



**ANNUAL REPORT ON THE ACTIVITIES OF
BILLBOARD AD, SOFIA
FOR THE FINANCIAL YEAR 2016**

THIS REPORT WAS PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE. 39 OF THE ACCOUNTANCY ACT (effective as from 01.01.2016), ARTICLE 100N, PARAGRAPH 7 OF THE LAW ON PUBLIC OFFERING OF SECURITIES AND ANNEX № 10 TO ART. 32, PARA. 1, ITEM 2 OF ORDINANCE № 2 OF SEPTEMBER 17, 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION.



DEAR SHAREHOLDERS,

We, the members of the Board of Directors of BILLBOARD AD, led by the desire to manage the company in the interest of the shareholders and pursuant to the provisions of art. 39 of the Accountancy Act (effective as from 01.01.2016), article 100n, paragraph 7 of the LPOS and Annex No 10 to art. 32, para. 1, item 2 of ORDINANCE No. 2 OF SEPTEMBER 17, 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION prepared this Activity Report /the Report/. The Report presents comments and analysis of financial and non-financial essential indicators regarding the results from the activities, related to the economic activity of the company, including information on issues, related to ecology and personnel. The report includes objective review that presents in a true and fair way the development and performance of BILLBOARD AD, and its position, together with a description of the main risks the company faces.

Enclosed to this Report is a Corporate Governance Declaration of BILLBOARD AD pursuant to Art. 100n, para. 8 of the Law on Public Offering of Securities.

Information regarding the circumstances occurred in 2016 that the company's management believes could be of importance to investors when taking a decision to acquire, sell or continue holding shares of BILLBOARD AD has been publicly disclosed to the Financial Supervision Commission, the public (investors) and the regulated securities market within the terms and in accordance with the procedure for regulated information disclosure on the part of public companies and other issuers as provided by the LPOS and Ordinance No 2. The information is also available on the company's website www.billboard.bg, News section.

I. GENERAL INFORMATION ABOUT BILLBOARD AD AND THE COMPANIES INCLUDED IN THE ECONOMIC GROUP OF THE ISSUER

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.

The company was incorporated on 07.02.2001 under the company name „BILLBOARD PRINT” Ltd. On 23.12.2003 the company was reorganized into a Joint Stock Company – Billboard AD.

The company was filed with the Commercial Register of Sofia City Court under company's case N 1298/2001, volume 672, page 200.

On 22.04.2008 BILLBOARD AD was re-registered with the Registry Agency to the Ministry of Justice – Commercial Register under UIC: 130472125.

As at 31.12.2016 the company has its registered seat and business address at No 1 Bulgaria Sq., National Palace of Culture, AI4 entr., Triaditza district, 1464 Sofia.

Telephone: +359 2 9166500

Fax: +359 2 9630606

e-mail: ir@billboardprint.it; investors@billboardprint.it;

web: <http://www.billboard.bg/>



As 31.12.2016 the share registered capital of BILLBOARD AD is in the amount of BGN 15 000 000 divided in 15 000 000 dematerialized registered shares with a nominal value of BGN 1.00 each of them.

In 2016 the company has not made a capital increase or decrease.

INFORMATION ON WHETHER MORE THAN 10 PERCENT OF THE CAPITAL HAS BEEN PAID WITH ASSETS OTHER THAN CASH AND INFORMATION ON CHANGES IN THE CAPITAL OF THE COMPANY

○ On 01.02.2006, the share capital was increased by means of a non-cash contribution - contribution in kind in the amount of BGN 1.1354 million of "IBT INTERNATIONAL BUSINESS AND TRAYDING" AD - Switzerland from "BILLBOARD" AD, which derived based on a pecuniary receivable in the amount of € 580,533.06 arising from a cash loan agreement - financial loan signed on 20.07.2005 between "DEDRAX" Ltd. and "BILLBOARD" AD and subsequently acquired by "IBT INTERNATIONAL BUSINESS AND TRAYDING" AD under an Agreement N: 104 of 25.10.2005 between "KEYLO INTERNATIONAL", "IBT INTERNATIONAL BUSINESS AND TRAYDING" BILLBOARD AD.

○ By Resolution № 6 of Sofia City Court dated 04.06.2007 in the Commercial Register under the batch of BILLBOARD AD were filed the following changes: capital increase with company's own funds from BGN 3.1404 million to BGN 6 000 000 (six million), by means of the issuance of 2,859,600 (two million eight hundred and fifty-nine thousand six hundred) registered dematerialized voting shares with a nominal value of BGN1.00 lev each.

○ By Resolution № 9 of Sofia City Court dated 20.12.2007 in the Commercial Register under the batch of BILLBOARD AD was filed a capital increase of the company from BGN 6 million (six million) lev to BGN 7.5 million (seven million five hundred thousand) lev, divided into 7,500,000 registered dematerialized voting shares with a nominal value of BGN 1.00 lev each, through the issuance of 1,500,000 (one million five hundred thousand) registered voting shares with nominal value BGN 1.00 lev each.

○ On 19.08.2008, based on the resolution of the regular general assembly of shareholders held on 30.06.2008 to increase the company's capital from BGN 7.5 million lev to BGN 15 000 000 Levs under the procedure of art. 246, para. 4 of the Commerce Act by means of transformation of part of the company's reserves into capital through the issuance of new 7.5 million registered dematerialized voting shares with nominal value of BGN 1.00 lev each, was filed a capital increase in the Commercial Register. The new shares were distributed among the shareholders proportionate to their participation in the capital until the capital increase, as entitled to participate in the distribution of the new shares with which the capital was increased were persons who have acquired shares not later then 14 days following the date of the decision of the General Assembly of the Shareholders for the capital increase. Each shareholder who acquired shares until the 14th day following the date of the General Assembly of the Shareholders when the decision for the capital increase was adopted received 1 new share.

Table №1

As of:	31.12.2014	31.12.2015	31.12.2016
Amount of the capital in BGN	15 000 000	15 000 000	15 000 000
Number of shares	15 000 000	15 000 000	15 000 000
Number of the issued and fully paid shares	15 000 000	15 000 000	15 000 000
Nominal value of the shares in BGN	1	1	1



As of 31.12.2016 the shareholders' structure of BILLBOARD AD is the following:

Table №2

Name of the shareholder	Number of shares hold	Percentage of the capital
Vassil Stefanov Genchev	3 753 730	25.024 %
Stephan Vassilev Genchev	3 000 000	20.00 %
Kalin Vassilev Genchev	3 000 000	20.00 %
Veneta Stephanova Gencheva	1 483 738	9.89 %
Other shareholders – physical persons and legal entities	3 762 532	25.086 %

**INFORMATION ON THE GROUP OF ENTERPRISES (ECONOMIC GROUP)
OF THE ISSUER:**

BILLBOARD AD is a part of group of enterprises within the meaning of §1, item 2 from the Additional provisions of the Accountancy Act and is a parent company, holding over 50 % of the votes at the general assembly of several subsidiaries.

During the fourth quarter of 2016 was made the following change in the group of enterprises where BILLBOARD AD is a parent company:

Based on a resolution of the Board of Directors of BILLBOARD AD, dated 19.12.2016, on 20.12.2016 was accomplished a sale of the stakes, hold by BILLBOARD AD and DIGITAL PRINT Ltd. (100 % subsidiary of BILLBOARD AD) from the capital of TIPO PRINT Ltd. – an associated company of BILLBOARD AD. The sale of the stakes from the capital of TIPO PRINT Ltd. was completed under the price of BGN 0.50 per stake or a total sale price for BILLBOARD AD – BGN 215 and total sale price for DIGITAL PRINT Ltd. – BGN 375.

The value of the transaction does not exceed the thresholds under art. 114, para. 1 of the Law on Public Offering of Securities and art. 114, para. 3 of the Law on Public Offering of Securities – for DIGITAL PRINT Ltd. and respectively an explicit authorization by the General Assembly of the Shareholders of BILLBOARD AD and by the Board of Directors of BILLBOARD AD – in terms of the sale of stakes from the capital of TIPO PRINT Ltd. on the part of DIGITAL PRINT Ltd. The sale of equity stakes of TIPO PRINT Ltd. on the part of BILLBOARD AD and DIGITAL PRINT Ltd. is concluded due to the fact that the company is fully decapitalized and does not operate.

**As of 31.12.2016 the companies in the group of enterprises (economic group) of
BILLBOARD AD are:**

○ **DEDRAX AD**

Scope of activity: desktop publishing and graphic design, publishing and advertising activities, development, adaptation, implementation, support of software products and systems, marketing and distribution of the same. Domestic and foreign trade, and any other activity not prohibited by law.

The company was registered with a capital amounting to BGN 5 000. In 2010 the company's capital was increased to BGN 2 800 000 by its own funds representing a part of the profit for 2009 in the amount of BGN 310 750.92 and non-distributed company's profit from previous years in the amount of BGN 2 484 248.08.



At the regular annual session of the general assembly of the shareholders of Dedrax AD, held on 30.07.2014 was approved a resolution for a capital increase from BGN 2 800 000 to BGN 4 878 627 as the increase in the amount of BGN 2 078 627 was made by company's own funds representing not distributed profit for the period 2010 – 2013.

As at 31.12.2016 BILLBOARD AD holds directly 60 % of the votes at the general assembly.

○ **MOTION ARTS Ltd.**

Scope of activity: trading, production, management, tourism, services, computer animation and design, as well as any other activity not prohibited by law.

The company was registered with a capital in the amount of BGN 5 000.

As at 31.12.2016 BILLBOARD AD holds directly 255 company stakes, representing 51 % of the votes at the general assembly.

○ **INSTOR MEDIA EOOD**

Scope of activity: domestic and foreign trade, manufacturing and marketing of promotional materials and equipment, advertising, design, and other activities and services that are not prohibited by law.

The company was registered with a capital in the amount of BGN 5 000.

As at 31.12.2016 BILLBOARD AD is a single owner of the company's capital.

○ **DIGITAL PRINT EOOD**

Scope of activity: digital printing, advertising, intellectual property transactions, leasing, and any other transactions which are not prohibited by law.

The company was registered with a capital in the amount of BGN 5 000.

On 28.05.2015 in the Commercial Register to the Registry Agency under the batch of the company was filed a capital increase based on a resolution of the single owner. The company's capital is in the amount of BGN 3 000 000 (three million) out of which BGN 5 000 (five thousand) – money contribution and BGN 2 995 000 (two million nine hundred ninety-five thousand) – contribution in kind.

The single owner of capital BILLBOARD AD transferred at nominal value, fully and unconditionally its receivable to DIGITAL PRINT Ltd. in the amount of BGN 2 995 000 (two million nine hundred and ninety-five thousand) levs, representing part of monetary receivables arising from a Loan agreement concluded between BILLBOARD AD - lender and DIGITAL PRINT Ltd. - borrower, which receivable is part of the principal under the Loan agreement as from 01.08.2008 at nominal value amounting to BGN 5 000 000 (five million) levs and the part of the receivables - subject to the contribution in kind is in the total amount of BGN 2 995 000 (two million nine hundred and ninety-five thousand) levs.

Amount: BGN 2995000.

Number of the Act for assignment of experts: 20150312145317/13.03.2015.

As at 31. 12.2016 BILLBOARD AD is a single owner of the company's capital.

Information on the Management System of the Issuer

BILLBOARD AD has a one-tier management system. The company is being managed by a Board of Directors.

As of 31.12.2016 the Board of Directors of BILLBOARD AD includes the following members:



1. Kalin Vassilev Genchev – Chairperson of the Board of Directors
2. Stefan Vassilev Genchev – Executive Director
3. Borislav Hristov Borisov – independent member of the Board of Directors
4. Desislav Grozev Tomov – independent member of the Board of Directors.

The company is represented by the Executive member of the Board of Directors.

No changes in the way of representation of the company have been made neither any appointment or discharge of procurator has occurred during 2016.

At the regular session of the General Meeting of Shareholders, held on 16.06.2016 was adopted a resolution for re-election of all members of the company's Board of Directors for new 5-year terms of office as from the date of entering the resolution with the Commercial Register to the Registry Agency.

Information on amendments in the Company's Articles of Association made during the reported financial year

At the regular annual session of the general meeting of the shareholders, held on 16.06.2016 were not approved amendments to the company's Articles of Association.

II. OVERVIEW OF THE ACTIVITIES AND THE STATUS OF THE COMPANY

1. Major activity

The company has 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 facilities;
- 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 2016 BILLBOARD AD continued conducting its activities in the following areas: outdoor advertising, indoor advertising, transport advertising and metro advertising, events and exhibitions, photographs and reproductions. The company is a representative of 3M for the products of Commercial Graphics Division and is the only authorized 3M Scotchprint manufacturer. Thereby the company's customers receive additional support and guarantee from the world giant for the implementation of their projects.



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 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.

