



**INTERIM REPORT ON THE ACTIVITIES OF
BILLBOARD AD, Sofia
DURING THE
FIRST QUARTER OF 2017
pursuant to
article 100o, paragraph 4, item 2
with ref. to art. 100o¹, para. 7 of LPOS**

1. IMPORTANT DEVELOPMENTS FOR BILLBOARD AD THAT OCCURRED DURING THE PERIOD 01.01.2017– 31.03.2017

On 30.01.2017 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim individual financial report for the fourth quarter of 2016.

On 28.02.2017 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public interim consolidated financial report for the fourth quarter of 2016.

On 30.03.2017 BILLBOARD AD filed with FSC and BSE-Sofia AD and presented to the public Annual audited separate financial statements as of 31.12.2016.

2. IMPACT OF THE IMPORTANT DEVELOPMENTS FOR BILLBOARD AD THAT OCCURRED DURING THE FIRST QUARTER OF 2017 ON THE RESULTS IN THE FINANCIAL STATEMENT

The indicated important events have had no impact on the results of BILLBOARD AD in the financial statements as of 31.03.2017.

BILLBOARD AD is a company with the following scope of activity: foreign and domestic trade; specific trade operations; barter and cross transactions; sales under the conditions of letters of credit; export of Bulgarian products to the international market; distribution of great volumes of imported goods; commercial representation; intermediation between local and foreign parties; printing and wide format printing activities; advertising activity; acquisition and incorporation of new companies with a scope of activity – printing, wide format printing activities, advertising activity as well as sale of such companies; acquisition, management, evaluation and sale of share participations in Bulgarian and foreign companies; acquisition, evaluation and sale of patents; transfer of licenses for use of patents to companies where the company participates; financing of companies where the company participates.

BILLBOARD AD and the companies included in the economic group perform activities in the following major spheres:

- Digital wide format printing;
- Offset printing;
- Construction and maintenance of advertising equipment;
- Information technologies and professional solutions for digital printing;

- Design and construction of integrated management information systems in the field of printing and advertising business;
- Complex solutions in the field of outdoor and interior advertising.

In the field of **outdoor advertising** BILLBOARD AD develops and offers various types of billboards, mega boards, City Lights, advertising shop windows, awnings, facade advertising with integrated lighting and unlighted facade advertisement banners and packing of buildings.

In the field of **indoor advertising** BILLBOARD AD develops and offers printing of posters and banners with photo quality, including 3D posters, illuminated advertisements, banners, floor graphics, design and implementation of various backdrops, branding, development of boards and panels, models of objects and people in natural size, advertising on custom interior spaces, expo systems.

In the field of **transport advertising** BILLBOARD Plc develops and offers a variety of services in the field of branding for different types of vehicles - cars and trucks, airplanes, ships and boats, means of public transportation.

In carrying out its activities in the different fields BILLBOARD AD uses various technologies, such as:

- **solvent printing** - characterized by high resistance to external conditions and suitable for the production of outdoor advertising with high resistance. BILLBOARD AD has the most modern equipment for digital wide format solvent printing with almost all models of the brand Vutek - a world leader in the field as all of them are the latest generation of 8-color models. Also, the printing base is equipped with a HP Turbojet 8530 machine, which is unique for its kind.

- **ink-jet printing** – the technologies for digital wide format printing on a water base are of high quality and are used for printing on paper. BILLBOARD AD has the latest models of the brand HP Designjet which manifest extremely high quality, reliability and fast performance. The company participated as a co-organizer in many exhibitions.

- **UV printing** - the most advanced technology in printing with liquid polymer inks, cured by irradiation with UV light. Instant drying of the inks enables this technology to be used for direct printing on all materials. The printing quality is very high in color mode, which enables displacing the screen printing technologies.

- **textile printing** – the Dye Sublimation technology is the basis for dyeing in textile industry. With the development of digital technologies, the classic method of printing is being displaced by direct printing with sublimation inks and non-standard sizes and formats.

