



INDEPENDENT AUDITOR’S REPORT (Translated in English language by the company based on the 2015 annual financial statements, prepared in Bulgarian language.)

TO THE SHAREHOLDERS OF BILLBOARD AD

Report on the financial statements

We have audited the accompanying financial statements of BILLBOARD AD (*the "Company"*), including the separate statement of financial position as of 31 December 2015, the separate statement of comprehensive income, separate statement of changes in equity and individual cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information, presented on page 1- 59.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the International Financial Reporting Standards as adopted for use in the European Union and for such an internal control system as the management decides is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or mistake.

Auditor’s responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. These standards require compliance with ethical requirements on our part, and that the audit is planned and conducted so that we can obtain reasonable assurance as to whether the financial statements are free of material misstatements.

The audit involves performing procedures aiming to obtain audit evidence on the amounts and disclosures presented in the separate financial statements. The selected procedures depend on the auditor's judgment, including the assessment of risks of material misstatement in the separate financial statements, whether due to fraud or mistake. While carrying out such risk assessments the auditor considers the internal control system related to the preparation and fair presentation of the separate financial statements by the Company in order to develop audit procedures that are appropriate under these circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control system. The audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluation of the overall presentation in the separate financial statements.

We believe that the audit conducted by us provides sufficient and reasonable grounds for our qualified audit opinion.

Basis to express qualified audit opinion

1. In 2014 the Company has recognized an impairment loss on capitalized expenditures under investment projects to be implemented on the property of the Company amounting to BGN 2,109 thousand. Existing circumstances represent an indication for impairment of these capitalized expenditures in the separate financial statements at 31 December 2013 amounted to BGN 2,089 thousand. If these losses or part of them had been recognized in previous years, impairment losses on assets for the previous year would have been smaller, respectively the 2014 net results would have been bigger. Our Auditor's report on the separate annual financial statements for the year ending on 31 December 2014 was modified accordingly. Our opinion on the separate financial statements for the current period is also modified due to the possible effect of this issue on the comparability of data for the current period and the corresponding data.
2. In 2014 the Company has recognized an impairment loss on financial assets under granted loans amounting to BGN 244 thousand. Existing circumstances represent an indication for impairment of these financial assets in the separate financial statements at 31 December 2013. If these losses or part of them had been recognized earlier, the impairment losses on assets for the previous year would have been smaller, respectively the 2014 net results would have been bigger. Our Auditor's report on the separate annual financial statements for the year ending on 31 December 2014 was modified accordingly. Our opinion on the separate financial statements for the current period is also modified due to the possible effect of this issue on the comparability of data for the current period and the corresponding data.
3. We were not present at the inventarization of the Company's inventories as of 31 December 2015, referred to in the separate financial statements in the amount of BGN 1 250 thousand. Due to the nature of the documentation maintained by the Company we could not obtain reasonable assurance regarding the existence of inventories as of 31 December 2015 by means of alternative audit procedures. Respectively we were not able to identify whether any adjustments to the value of these assets are necessary. Due to the fact that balances of inventories accounts directly affect the reported in the current period costs for materials and therefore the reported operational results, we were not able to identify whether any adjustments to the 2015 operational results would be necessary. In addition, we were not present at the annual inventarization of the Company's inventories as of 31 December 2014, referred to in the separate financial statements in the amount of BGN 1 468 thousand. Our Auditor's report on the separate annual financial statements for the year ending on 31 December 2014 was modified accordingly. Our opinion on the separate financial statements for the current period is also modified due to the possible effect of this issue on the comparability of data for the current period and the corresponding data.
4. As of 31 December 2015 the Company indicated receivables from customers past due for more than 360 days in the amount of BGN 851 thousand for which an impairment loss has not been recognized. We were not given an analysis on the collectability of these receivables as of 31 December 2015 to support the Company's evaluation for their recoverable value at that date as a result of which we were not able to obtain an opinion on the extent to which these financial assets are reliably indicated in the separate financial statements in accordance with IAS 39. In addition, as of 31 December 2014 the Company indicated receivables from customers past due for more than 360 days in the amount of BGN 408 thousand for which an impairment loss had not been recognized and for which we had not been given an analysis on the collectability. Our Auditor's report on the separate annual financial

statements for the year ending on 31 December 2014 was modified accordingly. Our opinion on the separate financial statements for the current period is also modified due to the possible effect of this issue on the comparability of data for the current period and the corresponding data.

5. We did not observe the annual inventarization of the Company's cash as of 31 December 2015, referred to in the separate financial statements in the amount of BGN 561 thousand and we could not obtain reasonable assurance on the existence of these assets at that date by means of alternative audit procedures. Due to the fact that balances of cash accounts directly affect the financial position as of 31 December 2015 and the reported cash flows for the year then ended, we were not able to identify whether any adjustments to these elements of the separate financial statements would be necessary. In addition, we did not observe the annual inventarization of the Company's cash as of 31 December 2014, referred to in the separate financial statements in the amount of BGN 939 thousand. Our Auditor's report on the separate annual financial statements for the year ending on 31 December 2014 was modified accordingly. Our opinion on the separate financial statements for the current period is also modified due to the possible effect of this issue on the comparability of data for the current period and the corresponding data.
6. As of 31 December 2015 the Company has not reclassified as current assets in accordance with IFRS 5, assets of property, plant and equipment which, although still used by the Company, meet the definition of "assets held for sale". The book value of these assets is in the amount of BGN 1,160 thousand.

Qualified opinion

In our opinion, except for the possible effects of the issues set out in the paragraph "Basis for qualified opinion", the separate financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015 as well as the financial results from its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted for use in the European Union.

Matter of Emphasis

We would like to emphasize on the explanatory note 1.13.2 to the separate financial statements, where it is said that under the bank loan agreement, entered into in 2015, the company must maintain certain financial indicators. As of 31 December 2015 there were indications that the Company would not comply with all conditions set as the bank will be notified on this fact. To date when the separate financial statements were approved for issuance, the bank has not made official communication required by the bank loan agreement, certifying non-compliance with the contractual conditions, as the liabilities under the bank loan were classified as current and non-current liabilities in accordance with the conditions agreed in advance. Our opinion is not qualified with regard to this issue.



Report on other legal and regulatory requirements

We conducted procedures to verify the compliance between the accompanying Annual Report on the Activities of the Company for the year ending on 31 December 2015 and the annual separate financial statements.

Management's responsibility for the annual activity report

Management is responsible for preparation of the Annual Activity Report in accordance with the requirements of the Accountancy Act.

Auditor's responsibility

Our responsibility is to express an opinion on the compliance between the Annual Report on the Activities of the Company and the annual financial statements for the same reporting period.

Opinion

In our opinion, the Annual Report on the Activities of the Company for the year ended on 31 December 2015 has been prepared in all material respects in accordance with the information presented in the annual separate financial statements for the same reporting period.

Snezhana Kaloyanova
Registered Auditor

NS CONSULTING LTD.
29 March 2016
Sofia

Nino Kaloyanov
Manager