MAJOR PRODUCTS AND THEIR VARIATIONS PRODUCED BY BILLBOARD AD AND THEIR SHARE OF THE TOTAL 2016 PRODUCTION

Table №3

Type of product	Description	TYPES	%	
OUTDOOR ADVERTISING	PRINT FOR OUTDOOR ADVERTISING	Types		
Billboard 4 x 3 type Piza	Billboard is a standard advertisement facility for outdoor advertisement, positioned in an urban or country area with standard size 4x3 m. By means of billboard advertisement one realizes successfully both image and product advertisements and the message reaches a wide range of public. For the realization of a successful campaign one recommends a selection of a sufficient number of locations, which could be rotated in the period of advertising and a location, which is in compliance with the advertised product	made of PVC Vinyl Front lighted	9.80 %	33,70%
		made of Backlit PVC Vinyl Scroller		
		Printed on paper for metal plates		
		Made of Selfadhesive PVC film		
Megabillboards	These are advertisement constructions with big sizes, which are positioned along the highways or on residential buildings in the urban area. This type of advertisement carriers is used for the realization of the long-lasting image campaigns, in which the accent is on the brand. Since the size of the advertisement posters are impressive, there are big requirements for the facility and the board. For the advertisement facilities, placed on buildings, it is necessary an additional accuracy when making the poster, since the strength caused by the heavy winds often reaches 50 kg/m ² . For this purpose it is mandatory to use strengthened seams, fixes and ropes when making the advertisement board.	Wall Murals	3,00 %	
		Highway Megabillboard 8x4m and 12x4m		
		Over-roof Megabillboards		
		Made of Mesh		
City Light	Advertisement facilities, located in pedestrian areas and at the public transport stops. Standard size 1,20m x1,80m, backlit. Typical for them is that they have a bigger readability compared to the other elements of outdoor advertisement. This makes the realization of brand advertisements possible. The materials used are mainly paper for backlit, vinyl or backlit film. The easy assembly and disassembly provide the opportunity for holding of campaigns and entire media planning.	Vien pillar	5.60 %	
		Bus Shelter		
		Litylight		
Shop windows advertising	Advertisement vision, located on the front building part, means a maximum efficient way for use of the buildings as a place for advertisement. It is realized by means of sticking perfo folio from the outdoor side of the windows, which folio imitates blinds and doesn't prevent the light to enter the building. The effect is a very pleasant one both for the employees working inside the building and for all the people outside the building, cause the perfo folio merges in a natural way with the front building part. The advertisement on glass front building parts is an image one and is efficient for a long period, since the	Transperant film	6,30 %	
		White film		
		One-way vision		
		3M Vikuity - rear projection		



	production of the vision and the assembly are relative expensive.		
Tents	They are used mainly in the public food facilities both with an advertisement purpose and in order to keep the visitors protected from sun, rain, snow etc. They are made out of vinyl or textile. They require that a particular construction on a preliminary draft should be erected, on which the canvas is to be set. The shapes and size are individual, in accordance with the capacities of the site.	Textile tents	0,80 %
		Vinyl Tents	
Facade advertising	This is the widest spread advertisement in urban area. The front building areas are used of the trade sites, offices, restaurants and bars, institutions. Specific constructions are made with possibilities for diversity with the used printing media, lighting or not lighting, volume, neon etc.	backlited	3,80 %
		with no ligh	
Banners	The banners are advertisement materials with non-standard sizes, not requiring a particular metal construction. It is specific for them, that they are easily to change and do not require high budget. They are produced most often of laminated or oiled vinyl. Depending on the envisaged way of suspension they could be made of pins, pockets, PVC or metal pipes.	Vinyl banner	3,00 %
		Mesh banner	
		Transperant of textile	
		Vertical vinyl baner	
		Textile banners	
Wrapping of Buildings	One of the most actual recent tendencies for sending of advertisement messages is the use of the front building parts as an advertisement area. Besides the unique in its size visual effect this type of advertisement has a purely practical benefit, as it covers the repair works during renovation of the buildings. Depending on the period of "wrapping" and the specific location of the site, one can use vinyl or construction net.	made of Vinyl net	0.50 %
		made of construction net	
Signboards	The signboards are being placed predominantly on the streets and have the function to give additional information about the location and scope of activity of a particular company. It is typical for them to synthesize key information and data - company name, direction, remaining meters / kilometers. They can be one - or two-sided. They are being made of comatex, steel with PVC film. Reflective foil may also be used.	Metal plate with PVC	0.70 %
		Reflective signs	
		Advertising and directive signs	
		Corporative totems	
Pavilions	Branding of a pavilion is an effective way of advertisement in urban environment. For its realization one performs an individual designer's project and in this way one achieves uniqueness of the commercial area. The purpose is attraction of customers and respectively increase of the sales. The materials, which are used for the "wearing" are 3M PVC folio (on metal parts) and perfo folio (on glass parts).	Branded with selfadhesive	1,00 %
		Whole tent of Vinyl	
Flags	The flags are bearers of advertisement messages, related mostly with the image of a particular brand. They are used mainly for outdoor advertisement. They are assembled on pillars with the help of hooks or fixes, additionally strengthened with cord. For their production one uses especially developed polyester fabrics, which are more durable to weather conditions – wind, rain, snow, sunlight etc. The standard sizes are 4x1.5 m, but they could vary.	Advertising flags	1,00 %
		National Flags	
		Windblade	
		Special flags for strong wind	
Gas stations	Billboard AD offers also variable materials, related with the layout of the gas station as a trade object. They have no advertisement nature, but rather an image and informational one. Their production is fully in compliance with the specifics and requirements for layout of gas stations. In order to avoid the standard vision, one puts emphasis on the unique design, which distinguishes the different chains. The products, which are produced, are various: totems, stickers for gas station posts, lighting boxes, advertisement canvasses, front building part constructions, indicating signs.	Branding of pistol holders	0.20 %
		Light boxes on the cashdesks	
		Price Totems	
Interior	PRINT FOR INTERIOR ADVERTISING	Type	



advertising				
POS	Advertising on the place of purchase is related with most efficient way of presenting the products, or so cold Murchendise. Billboard offer a wide variety of differetrn size, type or shape of printed material for POS, as well as the hanging system or any individual projects. The better way of presenting the products and their technical datas is important part of selling the products.	Translites	18.80 %	38.30 %
		Stands		
		Pallet zone		
		Security zone		
		Stoppers		
Posters	Printing of posters and placards with photo quality of different media – regular, poster or photo paper, gloss or matt, with additional option for laminating. It successfully replaces the offset printing provided that there are single items needed or there is a need of small volume of printing or printing with many different visions. Also here the maximum width of printing is 160 cm, without restrictions in the length. The printing is with solvent UV and water durable inks.	Poster	5,80 %	
		Carton board		
		Poster made of vinyl		
		PP poster		
		3D lenticular		
Illuminated advertising	Metal or aluminium constructions with inbuilt lighting bodies, directed to the front part. Depending on the sizes and the location, where they are assembled, their visions could be printed on different medias. One uses a special mode of printing, in which the colours are more thick and bright and compensate the backlit. Their main advantage against the other advertisement bearers is that their vision is active 24 hours. The advertisement could be done in different ways: plexiglass with PVC folio, backlit film, vinyl for back lighting.	Backlite boxes	2.00 %	
		Menu boards		
		Translites		
Banners	The banners are advertisement and information elements, designed for location on various sites. They are with non-standard sizes and are to be applied as well for outdoor as for indoor advertisement. They are used for events with short duration – conferences, promotions, forums or as information boards. The way of fixing is always individual, depending on the conditions, but most often by means of fixes, pockets, metal or PVC pipes. They are made mainly of laminated or glued vinyl and they do not require a special construction for assembly.	Made of Vinyl	2.30 %	
		Textile banners		
		Tranperants		
Floor graphic	The floor graphic is a non-standard and breath taking advertisement product. It is used for branding, promoting, advertisement and decoration. It is extremely suitable for big commercial sites, sport halls, museums, airport and bus terminals, gas stations and fast food restaurants. They are made of high quality folio of the 3M brand and are placed on all types of smooth floor surfaces. For the more bigger events and promotions one can use them as outdoor advertisement on sideboards and squares.	Standart floorgraohic	3.30 %	
		Stairways		
		3D floor graphics		
Sets and other decorations	One of the main tasks of the indoor designers is to give the space coziness and comfort, as in this way they make so that the people feel comfortable, without difference where they are. The contemporary technologies allow the production of different sets and other decorations such as curtains, table-cloths, floor covers, damasks etc. The most often used materials are textile and paper, as they are most common for the human	Sets for resr places	0.60 %	
		Sets for TV studios		
		Sets of showrooms		
		Theatre sets		
Refrigerating shop-windows and vending machines	Branding of refrigerating glass windows is used for indoor advertisement, mainly in the commercial sites and public facilities. It is made by means of application of 3M PVC film, as its designation is to introduce the commercial brand and the main product, which is offered to the users.	Coffe machines	0.20 %	
		Refrigerators		
		Refrigerating shop-windows and automates		
Dashboards and panels	These are articles, which are placed with decorative, advertisement or indicative purpose. They are intended to be	PVC Board	4.10 %	
		Models and Figures		



	used mostly in the commercial sites. They are made out of different surfaces: foamboard, comatex, PVC material and depending on the function they have they could be printed both one-sided and two-sided. In the cases when one seeks photographic quality, the vision is printed on photo paper and then it is cashed on the surface.	Canvases of Foamboard		
Lifts and escalators	Advertisement on non-standard indoor spaces such as lifts, escalators and staircase rooms by means of sticking with PVC folios. This is an extremely suitable way for realization of long-term image non-standard advertisement campaigns in the commercial or public sites, where there is a huge stream of passengers every day.	Lifts and escalators Elevator doors Whole branding of elevator Halls	1.20 %	
Transportation advertising	PRINTING OF TRANSPORTATION ADVERTISING	Type		
Cars	Cars are extremely suitable for entire branding. The lack of complex curves makes them into an ideal subject of full wrapping. In this way one increases the advertisement area and strengthens the effect of the advertisement and the esthetics. The cars are intended mainly for transfer of passengers, so that one could avoid the branding of the glasses, but often one covers also the roof, which is easily accessible. In case of full wrapping one recommends the use of folios 3M from the series SC 40;50 and SC 180;380 depending on the warranty and stability of the application.	whole branding partial branding reflective tunning of cars	4.00 %	13.80%
Jeeps and vans	Jeeps and vans are extremely suitable for entire branding. The lack of complex curves makes them an ideal object for "covering". In this way one increases the advertisement area and strengthens the effect of the advertisement and the esthetics. They are intended mainly for transfer of passengers, so that one could avoid the branding of the glasses, but often one covers also the roof, which is easily accessible. With the full wrapping one recommends the use of folios 3M of the series SC 40;50 and SC 180;380 depending on the warranty and the stability of the application.	whole branding partial branding reflective tunning	0.20 %	
Motors	Branding of motors is another non-standard and attractive way of submitting the advertisement message. The sticking could be both partial and full. The advantage of these vehicles is the lack of complex curves, although the selection of folio is strictly specific. One recommends the series for vehicles of 3M - ScotchCal 40 and ScotchCal 50, because of the additional scratch resistant cover. Prior to the assembly of the stickers it is necessary that the motor should be measured and designed by the experts of Billboard JSC.	whole branding partial branding reflective tunning	0.01 %	
Cargo vehicles	Cargo vehicles are more and more often used for supply with goods. Almost all companies performing commercial activities have at least one cargo vehicle. That's why the branding namely of this type of vehicles is the most wide distributed both with advertisement purposes and with identification purpose. Big commercial companies, distributors or speditors create an entire corporate fleet, thus demonstrating the presence on the market during goods delivering. The quality for execution of the advertisement is of great importance because it additionally contributes for the good image of the company. Low quality with the performance of the advertisement is inadmissible. At the same time cargo vehicles are most complex from technical point of view, as they have complex curves. This makes the selection of folio restricted and increases the price. Recommended are the materials for entire branding 3M Scotchcal 180 and 3M Scotchcal 380 depending on the depth of the curves	whole branding partial branding	3.90 %	