- **3D printing** - the development of digital printing opens up new possibilities for production of 3D models applicable both in the art field and in the field of industrial design, architecture, etc. New technologies facilitate and expedite the process in modeling, which is already been implemented entirely by using computer systems, 3D modeling softwares and make it much more accessible for implementation.

- **multimedia screens** - development of digital technologies increasingly leads to imposition of multimedia screens as a means of visual communication with consumers in interior environments. Through them, static images are being developed in an interactive multimedia environment which creates a dynamic atmosphere and enhances the effect of advertising.

- In addition to the aforementioned technologies BILLBOARD AD has all the necessary equipment needed for cutting the printed output or finished color and for performing all finishing works such as sewing and gluing, laminating and laminating, routing and milling.

Pursuant to the unaudited individual financial statements of BILLBOARD AD, drawn up according to the IAS/IFRS forms, as of 31.03.2017 the company reported total individual net sales revenues in the amount of BGN 1 814 000 compared to BGN 1 712 000 for the same period of 2016 which represents an increase of the net sales revenues by 5.96 %. As of 31.03.2017 the individual production net sales revenues of BILLBOARD AD were in the amount of BGN 1 749 000 compared to the individual production net sales revenues reported by 31.03.2016 in the amount of BGN 1 538 000 which represents an increase of the company's individual production net sales revenues by 13.72 %.

As of 31.03.2017 BILLBOARD AD reported individual profit before taxes in the amount of BGN 148 000 compared to the profit before taxes for the same period of 2016 in the amount of BGN 5 000. The individual net profit of BILLBOARD AD as of 31.03.2017 was in the amount of BGN 148 000 compared to the individual net profit of the Company as of 31.03.2016 in the amount of BGN 12 000.

As of 31.03.2017 the individual earnings before taxes and depreciation and amortization, increased by the financial expenses and decreased by the financial incomes of the BILBOARD AD were in the amount of BGN 466 000 compared to EBITDA as of 31.03.2016 in the amount of BGN 406 000.

As of 31.03.2017 the individual earnings before taxes, increased by the financial expenses and decreased by the financial incomes (EBIT) of BILBOARD AD were in the amount of BGN 184 000.

Financial indicators of the company as of 31.03.2017

Table № 1

LIQUIDITY INDICATORS	31.03.2017	31.03.2016
Total liquidity ratio	2,68	2,13
Quick liquidity ratio	2,39	1,88
Absolute liquidity ratio	0,32	0,09
Immediate ratio	0,319	0,091

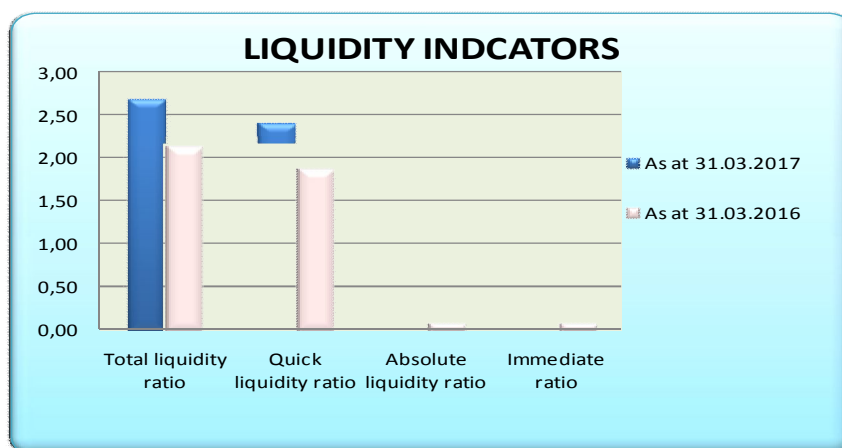


Table № 2

LEVERAGE INDICATORS	31.03.2017	31.03.2016
Financial leverage indicatir	0,47	0,55
Debt/Assets	0,32	0,36
Financial autonomy indicator	2,13	1,80

