

The new standard replaces accounting requirements introduced more than 30 years ago that are no longer considered to be appropriate and constitutes a significant change in the way companies account lease. IFRS 16 eliminates classification of leases as operating leases or finance leases in terms of the lessee. Instead, all leases are treated in a manner similar to a finance lease under IAS 17. Leases are "capitalized" by the recognition of the present value of the lease payments and their presentation as leased assets (assets with the right to use), or as part of property, plant and equipment. If the lease payments are made over a period of time, the company also recognizes a financial liability representing its obligation to make these future lease payments.

IAS 1 (amendments) "Initiative for disclosures"

Amendments to the standard are provided to further encourage enterprises to apply professional judgment in determining what information to disclose in their financial statements.

Observing the effectiveness of the internal control systems

The internal control system complies with the standards set by the Board of Directors of the Company. The effectiveness of the internal control system enabled the timely preparation and submission of reliable quarterly financial statements of Billboard AD to the Financial Supervision Commission, "BSE - Sofia" AD and the public. Periodical financial analysis and financial control have been conducted of the company's current accounting and the relevant reports have been brought to the attention of the Board of Directors. In addition, the Audit Committee of the Billboard AD confirms that in 2014 the financial reporting system was adequate and presented in a reliable way the financial standing of Billboard AD and that the internal control system enables efficient management of the company's financial resources.

Observing the effectiveness of the risk management systems

In 2015 Billboard AD due to the specifics of the company's operations had exposure to the following risks:

Overall macroeconomic risk

Systematic credit risk

Interest rate risk

Inflation risk

Political risk

Currency risk

Sector risk

Risk of introduction of new technologies

Detailed description of the risks to the Company's operations is presented in the 2015 Annual Report on the activities of the company.

The members of the Audit Committee held a series of consultation meetings with the Internal Control Department and the Risk Management Department of Billboard AD. The Audit Committee held sessions in connection with the preparation of the individual and consolidated quarterly and annual financial statements by performing verification on the financial reporting processes in the company, the internal control and risk management systems. Given the verifications carried out and the respective findings, it could be concluded that in the company successfully function internal control and risk management systems as they also meet the regulation requirements.

Observing the independent financial audit in the company

The Audit Committee reviewed the independence of the auditor elected by the company's general assembly of shareholders to perform independent verification and certification of the 2015 annual financial statements in accordance with the law and the Professional Accountants Code of Ethics. The contract for an independent financial audit to be conducted was concluded after the approval of the audit committee.

The audit committee found that the certified auditor - N S Consulting Ltd. with its registered seat and business address at 73 Bulgaria Blvd., entr. A, floor 2, app. 107, 1404 Sofia, with UIC: 175282408, meets the independence criteria. It was also found that the independent auditor has created its website: <http://www.ides.bg/bg/Oditors/OditorsItem.aspx?OditorsItem=2be88011-5da7-4cad-97d8-05462440fa82&pg=3&Odit=2>.

The Audit Committee monitored the work of the elected independent auditor and confirms that the independent financial audit for 2014 was conducted lawfully, in strict compliance with the requirements for an independent financial audit of companies operating in public interest under the legislation in force.

The certified auditor reported on the main issues related to the conduct of the audit. Information was received on the other services provided by the auditor, out of the scope of the audit. The Audit Committee found that the certified auditor has not provided other services out of the scope of the audit contract.

Recommendation for election of an auditor of BILLBOARD AD for 2016

After having required detailed presentations and offers from several independent auditors and audit companies and based on the analysis of the information received the audit committee of BILLBOARD AD recommends Magdalena Tsvetkova - registered auditor with Dipl. № 659 to be elected as an independent auditor to verify and certify the 2016 annual financial statements of the company.

Chairperson of the Audit Committee:

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Valeri Tanov