Trucks	Even more companies brand their trucks, with which they operate. Depending on the work activity the application could be an image one or it could provide visual information about the offered products and services. The main advantage is the bigger area of this kind of vehicles, which could be partially or fully branded. The trucks are one of the most appropriate bearers of advertisement, cause they are always on the move and so they are influencing a bigger public. It is recommended that one uses the folio of the specially distributed series for vehicles of 3M - Scotchcal 40 and Scotchcal 50.	with metal sides	1.20 %	
		with PVC vinyl		
		Petrol tank trucks		
Special purpose cars	Special purpose cars require high level reflective materials. Billboard AD offers all reflective series of 3M - SC 580; SC 680; Diamand Gray etc.	Police vehicles	0.50 %	
		Ambulances		
		Security vehicles		
Public transport	Public transportation is used more and more often as a bearer of advertisement messages. They reach a wider range of consumers. The visual effect is made through the entire or partial branding. The visions are printed on 3M PVC folio of the metal parts. The windows are branded with perfo folio, which doesn't prevent the light from entering the vehicle, so that the advertisement message doesn't obstruct the visibility from the inside to the outside. Besides the outdoor branding with folios, there are another possibilities available for indoor and outdoor advertisement: lighting and non lighting constructions, advertisement posters, banners etc.	Buses	3.90 %	
		Troleys		
		Trams		
		Mini Buses		
		Metro		
Projects	COMPLETE PROJECTS EXECUTION	Type		
Events and exhibitions	Every event is unique in itself from the point of view of the used advertisement elements. The purpose is that one should combine all visual materials, such as banners, columns, billboards, screens etc, so that they should strengthen and express to the maximum extent the effect from the size. The task and the purpose of the company Billboard JSC is to create a visual communication, which should strengthen the influence on the public by means of optimal use of the possibilities of the rooms and the environment. When decorating a particular event it is important, that one should consider the nature of the event as well as its purpose. In this case one achieves a suitable selection and quality make of the advertisement materials.	Events	1.20 %	
		Concerts		
		Oppening		
		Press-conference		
		Company partys		
		Sepmling nad presentations		
Complete projects execution	Billboard AD offers complete projects execution for visual communication. The company has a highly trained professional team of designers, prepress and applications who can creating a compleate interior or exterior project from the Idea to the final details. The company has also offices in the main cities of Bulgaria - Sofia, Plovdiv, Varna and Bourgas witch serve the local markets and national campains.	Design	13.00 %	14.20 %
		Engeneering		
		Prepress		
		Construction		
		Aplication		
Photographs and reproductions	Making of images of photograph quality designed for professional photograph exhibitions and reproductions. Most often there are used different types of photo paper, canvas and other art materials.	Reproduction of art	0.60 %	
		Photo Exhibitions		

During the reported 2016 has been observed a continuing trend of increasing production of materials for interior advertising as the relative share compared to the outdoor advertising is by 4.6 % more. There was an increase in advertising related to point of sale or the so called POS advertising. The reason for this was the increase of commercial space and the recognized need for highlighting the product in the conditions of growing competition. Production of promotional materials related to outdoor advertising increased in its part related to billboards and decreased in terms of production of



advertising meshes for wrapping buildings and larger objects. The reason was the change in the regulation of Sofia Municipality and other municipalities that restricted placement of such advertising facilities for a continuous time.

The trend for replacing the traditional vinyl billboards in the central part of Sofia by such facilities of scroller type continued. Thus, the number of printed billboards and respectively the square meters increased up to 6 times. During the period under review only in the capital city the number of replaced facilities reached more than 100. Moreover, while the classic vinyl type Pisa 4x3 can be used repeatedly for two, three or more campaigns, being moved to different locations, in the production of billboard panels for scroller facilities this is impossible, due to the fact that the vision are being made of specialized large format paper which can be used only once during the period. This also increased the actual number of billboards produced for each advertising period (14 days). More and more facilities of this kind are being built in the cities of Plovdiv, Varna and Burgas.

The trend to increase advertising at point of sale continued. All retailers focused their efforts to attract the interest of customers through various promotions, awards or other services. Examples of such activities are the chains Billa, Kaufland, Lidl, TMarket and Fantastiko that present promotional products every week and generate a large market for production of printed products.

During the reported year BILLBOARD AD again preserved its leading positions in the production of non-standard materials and increased its market share in car branding. In its capacity of the only authorized 3M producer for Bulgaria BILLBOARD AD is a preferred partner of many multinational companies for projects related to company cars' branding.

Technologies

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, routing and milling.

BILLBOARD AD disposes of high quality and advanced technology and excellent machine base, including VUTEK UltraVu 3360; VUTEK UltraVu 5330; VUTEK UltraVu 2600; HP DesignJet 9000ps, HP DesignJet Z6100, Z3100, TextileJet, VUTEK UltraVu 200/600W+, Vutek UltraVu 200/600 SC, HP Scitex TurboJet Digital Press, enabling the maximum good production of all of the products offered such as: billboards, banners, mega boards, posters, citylight posters, stickers, pictures, car graphics, floor graphics, decoration for events, packaging of buildings, shop windows graphics, exhibition stands, interior decoration, banners, printing plates, POS advertising, decors.

2. Major raw materials

Prime and raw materials essential to the core business of BILLBOARD AD - wide-format digital printing are four main groups - vinyl and vinyl mesh, PVC folios, paper and ink.

Vinyl And Vinyl Mesh

In 2016, vinyl and vinyl mesh registered a minor increase compared to the previous year but at the same time customers increasingly exert price pressure on the value of products, which, in its turn had a negative impact on the profit margins and provoked BILLBOARD AD to offer new materials (lighter and thinner) to compensate the decrease in the price of the product. This applies to the greatest extent for the billboards.

PVC folio

PVC folio is the material necessary for production of stickers. Conventionally this material can be divided into two types - high quality and regular folio. For high-quality folio BILLBOARD AD uses 3M products, and for the regular one - all leading European manufacturers. Although they are being made of petroleum products, PVC folios are also not affected by fluctuations in oil prices, or at least if such fluctuations exist, they are insignificant.

Prices for this type of material are relatively stable with variations limited in the range of 1-2 % per year. In 2016 was reported stability in the price of this raw material.

BILLBOARD AD changes its policy towards a segment of higher quality products through putting into practice the new technologies of HP Latex, allowing for an increase in profit margins from the production of PVC stickers.

Paper

Paper is a material, intended for short-term and promotional campaigns. This is the cheapest material for production, the price of which is almost constant. The basic characteristic, which determines the price of this kind of material is the volume being purchased. In this respect, the expenses of BILLBOARD AD declined over the years. Transportation expenses for delivery are also essential, which are also being influenced positively by the economies in the volumes.

In 2016 were not reported any changes in the price levels of paper as a raw material for digital printing and the management of the company believes that decreasing the price in 2017 is unlikely to be a trend.



Ink

Ink is another principal material for the production of the company. The cost of ink is directly dependent on the quantities used. BILLBOARD AD consumes about 12 tons inks for different types of machines per year, and given the volumes, the company achieves the best prices offered by suppliers in Bulgaria. For the last few years the management of BILLBOARD AD succeeded to negotiate more than 3 times reduction in the ink price.

3. Markets And Sales

As of 31.12.2016 the net sales revenues of BILLBOARD AD, pursuant to the annual financial statements, drawn up according to the IAS forms, were in the amount of BGN 8 256 000 which represents a decrease by 1.15 % compared to the net sales revenues reported by 31.12.2015 in the amount of BGN 8 352 000. As of 31.12.2016 the production net sales revenues of the company were in the amount of BGN 7 578 000 and the service revenues were in the amount of BGN 678 000.

Table № 4

Revenue type	31.12.2014	31.12.2015	31.12.2016
Production sales including	6 703	7 682	7 578
Printed production sales	6 703	7 682	7 578
sales revenues from servives including	1 009	670	678
Sales of services	1 009	670	678
Total	7 712	8 352	8 256

In 2016 BILLBOARD AD has generated the following revenues from abroad:

- France – BGN 22 000
- Macedonia - BGN 11 000
- Others – BGN 24 000

In 2016 BILLBOARD AD used the following basic marketing strategies:

Direct marketing

The Trade Department of the company continuously collects information about the market - for new customers, for those who do not work with the company, for competitors and others. The information is being analyzed and a specific strategy to the specific client is been set. When the new customer is a company that does not use the services of BILLBOARD AD and does not work with competitive companies, meetings with the management of the company are being organized, where to present all products and services of BILLBOARD AD, explain their competitive advantages and identify an appropriate approach to the customer. When the potential new client develops its potential towards a competitor, the management and the Sales Department of the company look for weaknesses of the competition and offer better solutions.

Direct sales

The Sales Department of the company accepts all requests from the customers clarify their requirements and advise them on the best way for implementation. Then all the information is being systematized and formed in an order with the help of a specialized information system and the production is being launched. In the implementation process BILLBOARD AD monitors and controls the proper execution of the contract by informing the customer at every stage of its implementation.



Advertisement

BILLBOARD AD regularly uses the classic advertisement as a means of promoting new services, general price conditions and others. As major marketing channels the company uses outdoor advertising, radio advertising for the implementation of an image campaigns, and some specialized media, such as magazines and newspapers. The Company regularly updates its production website that provides detailed information on all products and services offered by BILLBOARD AD in the field of wide-format digital printing, price lists and information about the technologies used by the company.

Sponsorship

BILLBOARD AD is a traditional sponsor of many events and organizations such as the National Academy of Art, marketing forums, sports rallies, the Center For Disadvantaged People, different forums on the capital market and others. Sponsorship activities are part of the overall marketing strategy of the company, thereby simultaneously increasing the company's image and help various important causes.

Exhibitions and events

BILLBOARD AD participated in most marketing, advertising, PR and Internet business exhibitions such as Com Print, Print & Pack, Advertising Expo, Webit Expo and others. On these exhibitions the company presents its new products and collects information from the market. Together with 3M, the company annually organizes a workshop presenting the latest world trends and experience through the eyes of an outdoor advertising company.

Image

One of the most important preconditions for the company's success is its good reputation and high quality of products and services imposed on the market. BILLBOARD AD strictly adheres to the principle that the best advertisement is the work itself. For this purpose the company does not compromise on quality, paying due attention to the orders of each customer and constantly investing in promoting the qualification of its employees as well as in new advanced technologies that are unique for the Bulgarian market.

INFORMATION ON ISSUES RELATED TO ECOLOGY AND EMPLOYEES

ECOLOGY

BILLBOARD AD is a company whose main activity does not directly affect the environment. BILLBOARD AD develops its activities, complying with the requirements of environmental protection by means of independently recycling all quantities of residual ink using specialized equipment.

The Company has developed and consistently applies environmental policy related to the obligations for charging the waste of packaging. BILLBOARD AD works jointly with Eco Bulpack in order to optimize the the quantities of packaging waste. An Environmental Committee monitors the consistent implementation of the policy of the Company.

The company has implemented a number of environmental projects following its responsible policy on environmental protection.

BILLBOARD AD was certified under ISO 9001:2008 and SMETA standard which also help improving environmental protection.



EMPLOYEES

As of 31.12.2016 BILLBOARD ad has 78 employees. 53 people out of these employees or 68 %are engaged in the production activity. The total number of employees engaged with administrative services in the company is 25 people or 32 %.

Table № 5

Type of personnes	2016	2015
Management Specialists	13	13
Analytical Specialists	10	9
Professionals	7	7
Administrative personnel	2	3
Qualified production personnel	43	41
Machine operators	1	1
Low qualified personnel	2	2

The structure of employment by type of personnel corresponds to the activities and needs of BILLBOARD AD so that the company may provide highly effective services.

III. OPERATING RESULTS

As a result of the economic activity carried out in 2016 BILLBOARD AD reported individual financial result - net profit in the amount of BGN 175 000, compared to the net loss in the amount of BGN 1 848 000 registered for 2015.

In 2016 BILLBOARD AD generated individual profit before taxes in the amount of BGN 200 000 compared to the company's loss before taxes for 2015 in the amount of BGN 2 045 000.

The loss reported by the company for 2015 as well as the one for 2014 is due to impairment of losses.

Table № 6

					BGN '000
SHAREHOLDERS' EQUITY, MINORITY HOLDINGS AND LIABILITIES	2014	%	2015	%	2016
a	1		2		3
A. SHAREHOLDERS' EQUITY					
I. Share capital	15000	0%	15000	0%	15000
II. Reserves	4519	0%	4519	3,74%	4688
III. Financial result					
1. Retained earnings from previous periods	4996	-45,76%	2710	-68,19%	862
undistributed profit	4996	-45,76%	2710	-68,19%	862
loss not covered	-505	0%	0	0%	0
one-time effect from changes in accounting policy	0	0%	0	0%	0
2. Current year profit	0	0%	0	100%	175
3. Current year lost	-2286	-19,16%	-1848	-100%	0
III.Total	2710	-68,19%	862	20,30%	1037
TOTAL SHAREHOLDERS' EQUITY "A" (I+II+III):	22229	-8,31%	20381	1,69%	20725



Таблица № 7

	As of 31.12.2014	As of 31.12.2015	As of 31.12.2016
OPERATING FINANCIAL RESULT	-1 302	-1 138	534

Operating revenues by category

Table № 8

					BGN '000
REVENUES	2014	%	2015	%	2016
a	1		2		3
A. Operating revenues					
I. Net revenues from the sale of:					
1. Finished goods	6703	14,61%	7682	-1,35%	7578
2. Goods for sale	1387	0%	783	0%	266
3. Services	1009	-33,60%	670	1,19%	678
4. Other	76	2030%	1619	-17,11%	1342
I: Total	9 175	17,21%	10 754	-8,28%	9 864
II. Revenues from financing for fixed assets incl. government grants	0		0		0
II: Total	0	0%	0	0%	0
III. Financial income					
1. Interest revenue	292	-27,74%	211	-18,48%	172
2. Divident income	43	-100%	0	0%	0
3. Gains from operations with financial assets and instruments	0	0%	0	0%	0
4. Gains from foreign exchange operations	0	0%	0	0%	0
5. Other financial income	0	0%	0	0%	0
III: Total	335	-37,01%	211	-18,48%	172
B. Total revenues (I+II+III)	9 510	15,30%	10 965	-8,47%	10 036

As of 31.12.2016 BILLBOARD AD reports individual net sales revenues in the amount of BGN 9 864 000 which is a 8.28 % decrease compared to the individual net sales revenues as of 31.12.2015 which were in the amount of BGN 10 754 000.