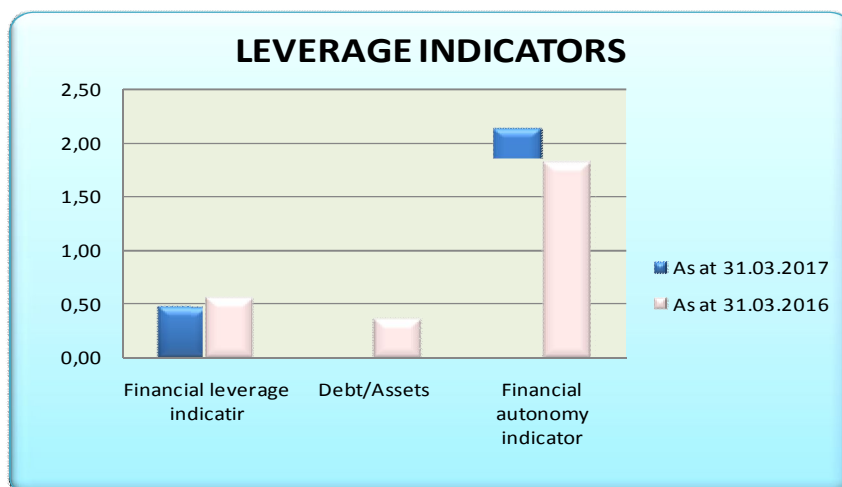


Table № 3

FINANCIAL INDICATORS	31.03.2017	31.03.2016
EBITDA	466	406
EBIT	184	102

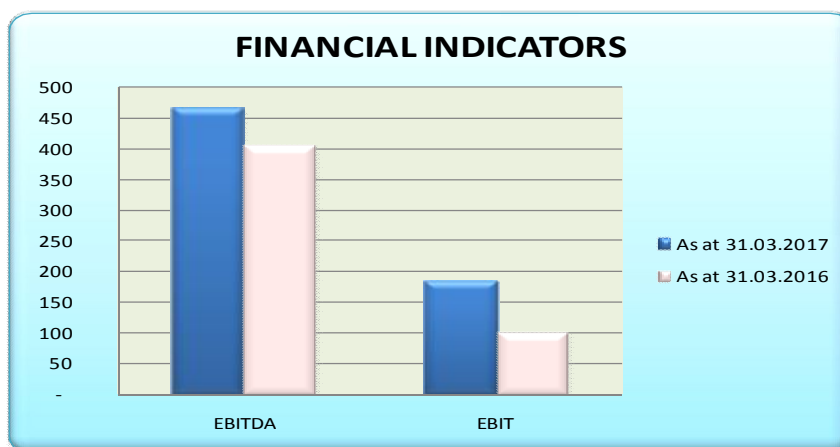
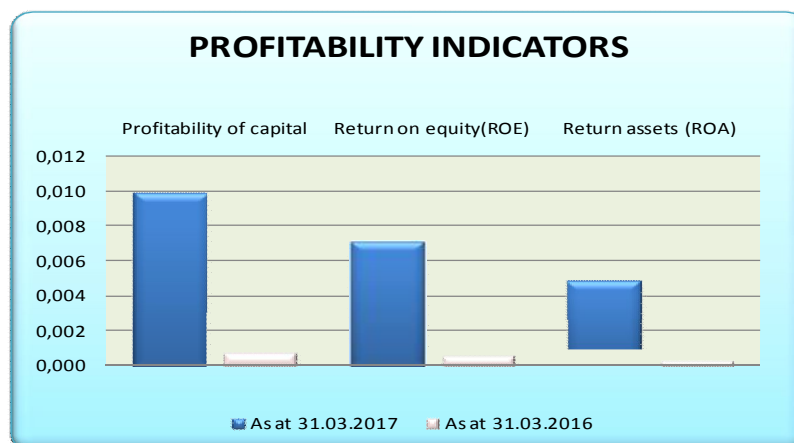