The total revenues of the company for 2016 reach the amount of BGN 10 036 666 and decrease by 8.47 % compared to 2015.

Operating expenditures by category

Table № 9

					BGN '000
EXPENSES	2014	%	2015	%	2016
a	1		2		3



A. Expenditures					
I. Operating expenses					
1. Materials	2 096	20,85%	2 533	4,07%	2 636
2. External services	2 100	20,19%	2 524	3,21%	2 605
3. Depreciation	1 284	-5,22%	1 217	-6,24%	1 141
4. Salaries	956	5,44%	1 008	7,34%	1 082
5. Social security	128	30,47%	167	2,40%	171
6. Net book value of assets sold (finished goods excluded)	1 380	60,65%	2 217	-27,79%	1 601
7. Assets under construction and write off of assets	0	0%	0	0%	0
8. Other expenses	2 533	-12,12%	2 226	-95,78%	94
incl. impairment of assets	2 433	-11,59%	2 151	-99,44%	12
incl. provisions	0	0%	0	0%	0
I. Total:	10 477	13,51%	11 892	-21,54%	9 330

For the reported 2016 the expenditures of BILLBOARD AD are in the amount of BGN 9 330 000 a report a decrease by 21.54 % compared to the company's expenditures for 2015.

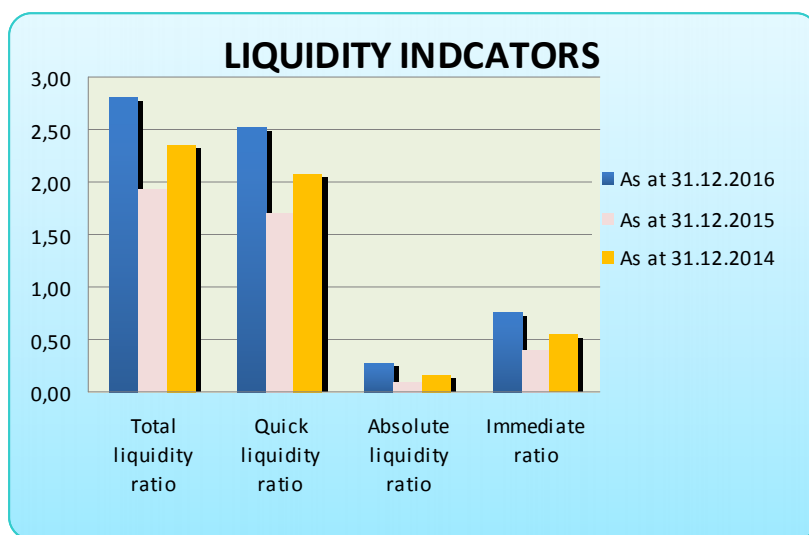
The largest share of the expenditures reported by BILLBOARD AD for 2016 takes the materials amounting to BGN 2 636 000, followed by external services amounting to BGN 2 605 000 and expenses for salaries and social security contributions amount to BGN 1 253 000.

FINANCIAL INDICATORS

1. Liquidity

Table № 10

LIQUIDITY INDICATORS	31.12.2016	31.12.2015	31.12.2014
Total liquidity ratio	2,81	1,94	2,35
Quick liquidity ratio	2,52	1,72	2,09
Absolute liquidity ratio	0,27	0,10	0,17
Immediate ratio	0,755	0,402	0,546





The trend of the liquidity indicators over time provides the most valuable information. It is supposed that liabilities to creditors are being paid off in cash rather than using inventories or equipment. I.e., these factors describe the company's ability to pay off its debts on time.

TOTAL LIQUIDITY RATIO

The total liquidity ratio is one of the earliest formulated indicators and is considered to be universal. The total liquidity ratio represents the ratio of current assets to current liabilities. The optimum values of this ratio are over 1-1.5.

As of 31.12.2016 the value of the total liquidity ratio of BILLBOARD AD was 2.81 and reported an increase compared to the value of 1.94 reported by the company for 2015. The increase in the value of this ratio for 2016 compared to 2015 is due to the decrease in the current assets of the company by 3.78 % and the decrease of the current liabilities by 33.75 %.

IMMEDIATE LIQUIDITY RATIO

The immediate liquidity ratio represents the ratio of short-term receivables to cash and current liabilities of the company.

In 2016 compared to 2015 the value of the immediate liquidity ratio was 0.755 and reported a decrease compared to the value registered by the company for the previous financial year. In 2016 compared to 2015 the financial assets increased by 5.57 %, the cash and cash equivalents of the company also increased by 80.35 % and the current liabilities decreased by 33.75 %.

QUICK LIQUIDITY RATIO

The quick liquidity ratio represents the ratio of current assets minus inventories to current liabilities.

The value of the quick liquidity ratio of BILLBOARD AD as of 31.12.2016 was 2.52 and increased considerably compared to its values reported for 2015.

The increase in the value of the quick liquidity ratio of BILLBOARD AD in 2016 compared to 2015 was due to the decrease in the value of the company's current liabilities by 33.75 %, the decrease in the value of the current assets by 3.78 % and the decrease of the company's inventories by 10.96 %.

ABSOLUTE LIQUIDITY RATIO

The absolute liquidity ratio is calculated as the ratio of cash and short term liabilities and indicates Company's ability to meet its short term liabilities with its available cash.

The value of the absolute liquidity ratio by 31.12.2016 was 0.27. In 2016 compared to 2015 the individual current liabilities of BILLBOARD AD decreased by 33.75 % and the cash and cash equivalent increased by 80.35 %.

2. Capital resources

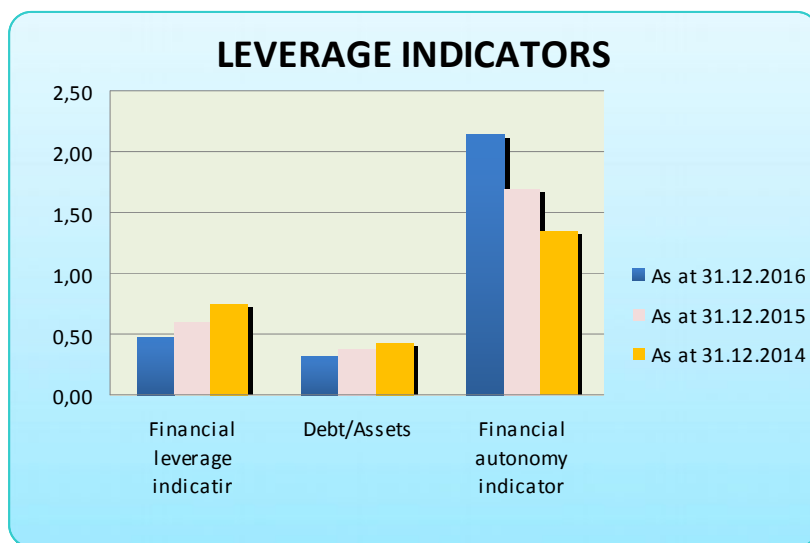


Table №11

LEVERAGE INDICATORS	31.12.2016	31.12.2015	31.12.2014
Financial leverage indicator	0,47	0,59	0,74
Debt/Assets	0,32	0,37	0,43
Financial autonomy indicator	2,14	1,69	1,34

The financial autonomy and financial leverage indicators report on the ratio between own funds and borrowed funds in the capital structure of the company. High rates of the financial autonomy indicator, respectively, low rates of the financial leverage indicator, provide guarantee both for investors /creditors/ and for the owners themselves, on the ability if the company to pay regularly its long-term liabilities.

The effect of using borrowed funds (debt) by the company with a view to increase the final total net income from the funds involved in the activity (equity and borrowings) is called financial leverage. The benefit of using financial leverage appears when the company benefits from the investment of borrowed funds more than the expenses (interest) on their attraction. When a company achieves higher yields when using borrowed funds in its capital structure than the expenses on their attraction are, leverage is justified and should be considered in a positive way (with the reservation that the rate of leverage does not significantly negatively influence other financial indicators of the company).

The indicators on the share of capital obtained through loans show what part of the total capital represents borrowings. The larger the share of long-term debt compared to equity is, the bigger the probability of default in payment of fixed obligations will be.

FINANCIAL AUTONOMY RATIO

The financial autonomy ratio shows what percentage of the total liabilities represents the shareholders' equity of the company.

As of 31.12.2016 the value of the financial autonomy ratio equal to 2.14 reported an increase compared to its values reported for 2015 and 2014. The increase in the value of the financial autonomy ratio of BILLBOARD AD in 2016 compared to 2015 is due to the decrease in the total debt by 19.80 % while the shareholder's equity increased by 1.69 %.



FINANCIAL LEVERAGE RATIO

The financial leverage ratio shows the ratio between debt and equity in the company.

The value of the financial leverage as of 31.12.2016 was 0.47 and reported a decrease compared to its values as at 31.12.2015 and 31.12.2014. The decrease in the value of the financial leverage ratio of BILLBOARD AD for 2016 compared to 2015 is due to the decrease in the total debt by 19.80 % and the increase in the shareholder's equity by 1.69 %.

DEBT TO TOTAL ASSETS RATIO

The ratio of debt to assets shows what percentage of the assets is being financed through debt.

As of 31.12.2016 the value of the Debt / Assets ratio was 0.32 and decreased compared to its values for 2015 and 2014. In 2016 compared to 2015 the amount of debt of the company decreased by 19.80 % and the value of assets decreased by 6.30 %.

3. Financial indicators of BILLBOARD AD as of 31.12.2016

Table №12

	(in BGN '000)(*%;ratio)		
Indicators	2016	2015	2014
Net sales revenues	9 864	10 754	9 175
Shareholders' equity	20 725	55 276	22 229
Non-current liabilities	5924	1193	10863
Current liabilities	3 746	310	5 672
Non-current assets	19 854	57 549	25 490
Current assets	10 541	619	13 274
Working capital	6 795	5 301	7 602
Cash and cash equivalents	1028	570	953
Total debt	9 670	12 057	16 535
Interest expenses	445	1043	1175
Inventories	1 113	1 250	1 468
Short-term receivables	3 746	5 654	5 392
Operating expenses	9 330	11 892	10 477
Material expenses	2 636	2 533	2 096
P/E	0,012	-0,123	-0,142
P/BV	1,38	1,36	1,48
P/S	65,760	71,693	61,167
Return on sales	0,018	-0,172	-0,232
ROFA *	0,017	-0,169	-0,172