Table № 4

PROFITABILITY INDICATORS	31.03.2017	31.03.2016
Profitability of capital	0,010	0,001
Return on equity(ROE)	0,0071	0,0006
Return assets (ROA)	0,0048	0,0004



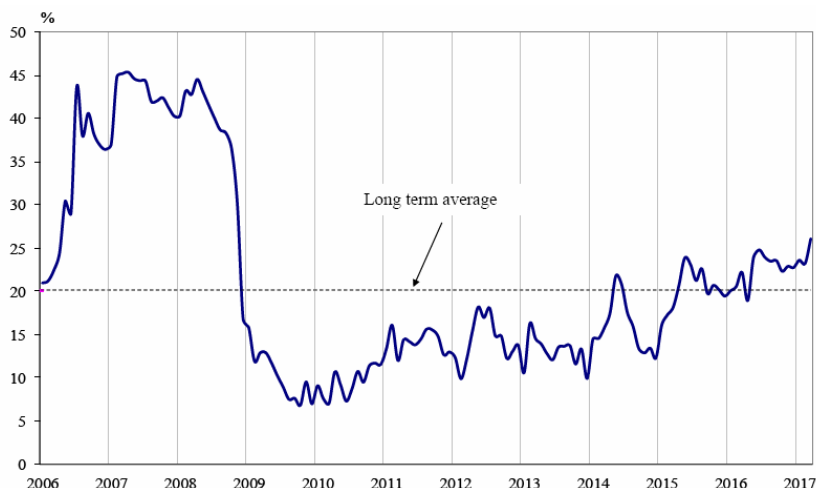
3. DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES WHICH BILLBOARD AD WILL FACE DURING THE FOLLOWING FINANCIAL PERIOD

SYSTEMATIC RISKS

OVERALL MACROECONOMIC RISK

Pursuant to data of the National Statistical Institute in March 2017 the total business climate indicator increased by 2.9 points compared to February which is due to the improved business climate in industry, construction and retail trade.

Fig.1. Business climate – in total



Source: NSI

The composite "business climate in industry" indicator increased by 2.1 points compared to the previous month due to the more favorable assessments and expectations of industrial entrepreneurs about the business situation of enterprises. In their opinion current production activity is improving and their forecasts for the next three months are optimistic. The most impeding factor for the businesses is still the uncertain economic environment and during the last month a strengthening of its adverse impact has been observed. As regards selling prices in industry, managers provide for having their level during the next three months unchanged.

According to data of the National Statistical Institute in March 2017 the composite "business climate in construction" indicator increased by 8.0 percentage points due to the improved assessments and expectations of construction entrepreneurs about the current business situation of enterprises. The survey also reported an increase in the number of new orders received during the last month, which is accompanied with more optimistic expectations for the activity over the next three months. In terms of people employed in the industry the forecast also keeps upward trend.

The uncertain economic environment and competition in the industry remain the main obstacles for the development of the activity in the sector and during the last month a strengthening of their adverse impact was observed. As regards selling prices in construction the managers expect that over the next three months their levels will remain unchanged.

Pursuant to data of the National Statistical Institute the composite "business climate in retail trade" indicator increased by 2.4 percentage points compared to February 2017 as a result of the favorable assessments and expectations of retailers about the business situation of enterprises. Their forecasts about sales volumes and orders placed with suppliers over the next three months are also more optimistic.

Based on information of the National Statistical Institute in March 2017 the composite "business climate in the services sector" indicator retains approximately the same level as the previous month. In their forecast for the business development, managers are optimistic as their expectations in terms of demand for services over the next three months continue improving.

The assessment of economy and finance state of the ECB Governing Council as of March 9, 2017 shows that global economic activity continues recovering. World growth accelerated in the second half of the previous year and is expected in the beginning of 2017 its rate to remain steady, albeit moderate in retrospective aspect. World total inflation increased during the last several months due to the sharp increase in oil prices, while in the medium term the slow reduction in the spare capacity is expected to support general inflation to a certain extent.

According to the macroeconomic projections for the euro area of the ECB staff as of March, 2017 it is expected for real GDP to grow annually by 1.8 % in 2017 to 1.7 % in 2018 and 1.6 % in 2019. Compared to the macroeconomic projections of the Eurosystem as of December, 2016 the forecast for real GDP growth was revised slightly upwards for 2017 and 2018. Risks in terms of growth perspectives in the euro area are now less pronounced but remain related to overestimation and are mostly due to the global factors.

INTEREST RATE RISK

The interest rate risk is related to possible, contingent adverse changes in the interest rates, set by the financial institutions in the Republic of Bulgaria.

At its monetary policy meeting held on March 9, 2017, the Governing Council of the ECB came up with the conclusion that a very high degree of monetary stimulus is still necessary, so that the pressure on the core inflation to boost the overall inflation and support it in the medium term. Based on its regular economic and monetary analyzes, the Governing Council confirmed the need to maintain a very high degree of monetary stimulus, to timely ensure a sustainable return of inflation rate at levels below, but close to 2 %. The Governing Council decided to leave the key ECB interest rates unchanged and continues to expect that they will remain at current or lower levels for an extended period of time and well after the end of net purchases of assets.

Base interest rates set by the Bulgarian National Bank for the period 01.01.2017 – 31.03.2017

Table № 5

Month	Base Interest Rate
January 2017	0.00 %
February 2017	0.00 %
March 2017	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 preliminary data of the National Statistical Institute the consumer price index for January 2017 compared to December 2016 was 101.3 %, i.e. monthly inflation is 1.3 %. The annual inflation for January 2017 compared to January 2016 is 1.4 %. The average annual inflation for the period February 2016 – January 2017 compared to the period February 2015 – January 2016 is 0.7 %.

Pursuant to preliminary data of the National Statistical Institute the harmonized consumer price index for January 2017 compared to December 2016 was 100.7 %, i.e. monthly inflation is 0.7 %. The annual inflation for January 2017 compared to January 2016 is 0.4 %. The average annual inflation for the period February 2016 – January 2017 compared to the period February 2015 – January 2016 is minus 1.3 %.

The consumer price index for February 2017 compared to January 2017 was 100.0 %, i.e. monthly inflation is 0.0 %. Inflation from the beginning of the year (February 2017 compared to December 2016) is 1.3 % and the annual inflation for February 2017 compared to February 2016 is 1.7 %. The average annual inflation for the period March 2016 – February 2017 compared to the period March 2015 – February 2016 is minus 0.5 %.

The harmonized consumer price index for February 2017 compared to January 2017 was 100.0 %, i.e. monthly inflation is 0.0 %. Inflation from the beginning of the year (February 2017 compared to December 2016) is 0.7 % and the annual inflation for February 2017 compared to February 2016 is 0.9 %. The average annual inflation for the period March 2015 – February 2017 compared to the period March 2015 – February 2016 is minus 1.1 %.

The consumer price index in March 2017 compared to February 2017 was 99.5 %, i.e. the monthly inflation was -0.5 %. The inflation rate since the beginning of the year (March 2017 compared to December 2016) has been 0,8 % and the annual inflation in March 2017 compared to March 2016 was 1,9 %. The annual average inflation for the period April 2016 - March 2017 compared to the period April 2015 - March 2016 was - 0.2 %.

The harmonized consumer price index in March 2017 compared to February 2017 was 99.5 %, i.e. the monthly inflation was - 0.5 %. The inflation rate since the beginning of the year (March 2017 compared to December 2016) has been 0,2 % and the annual inflation in March 2017 compared to

March 2016 was 1.0 %. The annual average inflation for the period April 2016 - March 2017 compared to the period April 2015 - March 2016 was - 0.9 %.