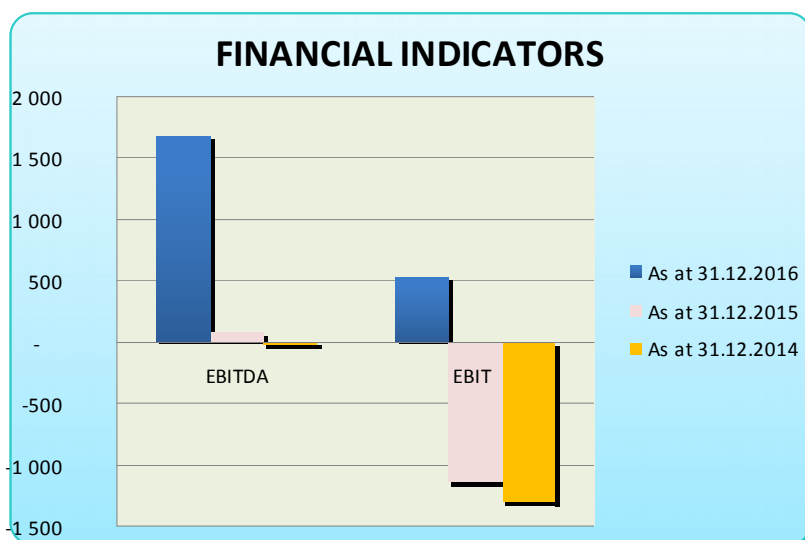


Table №13

FINANCIAL INDICATORS	31.12.2016	31.12.2015	31.12.2014
EBITDA	1 675	79	- 18
EBIT	534	- 1 138	- 1 302

4. Profitability indicators

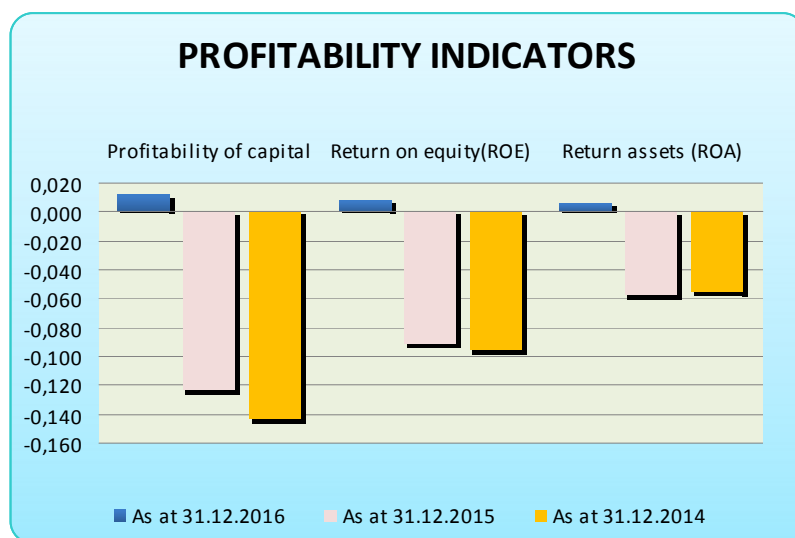


Table № 14

PROFITABILITY INDICATORS	31.12.2016	31.12.2015	31.12.2014
Profitability of capital	0,012	-0,123	-0,142
Return on equity (ROE)	0,0084	-0,0907	-0,0960
Return assets (ROA)	0,0058	-0,0570	-0,0550



RETURN ON EQUITY (ROE)

The Return on Equity indicator is calculated as the profit after taxation from the total income statement is related as a percentage of the Company's shareholders' equity. This ratio measures the absolute return to shareholders in terms of their absolute investments.

As of 31.12.2016 the value of the Return on Equity indicator increased and reached 0.0084. In 2016 compared to 2015 BILLBOARD AD reported a positive net result and the shareholder's equity decreased by 1.69 %.

RETURN ON ASSETS (ROA)

The Return on Assets indicator shows the effectiveness of using the total assets. ROA is calculated as a ratio of operating profit to total assets and shows what operating profit is being generated for one BGN assets.

As of 31.12.2016 the value of the Return on Assets indicator was 0.0058. In 2016 the company reported a profit total assets decreased by 6.30 % compared to 2015.

PROFITABILITY OF CAPITAL

As of 31.12.2016 the indicator for profitability of capital increased and reached the value of 0.012. In 2016 compared to 2015 the capital of the company remained unchanged as the net financial result is profit in the amount of BGN 175 000.

IV. PRINCIPAL RISKS WHICH THE COMPANY FACES

SYSTEMATIC RISKS

OVERALL MACROECONOMIC RISK

At its monetary policy meeting, held on December 8, 2016 and based on the regular economic and monetary analysis the Governing Council of the European Central Bank made a profound assessment of the economy and inflation perspectives as well as on those of the monetary policy position. The assessment confirmed the need to prolong the time frame of the asset purchases program after March, 2017 in order to maintain the high level of monetary support needed to ensure sustainable convergence of inflation rates at levels below, but close to 2 % in medium term.

Assessment of the economy and finance state as of the date of the meeting of the Governing Council of the ECB of December 8, 2016 .:

During the second half of the year, economic activity worldwide marked improvement and is expected to continue increasing, although it is expected to remain below its pre-crisis levels. The conducted not restrictive policy and the improvement in the labor market helped the activity in the USA but the uncertainty regarding the prospects for the country and the world as a whole strengthened after the elections in the USA. In Japan, growth rates are expected to remain moderate, while the medium-term outlook for the UK growth is likely to be restricted due to the increased uncertainty related to the future relations of the country with the EU. Furthermore, although the currently observed gradual slowdown in China might affect other emerging economies, the gradual weakening of the deep recession in some large countries - exporters of major commodities, increasingly supports global growth. Oil prices increased as a result of the agreement of OPEC as of 30 November and the effects from its previous declines on the overall inflation in the world slowly decline. Yet, the large volume spare production capacity in the world, however, restrains core inflation.

Economic recovery in the euro area continues. During the third quarter of 2016 real GDP of the euro area grew by 0.3 % on a quarterly basis like its growth during the second quarter. Incoming data, especially the results of the surveys, indicate that growth will continue also during the fourth quarter of 2016.

In the future, the ECB Governing Council expects that the economic recovery will continue with a moderate but more stable rate. Transfer of the ECB's monetary policy measures in real economy, stimulates domestic demand and helps reducing indebtedness. Better profitability of enterprises and very favorable financing conditions continue promoting investments recovery. Furthermore, sustainable employment growth, which was stimulated by earlier structural reforms, supports real disposable income of households and private consumption.

According to the December, 2016 ECB staff macroeconomic projections for the euro area real GDP is expected to grow by 1.7 % in 2016 and 2017 and by 1.6 % in 2018 and 2019. Compared to the September, 2016 ECB staff macroeconomic projections the forecast for real GDP growth remains broadly unchanged. Risks for the growth prospects in the euro area are mostly associated with overestimation of the projections.

According to the six-month report of the World Economic Outlook Fund, published on 04.10.2016, the gross domestic product (GDP) of the country will grow by up to 3.0 % in 2016 and 2.8 % in 2017. The previous, April 2016 forecasts of the IMF were for growth of 2.3 % in 2016 and 2017. Major risks for the development of the Bulgarian economy according to the IMF experts are worsening demographics as well as major economic and social imbalances among the regions in the country.

On 06.12.2016 the Ministry of Finance publishes an updated Autumn macroeconomic forecast*. (**In the forecast were used statistics published until October 28, 2016, except for those specifically mentioned.*)

Update of the autumn forecast of the Ministry of Finance was imposed by publication of revised series of data on Payment Balance and National Accounts, respectively on September 17 and October 11, 2016.

According to the updated autumn forecast of the Ministry of Finance it is expected that both the European and the US economy to slow their growth rates during the current year.

The favorable development in emerging markets as well as the acceleration of the US GDP growth will play a leading role in the dynamics of the world economy in 2017.

At the same time, development of the European economy is expected to remain depressed as a result of increased insecurity in the region associated with geopolitical tensions, migration flows to the EU countries, the effect of the upcoming release of the UK from the Union and the worsened economic and political environment in Turkey.

The revised data on investments showed a larger increase in inventories, while investments in fixed capital are almost at the same the level as value and real growth. For the first half of the year total investment grew by 7.7 %, but for the whole year growth is expected to slowdown to 4.1 %.

This will be related to the expected lower growth in inventories and private investments in the second half of the year and the decline in capital expenditure of the government, which is due to the transition to the new financial framework 2014 -2020 on programs financing by the EU funds. Fixed capital investments are expected to grow by 0.1%, which will be due to the private sector.

2016 real growth of the Bulgarian economy is expected to reach 3.2 % while the autumn forecast showed 2.6 %. Domestic demand (consumption and investments) again is expected to have major contribution to the growth but net export contribution is increased from 0.6 to 1 percentage point due to the revised data.

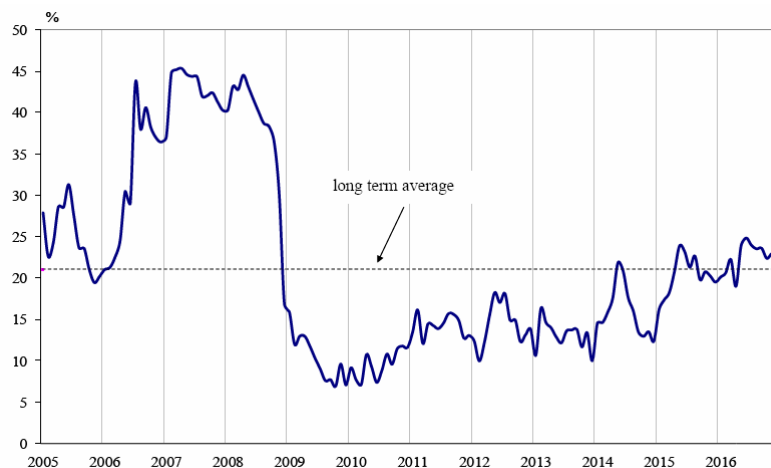
In 2017 GDP growth is expected to slow down slightly to 2.9 % while the autumn forecast expected 2.5 %. Contributing to the lower growth will have the weaker external demand from the European economy which will result in a slowdown in export growth to 3.2 %. In case of strengthening the demand and investments in fixed capital, growth in imports of goods and services is expected to be a bit higher than 2016 and reach 2.7 %. As a result, the contribution of net exports to GDP growth will be 0.4 percentage points which will be lower by 0.6 percentage points compared to 2016.



For the period 2018 – 2019 is expected a slight acceleration of GDP growth to 3 %. Domestic demand will be leading for the growth both in terms of consumption and investments. Higher growth of domestic demand will result in accelerated growth of imports as a result of which the net export contribution will continuously decrease and at the end of the forecast period is expected 0 contribution to GDP.

Pursuant to data of the National Statistical Institute in December 2016 the total business climate indicator remained at its level from the previous month. Improvement of the economic situation was registered in industry and construction, while retail trade and services sector reported a decrease.

Business climate – in total



The composite "business climate in industry" indicator increased by 2.3 points compared to November which is due to the improved assessments and expectations of industrial entrepreneurs about the business situation of enterprises. However, the production assurance with orders is estimated to be slightly reduced which is accompanied by reduced expectations for production activity over the next three months.

The uncertain economic environment is continuously the most serious problem impeding business activities of 46.4 % of the companies.

As regards selling prices in industry, most managers provide retaining of their level over the next three months.

In December the composite "business climate in construction" indicator increased by 1.2 points as a result of the favorable assessments and expectations of construction entrepreneurs about the business situation of enterprises. Their opinion on the current construction activity, as well as their forecasts for the following three months, is also more moderate.

The most serious problems for the business development are continuously related to the uncertain economic environment and competition in the field.

As regards selling prices in construction, managers expect that they will remain unchanged over the next three months.

The composite "business climate in retail trade" indicator decreased by 5.2 points compared to the previous month which is due to the declined assessments and expectations of retailers on the business situation of enterprises.

Their forecasts regarding the volume of sales and orders to suppliers during the following three months are also more reserved.

Competition in the field, the uncertain economic environment and insufficient demand keep on being the most serious factors retaining the business activities of companies.

As regards selling prices, prevailing number of retailers expect that they will remain unchanged over the next three months.

In December the composite "business climate in the service sector" indicator decreased by 1.3 points mainly as a result of the more unfavorable expectations of managers about the business situation



of enterprises over the following six months. Their opinion in terms of current and expected service demand is also more reserved.

Major obstacles for business development remain related to the uncertain economic environment and competition in the industry, although during the last month decrease of negative impact is reported.

As regards selling prices in the service sector, most of the managers expect that they will remain unchanged over the next three months.

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.

On 08.10.2016 the Governing Council of the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00 %, 0.25 % and -0.40 % respectively and continues to expect that they will remain at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases on the part of the Eurosystem. The Governing Council confirmed that the monthly asset purchases of EUR 80 billion are intended to run until the end of March 2017, or beyond, if necessary, and in any case until it sees a sustained adjustment in the path of inflation consistent with its inflation aim.

At its monetary policy meeting, held on December 8, 2016 in view of implementing its price stability objective the Governing Council of the European Central Bank adopted the following resolutions:

- As for the non-standard monetary policy measures, the Eurosystem will continue making purchases under the assets purchase program (APP) at the current rate of EUR 80 billion per month by the end of March, 2017. Starting from April, 2017 it is provided that net purchases of assets will continue to be held with a monthly volume of EUR 60 billion by the end of December, 2017, and if necessary after that, but in any case until the Governing Council finds a lasting correction in inflation trend which is consistent with its inflation target. If meanwhile the prospects become more unfavorable or financial conditions do not correspond to further progress towards a sustainable correction in inflation trend, the Governing Council intends to increase the amount and/or duration of the program.

- In order to provide ever so smooth conduct of asset purchases by the Eurosystem, the Governing Council decided to adjust the parameters of APP by January, 2017 as follows: First, maturity range of the program for purchases from the public sector will be expanded, with a minimum residual maturity of eligible securities shall be reduced from two years to one year. Second, purchases of securities under APP, the yield to maturity of which is lower than the interest rate of the ECB deposit facility will be resolved until needed.

- Governing Council decided to leave the key ECB interest rates unchanged and continues expecting that they will remain at current or lower levels for a continuous period of time and a lot after the close of net purchases of assets.