Inflation for the period 01.01.2017 – 31.03.2017 is as follows:

Table № 6

Month	% of inflation
January 2016	1.3 %
February 2016	0.0 %
March 2016	-0.5 %

***Source: NSI**

POLITICAL RISK

Political risk is the likelihood of a governmental change or a sudden shift in its policy, occurrence of external or internal political disturbances and unfavorable changes in the European and/or national legislation, as a result of which the environment where local businesses operate to change adversely and investors - to suffer losses.

At national level, on March 26, 2017 in Bulgaria were held early parliamentary elections, a result of which five political formations and alliances of such formations passed the 4 % barrier without a political force being able to form a government independently. The political risk for Bulgaria in this sense is expressed in the impossibility for a stable government to be constituted to ascertain and pursue sustainable policies, to take adequate measures for financial and economic stabilization of the country and to consistently carry out serious reforms in the judiciary and unreformed in all spheres of public life.

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.

On 25.02.2017 the European Commission presented a Monitoring Report on Bulgaria, which shows that Bulgaria has made further significant progress in implementing the strategy to reform the judicial system, but the national strategy to fight corruption is still at an early stage of implementation. The Commission further clarified that completion of the process under the mechanism within the mandate of this Commission depends on how quickly Bulgaria could implement the recommendations outlined in the report.

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.

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.

4. INFORMATION ABOUT THE CONCLUDED LARGE TRANSACTIONS WITH RELATED PARTIES DURING THE FIRST QUARTER OF 2017

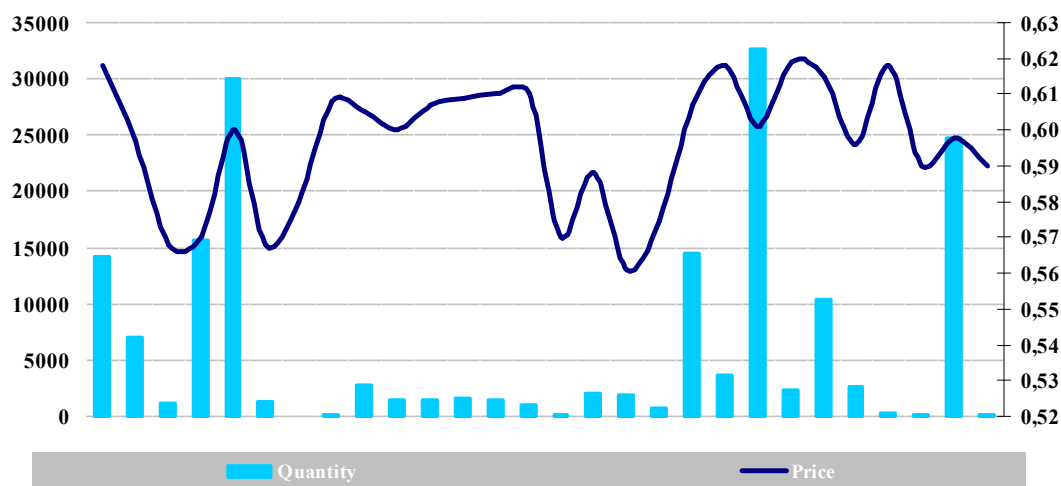
As of 31.03.2017 were concluded the following large transactions with related parties to BILLBOARD AD which were also a part of the economic group(group of enterprises within the meaning of the Accountancy Act):

Table №7

Related party	Sales	'000	
		31.12.2017	31.12.2016
DEDRAX AD	printed production, rentals, fixed assets, etc.	108	199
Motion Arts Ltd.	printed production, services, rentals, fixed assets	93	115
Digital Print EOOD	printed production, services, fixed assets	44	81
Total		245	395

Transactions with related parties were executed under fare market values.

5. CHANGE IN MARKET PRICE AND VOLUME OF TRADED SHARES FOR THE PERIOD 01.01.2017 - 31.03.2017



25.04.2017
Sofia

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