Base interest rates set by the Bulgarian National Bank for the period 01.01.2016 – 31.12.2016

Table № 15

Month	Base Interest Rate
January 2016	0.01 %
February 2016	0.00 %
March 2016	0.00 %
April 2016	0.00 %
May 2016	0.00 %
June 2016	0.00 %

July,2016	0.00 %
August, 2016	0.00 %
September, 2016	0.00 %
October, 2016	0.00 %
November, 2016	0.00 %
December, 2016	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.

Pursuant to data of the National Statistical Institute, the consumer price index for October, 2016 compared to September, 2016 was 102.0 %, i.e. monthly inflation is 0.2 %. Inflation as from the beginning of the year (October, 2016 compared to December 2015) is minus 0.4 % and annual inflation for October, 2016 compared to October, 2015 is minus 0.6 %. Average annual inflation for the period November, 2015 – October, 2016 compared to the period November, 2014 – October, 2015 is minus 0.8 %.

The harmonized consumer price index for October, 2016 compared to September, 2016 was 99.9 %, i.e. monthly inflation is minus 0.1 %. Inflation as from the beginning of the year (October, 2016 compared to December, 2015) is minus 1.1 % and annual inflation for October, 2016 compared to October, 2015 is minus 1.0 %. Average annual inflation for the period November, 2015 – October, 2016 compared to the period November, 2014 – October, 2015 is minus 1.4 %.

The consumer price index for November, 2016 compared to October, 2016 was 100.0 %, i.e. monthly inflation is 0.0 %. Inflation as from the beginning of the year (November, 2016 compared to December, 2015) is minus 0.5 % and annual inflation for November, 2016 compared to November, 2015 is minus 0.5 %. Average annual inflation for the period December, 2015 – November, 2016 compared to the period December, 2014 – November, 2015 is minus 0.8 %.

The harmonized consumer price index for November, 2016 compared to October, 2016 was 99.9 %, i.e. monthly inflation is minus 0.1 %. Inflation as from the beginning of the year (November, 2016 compared to December, 2015) is minus 1.2 % and annual inflation for November, 2016 compared to November, 2015 is minus 0.8 %. Average annual inflation for the period December, 2015 – November, 2016 compared to the period December, 2014 – November, 2015 is minus 1.4 %.

The consumer price index for December, 2016 compared to November, 2016 was 100.6 %, i.e. monthly inflation is 0.6 %. Annual inflation for December, 2016 compared to December, 2015 is 0.1 %. Average annual inflation for the period January – December, 2016 compared to the period January – December, 2015 is minus 0.8 %.

The harmonized consumer price index for December, 2016 compared to November, 2016 was 100.8 %, i.e. monthly inflation is 0.8 %. Annual inflation for December, 2016 compared to December, 2015 is minus 0.5 %. Average annual inflation for the period January – December, 2016 compared to the period January – December, 2015 is minus 1.3 %.

The different range of CPI and HCPI and therefore the different structure of consumption are responsible for the different values of the two indices.

According to the updated Autumn forecast of the Ministry of Finance, published on 06.12.2016, the 2016 annual inflation rate remained negative, taking into account some acceleration in the first half of the year mainly through the decline in prices of food and energy products and the cheaper communication services. In the summer months, however, deflation in the country declined significantly and remained at the level of 1.1 % on annual basis in the period July - September.

The current dynamics of the indicator and the expectations on the international commodity prices give grounds to the Ministry of Finance to expect that negative inflation in the country will continue



slowing down, reaching -0.2 % at the end of 2016. The overall HCPI on average for the year is expected to report a decrease by 1.2 % in view of the high deflation in the period April – May, 2016.

Accumulated inflation at the end of 2017 will accelerate to 1.2 % and a negative contribution is expected only along the line of the continuing price decrease of consumer goods of lasting nature, even so at a slower rate. The other main components of the HCIP will rise in case of admitting higher international oil and non-energy raw materials prices and increase in domestic demand. The average annual increase of HCPI in 2017 is expected to be 1.1 % and in the period 2018 – 2019 inflation will accelerate up to 1.5 – 1.7 %.

Inflation for the period 01.01.2016 – 31.12.2016 is as follows:

Table № 16

Month	% of inflation
January 2016	0.00 %
February 2016	- 0.3 %
March 2016	-0.7 %
April 2016	0.00 %
May 2016	0.00 %
June 2016	-0.1 %
July, 2016	1.00 %
August, 2016	0.00 %
September, 2016	-0.5 %
October, 2016	0.2 %
November, 2016	0.00 %
December, 2016	0.6 %

***Source: NSI**

According to the Eurostat's flash estimate, annual inflation in the euro area measured by HICP rises up to 0.6 % in November, 2016 compared to 0.5 % in October and 0.4 % in September, largely reflecting the increase in annual inflation in energy sources, though still there are no signs of pronounced upward core inflation trend.

In the future, based on current oil futures prices it is likely for the overall inflation to increase significantly in December, 2016 – January, 2017, to a level above 1 %, mainly due to the base effects in the annual change of energy sources prices.

The macroeconomic forecasts for the euro area of the ECB's experts as of December 2016 foresee annual HICP inflation of 0.2 % in 2016, 1.3 % in 2017 and 1.5 % in 2018 and 1.7 % in 2019. The HICP inflation forecast is basically unchanged compared to the macroeconomic forecasts of the ECB's experts of September, 2016.

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.

At national level, on November 14, 2016 Prime Minister Boyko Borisov submitted to the National Assembly the resignation of the government. After voting the resignation at the parliament on November 16, 2016, after the three unsuccessful attempts to form a new government within the current parliament and the refusal of the President to appoint a caretaker government, political risk for Bulgaria



is associated with the possibility for internal destabilization of the country within the period of organizing and holding early parliamentary elections.

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, enhancing social stability, reducing inefficient expenses, on one hand, and the strong destabilization of the Middle East countries, more frequent threats of terrorist attacks in Europe, waves of refugees and instability in key countries close to Bulgaria.

The main conclusion in the report on Bulgaria of the Economist Intelligence Unit (EIU) is that despite the fiscal improvements during the period January-August after the consolidation progress in 2015 there are some risks to the budget of Bulgaria in 2016-17, resulting from problems in the energy sector. The reason, despite the deficit reduction in the sector as a result of the 2015 reforms, is the fact that in June the international court of arbitration decided that NEC will have to pay EUR 550 mln. to the Russian "Atomstroyexport" as a result of Bulgaria's decision to abandon the project for NPP "Belene". Although the compensation is only half of what Russia wants, it represents a significant amount for NEC which is in a difficult financial position and probably financing with public funds will be necessary. The main forecast of the Economist Intelligence Unit (EIU) is that fiscal consolidation will continue exceeding the government targets in the medium term.

Bulgaria together with the other countries – EU members from the region continue being seriously affected by the common European problem with the intensive refugee flow from the Middle East.

After the European Council meeting in Bratislava on 16.09.2016, the President of the European Commission Jean-Claude Juncker announced that the European Union will provide EUR 160 mln. to Bulgaria for border management and tackling the migration crisis. The financial support for the country is expected to be disbursed in two tranches. The European Council decided EUR108 mln. to be granted initially for the needs of Bulgaria, as the purpose is that amount to reach EUR160 mln. what the request of the Bulgarian Prime Minister was.

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

SECTOR RISK

As a result of the impact of the economic crisis the advertising and printing industry in Bulgaria faced serious problems - decreased demand, increased share of lower quality but, at the same time, cheaper printed materials and services, and even outflow of clients. Most sectors of the economy, that suffer the effects of the economic crisis most essentially, reduced their advertising costs, which also had an impact on the activity of a number of graphic and advertising studios and printing houses, respectively.

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. Further advantages are the finally entered into service high tech printing line in Varna, which is expected to expand the market presence of BILLBOARD AD and the companies in the group both outside the territory of Bulgaria and on the local market, and the serious increase of the metro advertising volume as a result of the final completion and put into operation of the first diameter of the Sofia Underground.

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, such as rotogravure, 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.



V. ALL IMPORTANT EVENTS, OCCURRED AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENTS

As of the date of preparation of this annual report there have been no other significant events occurred after the date of the annual closure requiring correction of the financial statements or representing important information, influencing the price of securities.

VI. PROBABLE FUTURE DEVELOPMENT

In 2016 the main focus of BILLBOARD AD was to increase exports and maintain its leading positions. The dynamic and continuous development of the market caused the need for introduction of new machines and offering new products to the market. For example, the development of interior decoration set up in 2016 a whole new market related to "Home Decoration" products that are entirely directed towards end users. BILLBOARD AD works together with Disney to create a web portal where users can buy products for home with images of popular Disney I Pixar characters. Such products are: photo wallpapers, posters, stickers, pictures and others. The company's strategy is to offer more innovative products with high profitability which are not exclusively focussed on the advertising industry but rather on the individual needs of a wide range of clients.

As regards the development of outdoor and indoor advertising in 2016 it was relatively stable. There were no major changes both in terms of consumption and supply of materials. The trend of exerting pressure on the price levels of certain products remained unchanged but it was compensated by alternative materials or products. One of the biggest advantages of the company is its professional sales team which, despite the price pressure, provides the best solution for customers.

At the same time advertising is highly dependent on the political situation and the lack of a stable government had a negative effect during the last months of 2016, but BILLBOARD AD has always been an example for correct attitude and has won the trust of many customers.

As of 31.12.2016 BILLBOARD AD reports over 5 % growth in the production in real volume terms or over 840 000 m² (square meters) compared to 2015.

Pursuant to the annual financial statements of BILLBOARD AD, drawn up according to the IFRS forms, as of 31.12.2016 the company generated net sales revenues in the amount of BGN 8 256 000 which is a decrease by 1.15 % compared to the net sales revenues for 2015. The production net sales revenues as of 31.12.2016 were at the amount of BGN 7 578 000 and the services net sales revenues were in the amount of BGN 678 000. The production net sales revenues represent 91.78 % of the net sales revenues and the share of the services net sales revenues is 8.22 %. In 2016 BILLBOARD AD did not report a significant change in the prices of products and services.

Given the economic situation in the European Union and Bulgaria in 2016, and in particular the market where the Company operates, as well as the complicated political situation in a domestic and international aspect, the management of BILLBOARD AD believes that in 2017 the company will achieve around 4 % growth in the sales revenue compared to 2016. In terms of the results in financial aspects, BILLBOARD AD will continue being dependent on the not very active domestic consumption and the conservative advertising budgets of companies in the country.

In 2017 the Company will also retain a conservative policy of making investments in new production facilities.

VII. RESEARCH AND DEVELOPMENT ACTIVITIES

During the last three years BILLBOARD AD has not carried out research and development activities. Such have been carried out within its economic group of companies by Nimisoft Ltd. The team of the subsidiary company systematically designs and builds integrated information



management systems intended for specific printing business - both in the field of digital printing and offset printing.

VIII. INFORMATION REQUIRED PURSUANT TO ART. 187D OF THE COMMERCIAL ACT

1. The number and the nominal value of the acquired and transferred through the year own stocks; the share of the capital which they represent, as well as the price at which the acquisition or transfer have been executed

In 2016 BILLBOARD AD has not acquired neither has transferred own shares.

2. The number and the nominal value of the possessed own stocks and the share of the capital which they represent

The company does not hold own shares.

IX. INFORMATION REQUIRED PURSUANT TO ART. 247 OF THE COMMERCIAL ACT

1. The total remuneration received during the year by the board members

The overall gross amount of the 2016 remunerations of the members of the Board of Directors of BILLBOARD AD was given under table 31 herein as well as in the Report on the implementation of the Remuneration Policy.

2. The acquired, possessed and transferred stocks and bonds of the company by the members of the boards during the year

As of 31.12.2016 the shares from the capital hold by members of the Board of Directors of BILLBOARD of the company are as follows:

Table №17

Full name	Position	Number of shares	% of the capital
Kalin Vassilev Genchev	Chairperson of the Board of Directors	3 000 000	20 %
Stefan Vassilev Genchev	Executive Director	3 000 000	20 %
Borislav Hristov Borisov	independent member of the Board of Directors	0	0 %
Desislav Grozev Tomov	independent member of the Board of Directors	0	0 %

During the reported year members of the company's Board of Directors have not transferred and acquired shares from the capital of BILLBOARD AD.

3. The rights of the members of the boards to acquire stocks and bonds of the company

Members of the Board of Directors of the Company may freely acquire shares from the company's capital on the regulated securities market subject to the applicable provisions of the Bulgarian legislation and the European regulation.

4. Participation of the board members in commercial companies as unlimited liable partners, possession of more than 25 percent of the capital of another company, as well as their



participation in the management of other companies or cooperations as procurators, managers or members of boards as at 31.12.2016

Table № 18

Full name	Participation in management and supervisory bodies of other companies or cooperations and participation as unlimited liable partners	Direct participation exceeding 25 % of the capital of other companies	Companies where the person exercises direct control
Kalin Vassilev Genchev	1. Managing Director of Instor Media Ltd. with UIC: 175025285; 2. Managing Director of Motion Arts Ltd. with UIC: 121446455; 3. Managing Director of Tipo Print Ltd. with UIC: 130109095	Holds directly over 25 per cent of the votes at the general assembly of Megaproject Ltd. – officially closed company	The person does not exercise direct control.
Stefan Vassilev Genchev	1. Managing director of GVS computing Ltd. with UIC:831334212	Motion Arts Ltd. with UIC: 121446455.	The person does not exercise direct control.
Borislav Hristov Borisov	The person does not in management and supervisory bodies.	The person does not have direct holdings exceeding 25 per cent.	The person does not exercise direct control.
Desislav Grozev Tomov	The person does not participate in management and supervisory bodies.	The person does not have direct holdings exceeding 25 per cent of the votes.	The person does not exercise direct control.

5. Executed contracts in 2016 with members of the Board of Directors or their related persons beyond the usual activity of the company or substantially diverted from the market requirements

In 2016 have not been executed transaction with members of the Board of Directors or their related persons beyond the usual activity of the company or substantially diverted from the market requirements.

6. Planned economic policy for the next year, including the expected investments and development of the personnel, the expected revenue from investments and development of the company, as well as the forthcoming transactions of substantial importance for the activity of the company

Information on the planned economic policy and forthcoming projects for the next year is presented under item V. PROBABLE FUTURE DEVELOPMENT herein.

X. AVAILABILITY OF BRANCHES OF THE ENTERPRISE

The company does not have registered branches in the country and abroad.



XI. FINANCIAL INSTRUMENTS USED BY THE COMPANY

The Company actively uses leasing and factoring in the implementation of its investment policy. Standard bank financing for working capital and investment purposes are possible.

Beyond the described above, the Company does not use special financial instruments in implementing its financial policy, including upon hedging and managing financial risk.

BILLBOARD AD has not used financial instruments in 2016 laying hedge risks from changes in foreign exchange rates, interest rates or cash flows. During the year under review the company has made no transactions to hedge the currency risk, as no transactions in USD or other currencies floating against the BGNexchange rate have been executed.

The company might have exposure to liquidity, market, interest rate, currency and operational risks from its use of financial instruments.

XII. ADDITIONAL INFORMATION UNDER SECTION VI A OF APPENDIX NO 10 OF ORDINANCE NO 2 OF FSC

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the issuer as a whole and the changes that occurred during the reporting fiscal year

As of 31.12.2016 the net sales revenues of BILLBOARD AD, pursuant to the annual financial statements, drawn up according to the IAS forms, were in the amount of BGN 8 256 000 which represents a decrease by 1.15 % compared to the net sales revenues reported by 31.12.2015 in the amount of BGN 8 352 000. As of 31.12.2016 the production net sales revenues of the company were in the amount of BGN 7 578 000 and the service revenues were in the amount of BGN 678 000.

Table № 19

Revenue type	31.12.2014	31.12.2015	31.12.2016
Production sales including	6 703	7 682	7 578
Printed production sales	6 703	7 682	7 578
sales revenues from servives including	1 009	670	678
Sales of services	1 009	670	678
Total	7 712	8 352	8 256

In 2016 BILLBOARD AD has generated the following revenues from abroad:

- France – BGN 22 000
- Macedonia - BGN 11 000
- Others – BGN 24 000

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the company



Table № 20

BGN '000					
REVENUES	2014	%	2015	%	2016
a	1		2		3
A. Operating revenues					
I. Net revenues from the sale of:					
1. Finished goods	6703	14,61%	7682	-1,35%	7578
2. Goods for sale	1387	0%	783	0%	266
3. Services	1009	-33,60%	670	1,19%	678
4. Other	76	2030%	1619	-17,11%	1342
I: Total	9 175	17,21%	10 754	-8,28%	9 864
II. Revenues from financing for fixed assets incl. government grants	0		0		0
II: Total	0	0%	0	0%	0
III. Financial income					
1. Interest revenue	292	-27,74%	211	-18,48%	172
2. Divident income	43	-100%	0	0%	0
3. Gains from operations with financial assets and instruments	0	0%	0	0%	0
4. Gains from foreign exchange operations	0	0%	0	0%	0
5. Other financial income	0	0%	0	0%	0
III: Total	335	-37,01%	211	-18,48%	172
B. Total revenues (I+II+III)	9 510	15,30%	10 965	-8,47%	10 036

As of 31.12.2016 BILLBOARD AD reports individual net sales revenues in the amount of BGN 9 864 000 which is 8.28 % decrease compared to the individual net sales revenues as of 31.12.2015 which were in the amount of BGN 10 754 000.

The total revenues of the company for 2016 reach the amount of BGN 10 036 666 and decrease by 8.47 % compared to 2015.

There is no concentration or dependence of the company in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales of BILLBOARD AD and the companies included in the economic group.

◇ Information on the revenues allocated by domestic and external markets

Revenues generated by BILLBOARD AD from abroad in 2016 are shown under item 1 above.

3. Information about concluded material transactions and such of material importance for the activities of the company

In 2016 have not been concluded transactions which result or may reasonably assume that will lead to favorable or unfavorable change in the amount of 5 or more percent of the revenues or profits of the company, other financial indicator and the market price of the issued shares by the company, except for those announced in the financial statements as of 31.12.2016.



4. Information about the transactions concluded between the company and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer's financial status

As of 31.12.2016 the concluded big transactions between BILLBOARD AD and related parties areas follows:

Table № 21

Related party	Type of relation	Volume of the transactions, in BGN '000	Explanatory notes
DEDRAX AD	subsidiary where BILLBOARD AD holds 60 % of the capital	845	printed production, fixed assets and rentals, etc.
MOTION ARTS Ltd.	subsidiary where BILLBOARD AD holds 51 % of the capital	553	printed production, services, fixed assets and rentals
DIGITAL PRINT EOOD	subsidiary where BILLBOARD AD holds 100 % of the capital	310	printed production, services and fixed assets

The concluded transactions with related parties are not outside its usual activity and do not substantially deviate from the market conditions.

5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation

Events or indicators of unusual for the company nature have not occurred.

6. Information about off-balance kept transactions in 2016 – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the issuer's financial status and the financial status of the issuer

During 2016 have not been concluded off-balance kept transactions.

7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate properties, as well as investments in holding outside its group of enterprises within the meaning of the Accountancy Act and the sources/ways of financing

As of 31.12.2016 BILLBOARD AD has holdings in the following subsidiary companies within the economic group if the issuer:



Table № 22

Name of the Company	Scope of Activity	Capital share or percentage of votes at the General Assembly
DIGITAL PRINT EOOD	Digital printing, advertising, intellectual property transactions, leasing, and any other transactions which are not prohibited by law	100 % of the capital
INSTOR MEDIA EOOD	Domestic and foreign trade, manufacturing and marketing of promotional materials and equipment, advertising, design, and other activities and services that are not prohibited by law.	100 % of the capital
DEDRAX AD	Desktop publishing and graphic design, publishing and advertising activities, development, adaptation, implementation, support of software products and systems, marketing and distribution of the same. Domestic and foreign trade, and any other activity not prohibited by law.	60 % of the capital
MOTION ARTS Ltd	Trading, production, management, tourism, services, computer animation and design, as well as any other activity not prohibited by law.	51 % of the capital

During the fourth quarter of 2016 was made the following change in the group of enterprises where BILLBOARD AD is a parent company:

Based on a resolution of the Board of Directors of BILLBOARD AD, dated 19.12.2016, on 20.12.2016 was accomplished a sale of the stakes, hold by BILLBOARD AD and DIGITAL PRINT Ltd. (100 % subsidiary of BILLBOARD AD) from the capital of TIPO PRINT Ltd. – an associated company of BILLBOARD AD. The sale of the stakes from the capital of TIPO PRINT Ltd. was completed under the price of BGN 0.50 per stake or a total sale price for BILLBOARD AD – BGN 215 and total sale price for DIGITAL PRINT Ltd. – BGN 375.

The value of the transaction does not exceed the thresholds under art. 114, para. 1 of the Law on Public Offering of Securities and art. 114, para. 3 of the Law on Public Offering of Securities – for DIGITAL PRINT Ltd. and respectively an explicit authorization by the General Assembly of the Shareholders of BILLBOARD AD and by the Board of Directors of BILLBOARD AD – in terms of the sale of stakes from the capital of TIPO PRINT Ltd. on the part of DIGITAL PRINT Ltd. The sale of equity stakes of TIPO PRINT Ltd. on the part of BILLBOARD AD and DIGITAL PRINT Ltd. is concluded due to the fact that the company is fully decapitalized and does not operate.

8. Information about the concluded by the issuer, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts

As of 31 December 2016 the parameters of the liabilities under loan agreements are:

Table № 23

Bank / Creditor	Agreed amount of the credit	Interest rate %	Maturity date	Current part at depreciated value		Long-term part at depreciated value	
				Principal	Interests	Principal	Interests
Bulgarian Development Bank AD	6356	3M EURIB + 4.2% > 5.50%	20.3.2025	459	21	5322	-



9. Information about the concluded by the issuer, by its subsidiary or the parent undertaking, in their capacity of lenders, loan contracts

Table № 24

Granted Loans							
Borrower	Currency	Interest rate %	maturity	Current part at depreciated value		Long-term at depreciated value	
				Principal	Principal	Главница	Interests
Digital Print EOOD	BGN	OJII + 3%	01.8.2018		1 494	5 159	
Dedraks AD				5			
Total				5	1 494	5 159	-

Table № 25

Accrued Interest revenues on granted Loan				
Borrower	Receivables as of 31.12.2015	Accrued през 2016 г.	Received през 2016 г.	Receivables as of 31.12.2016
Digital Print EOOD	1 337	157		1 494
Total	1 337	157	-	1 494

10. Information on the use of the funds from a new issue of securities during the reported period

During 2016 BILLBOARD AD has not issued a new issue of shares.

11. Analysis of the relationship between the financial results reflected in the financial statements for the financial year and earlier published forecasts for these results

In 2016 BILLBOARD AD has not published forecasts on its result for the reported period.

12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their removal

BILLBOARD AD performs its operating activities as the management of the financial resources is subject to the requirement to achieve maximum efficiency with the simultaneous observance of the terms of payment agreements with suppliers and with customers.

As of 31.12.2016 the company does not meet difficulties in serving its liabilities to financial institutions and suppliers.

13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity

Given the economic situation in the European Union and Bulgaria in 2016, and in particular the market where the Company operates, as well as the complicated political situation in the national and international aspect during the last year, the management of BILLBOARD AD believes that in 2017 the company will achieve 4 % increase in the sales revenue compared to 2016. In terms of the results in financial aspects, BILLBOARD AD will continue being dependent on the not very active domestic consumption and the conservative advertising budgets of companies in the country.

In 2017 the Company will also retain a conservative policy of making investments in new production facilities.



14. Information about occurred during the reporting period changes in the base principles for management of the issuer and its economic group

For BILLBOARD AD and the companies included in its group of enterprises within the meaning of the Accountancy Act have not occurred changes in the base principles for management.

15. Information about the main characteristics of the applied by the issuer in the course of preparation of the financial statements internal controls system and risk management system

When describing the general characteristics of the internal control and risk management systems it should be taken into account that neither the Law on Public Offering of Securities nor the National Corporate Governance Code define internal control framework to be followed by the public companies in Bulgaria. Therefore, for the purpose of implementing the companies' obligations under Art. 100m, para. 8 item 4 of the Law on Public Offering of Securities to describe the general characteristics of the systems are used the frames of the International Auditing Standard 315.

General description of the internal control and risk management systems

There is a functioning internal control and risk management system in BILLBOARD AD which ensures the effective functioning of the reporting and information disclosure systems. The system was built and functions in order to identify the risks that the company might face in its operation and support their effective management. The Board of Directors has the primary responsibility and role in terms of elaborating the internal control and risk management system. The Board has both managing and guiding function as well as ongoing monitoring function. Ongoing monitoring on the part of the corporate board consists of assessment whether the system is still suitable for the company in the changed environment, whether it acts as expected and whether it is periodically adjusted to the changed conditions. Assessment is proportionate to the characteristics of the company and the influence of the risks identified.

The objective of the internal control and risk management systems, applied in BILLBOARD AD is to ensure conformity between the legal and regulatory requirements and the proper functioning of the internal processes. These systems are established in accordance with the specific characteristics of the company - its business, financial performance, industry sector, needs and resources.

The internal control and risk management systems are aimed at:

- o identifying risks to which the Company may be exposed ((a) risks related to the core business of the Company and (b) risks that could materially affect the preparation and presentation of financial statements);
- o presenting the relevant information concerning these risks to the Board of Directors in order to ensure a possibility for taking informed management decisions;
- o control on the existence of compliance with the legal provisions, regulations and guidelines of the management operations;
- o monitoring the company's operations.

Control environment

The control environment includes the general management and particular management functions as well as the attitude, awareness and operations of the corporate board responsible for the management in a broad sense and the responsible management in terms of the internal control. The control environment includes the following elements:

- **Commitment to competence** - The Board of Directors, audit committee and persons involved in the internal control and risk management process have the necessary knowledge and skills



needed to perform the tasks required by the process that determine the job description of a person. The Board of Directors and the Executive Director of the company ensure the levels of competence for particular positions and the ways in which these levels become required requisites for skills and knowledge.

- **Involvement of persons responsible for general management** - The consciousness for control in the company is influenced significantly by the people engaged with general management, namely the members of the Board of Directors. The responsibilities of the Board of Directors are regulated by the Articles of Association and the management contracts. Additionally the Board of Directors is engaged with supervising the planning of the model and the effective functioning of the warning procedures and processes for reviewing the effectiveness of internal control of the company.
- **Philosophy and operating style of management** – The philosophy and operating style of management cover a wide range of characteristics. The attitudes of the Board of Directors and its actions in relation to financial reporting are revealed through the conservative choice among the available alternative accounting principles.
- **Organizational structure** - The establishment of appropriate organizational structure includes consideration of the main areas of powers and responsibilities and appropriate hierarchical levels of accountability and reporting. The Board of Directors considers the appropriateness of the company's organizational structure, taking into consideration this structure with the size and nature of the activities of the company.
- **Assignment of powers and responsibilities** – When assigning powers and responsibilities to other employees in the company it is being taken into account the applicable business practices in the sector, the knowledge and experience of the employees and resources available in the company.
- **Human resources policies and practices** - Policies and practices related to human resources often show important issues regarding the consciousness for control in the company. While selecting personnel the Board of Directors and the Executive Director focus on the education background, previous work experience, past accomplishments and evidence for integrity and ethical behaviour. Thus the company expresses its commitment to appoint competent and reliable employees.

Risk valuation process in the Company

The risk valuation process on the part of the Board of Directors of BILLBOARD AD represents the basis regarding the way the corporate board of the Company specifies the risks that need to be managed.

The Board of the Company identifies the following types of risks relevant to the Company and its operations: general (systematic) and specific (unsystematic) risks. Systematic risks are related to the macro environment where the company operates, therefore in most cases they are not subject to control by the management team. Unsystematic risks are directly relevant to the Company's operations and depend mainly on the management. In order to minimize their effect the company relies on increasing the efficiency of internal corporate planning and forecasting which provides capabilities to overcome the possible negative consequences of a risk event that has occurred.

Each of the risks associated with the country - political, economic, credit, inflation, currency – has its independent significance but their overall consideration and the interaction between them form an overall picture of the economic fundamentals, market conditions, competitive conditions in the country where the company operates.

A detailed description of the risks specific to the activities of BILLBOARD AD is presented in the section MAIN RISKS THE COMPANY FACES of this annual activity report.



Risk management process in the Company

The Corporate board of BILLBOARD AD is responsible for the risk management. Risk management involves identifying, valuating and controlling potential events or situations that may negatively affect the achievement of the objectives of the organization and is aimed at providing reasonable assurance that the business objectives of the Company will be achieved.

The general risk management plan of the Board of Directors of BILLBOARD AD focuses on the unpredictability of financial markets and strives to minimize the potential adverse effects on the financial position of the Company.

Information systems and related business processes essential for the financial reporting and communication

The information system essential for financial reporting purposes, which includes the accounting system, consists of procedures and documentation developed and established to:

- initiation, reflecting, processing and reporting of transactions and operations of the company (as well as events and conditions) and maintaining accountability for the related assets, liabilities and equity;
- resolving problems with incorrect processing of transactions, such as automated files for unspecified positions of information and procedures followed for timely correction of detained unspecified positions;
- processing and reporting on cases of circumventing the systems or tackling the controls;
- прехвърляне на информацията от системите за обработка на сделките и операциите в главната книга;
- transferring the information from the transactions processing systems in the general ledger;
- covering the information which is essential for the financial reporting of events and conditions, other than transactions and operations, such as amortization of tangible and intangible assets and changes in collection of receivables; and
- ensuring that the information required for disclosure by the applicable financial reporting framework is collected, reflected, processed, summarized and that it is properly recorded in the financial statements.

The communication on the part of the company of the roles and responsibilities in terms of financial reporting and the related important issues, involves understanding of the individual roles and responsibilities related to the internal control. Communication includes such questions as the extent to which the accounting team understands how its activities in the information system for financial reporting are related to the work of the others and the means for reporting on exceptions to the corporate board.

Communication is based on financial reporting rules jointly developed with the independent auditor. Open communication channels help ensure that exceptions are reported and respective actions are undertaken with this regard.

Current monitoring of the controls

Current monitoring of the controls is a process of valuating the effectiveness of the results from the internal control functioning over time. It includes timely valuation of the controls effectiveness and undertaking the necessary remedial action. The corporate board carries out current monitoring of the controls through ongoing activities, separate valuations or a combination of both. Ongoing monitoring activities are often built into the normal recurring activities of the company and include regular management and supervisory activities.



Responsibilities and Interaction Between the Board of Directors, Audit Committee and the External Auditors of the Company

Functions of the Audit Committee

The Audit Committee shall perform the function for ensuring general monitoring of the effectiveness of the internal control and risk management systems without duplicating the ongoing monitoring carried out by the senior management. Other functions of the Audit Committee include monitoring the financial reporting process, monitoring the annual external audit of the separate and consolidated financial statements, verification of the independence of the external auditor and giving recommendations for entering into an agreement with him.

In order to efficiently carry out its functions, the Audit Committee of BILLBOARD AD receives the necessary information on the essential characteristics and important updates on internal control and risk management systems, including the allocation of responsibilities between the Board of Directors and the external auditor of the company. The Audit Committee is also informed about the main results of the ongoing monitoring and control activities undertaken by the senior management.

Functions of the Board of Directors

The Board of Directors of the company has major responsibilities in terms of the internal control and risk management systems. The role of the senior management is to perform the following functions:

- The Board of Directors is responsible for managing and defining the purpose, the implementation and maintenance of the internal control and risk management systems that are best suited for the company with regard to its specific features and activity. This includes setting general and specific guidelines, setting priorities and taking appropriate corrective action, if necessary.
- The Board of Directors carries out a regular assessment of whether the internal control and risk management systems are appropriate in terms of the core business and the characteristics of the company, whether they operate in accordance with their intended purpose and whether they are adequately adapted as a result of changed conditions.
- The Board of Directors ensures provision of relevant information to the audit committee and, if necessary - to the public.

Functions of the External Auditor

The purpose of the legally prescribed (external) audit is to verify the reliability of the financial statements. This is achieved by expressing an opinion from the external auditor on whether the financial statements are prepared, in all material aspects, in accordance with the applicable financial reporting framework. The external auditor should assess the risks of substantial false considerations in the financial statements. He may collect data and information from sources within the company, to perform analytical procedures, monitoring and inspections through which to obtain information on the process of risk assessment in the company attributable to the financial statements.

16. Information on the changes in the management and supervisory bodies of the company in 2016

As of 31.12.2016 the Board of Directors of BILLBOARD AD includes the following members:

1. Kalin Vassilev Genchev – Chairperson of the Board of Directors
2. Stefan Vassilev Genchev – Executive Director
3. Borislav Hristov Borisov – independent member of the Board of Directors
4. Desislav Grozev Tomov – independent member of the Board of Directors.

The company is represented by the Executive member of the Board of Directors.



No changes in the members of the Board of Directors and in way of representation of the company have been made during 2016. At the regular session of the General Meeting of Shareholders, held on 16.06.2016 was adopted a resolution for re-election of all members of the company's Board of Directors for new 5-year terms of office as from the date of entering the resolution with the Commercial Register to the Registry Agency.

17. Information on the amount of the remunerations, rewards and/or the benefits of everyone of the members of the management and control bodies for the fiscal year under review, paid by the issuer and its subsidiaries, irrespective of whether they have been included in the issuer's expenses or rise from profit distribution, including:

- a) received amounts and non-money remunerations;
- b) contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time;
- c) amount owed by the issuer or its subsidiaries for payment of pensions, compensations at retiring on a pension or other similar compensations

In 2016 for the members of the Board of Directors have been calculated the following remuneration from the company:

Table №26

Full name	Position	Gross in BGN
Kalin Vassilev Genchev	Chairperson of the Board of Directors	35 280
Stefan Vassilev Genchev	Executive Director	35 280
Desislav Grozev Tomov	independent member of the Board of Directors	25 200
Borislav Hristov Borisov	independent member of the Board of Directors	25 200

In 2016 the members of the Board of Directors have not received non-money remunerations. The company does not have contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time.

As at 31.12.2016 BILLBOARD AD do not owe amounts for payment of pensions, compensations at retiring on a pension or other similar compensations.

18. Information about the owned by the members of the management and of the control bodies, procurators and the senior management shares of the issuer, including the shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the issuer by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options

As at 31.12.2016 members of the Board of Directors of BILLBOARD hold shares from the capital of the company as follows:

Table №27

Full name	Position	Number of shares	% of the capital
Kalin Vassilev Genchev	Chairperson of the Board of Directors	3 000 000	20 %
Stefan Vassilev Genchev	Executive Director	3 000 000	20 %
Borislav Hristov Borisov	independent member of the Board of Directors	0	0 %
Desislav Grozev Tomov	independent member of the Board of Directors	0	0 %

The company has not provided options on securities.



19. Information about the known to the company agreements as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders

The management of the company does not have information about known to the company agreements as a result of which changes may occur at a future time in the owned percentage of shares by current shareholders.

20. Information about pending legal, administrative or arbitration proceedings relating to liabilities or receivables of the companies in the economic group of the issuer at the amount of at least 10 percent of its equity

There are not any pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at the amount of at least 10 percent of its equity.

21. Information about the Investor Relations Director:

Sophia Argirova - Atanasova

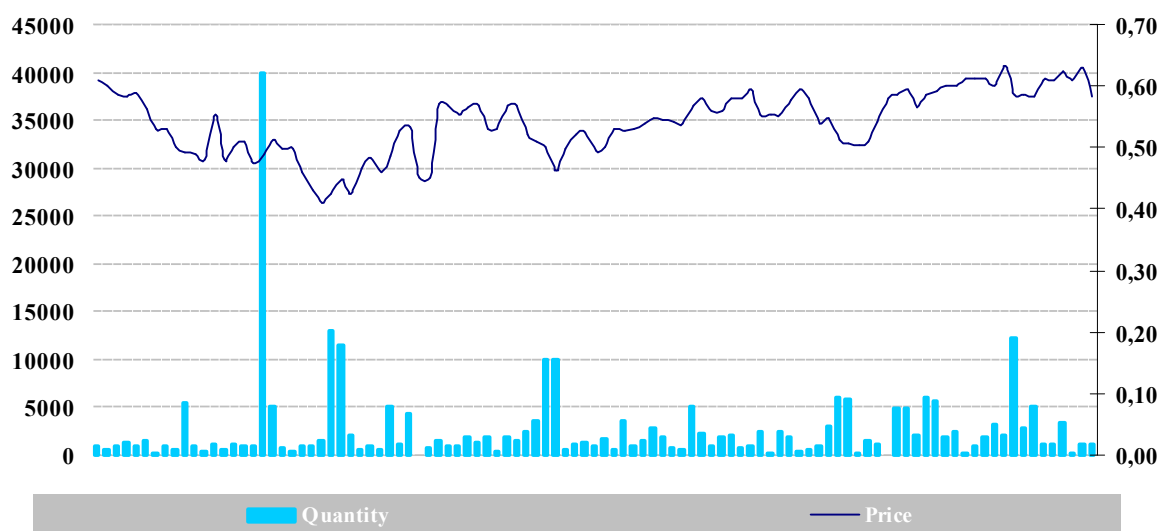
Tel. +359 2 988 24 13;

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XIII. CHANGES IN THE PRICE OF THE COMPANY'S SHARES

Movement of the share price of BILLBOARD AD for the period 01.01.2016 -31.12.2016



XIV. OTHER INFORMATION AT THE COMPANY'S DISCRETION

The Company estimates that there is no other information that has not been publicly disclosed by the company and that would be important for the shareholders and investors in taking a well-grounded investment decision.



Enclosed as a separate document is a Corporate Governance Declaration pursuant to the provisions of Art. 100n, para. 8 of the Law on Public Offering of Securities which represents an integral part of this Report.

Date of signing and
approval for issuance:
27.03.2017
Sofia

For BILLBOARD AD
Stefan Genchev
/Executive member of the Board of Directors/