ASBISc Enterprises Plc

ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Limassol, March 28th, 2019

Siarhei Kostevitch

Chairman & CEO

Dear Shareholders,

On behalf of the Board of Directors of ASBISc Enterprises Plc, I am pleased to present our consolidated annual report entailing the financial results for 2018.

In 2018, consolidated revenues were the highest in almost 30 years of ASBISc history. Revenues amounted to almost USD 2.1 billion and increased by nearly 40% on a year-on-year basis. The Group's profit from operations reached nearly USD 30 million and net profit after taxation amounted to USD 12 million, an increase of more than 20% and almost 75% respectively when compared to 2017.

ASBIS remains the distributor of first choice for many global IT producers, and the Group's strategy is to deliver the best possible results for its shareholders. In 2018, the largest share in the Group's revenues was held by the Former Soviet Union (52% share) and Central & Eastern Europe (28% share) regions. All major product lines recorded significant sales increases in 2018, as compared to 2017. The biggest contributor to increased 2018 sales was on smartphones, which increased by 90% as compared to 2017.

In 2018, the Group expanded its portfolio of own brands with a higher margin by adding two new brands:

- Perenio - is currently developing its own platform in the Internet of Things (IoT) – segment, in the field of smart video surveillance, smart security, smart energy saving and smart control,
- Atlantech - includes products such as servers, data storage, and data center solutions.

We are continuing the transformation towards becoming a value-added distributor (VAD) and own brands in the most promising IT segments, both in commercial and consumer segments. The dynamics of smartphones is not given forever. We are looking for new solutions, especially in the segment of corporate services - VAD and own brands. The vision of the Group is to become the leading Value Add Distributor, OEM and Solutions Provider of IT, IoT, AI across Central & Eastern Europe, the Former Soviet Union and the Middle East and Africa regions. That is why we add to the distribution our own brands, a third layer of competencies: the Internet of Things (IoT) and Artificial Intelligence (AI) through project activities and specialist services.

We expect that our two new own brands, Perenio and Atlantech, together with the existing ones, i.e., Canyon and Prestigio, will have a significant contribution towards the Company's profitability. We hope that FY2019 will prove to be as good for the Group as the previous year. Asbisc's Board of Directors will do the best to achieve this goal, although we realize this is a challenging task; however, we look optimistically into FY 2019.

I would like to thank the shareholders for their trust, clients for a successful cooperation, as well as all employees without whom such satisfactory results could not be achieved. We hope to continue such positive relations, and as a Board of Directors, will do our best to put faith in the potential of the Group to continue to generate positive financial results and grow our market share.

Siarhei Kostevitch
Chairman & CEO

Directors’ report on the Group operations

For the fiscal year ended 31 December 2018

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ASBISc Enterprises Plc is one of the leading distributors of Information Technology ("IT") products in Europe, Middle East and Africa ("EMEA") Emerging Markets: Central and Eastern Europe, the Baltic States, the Former Soviet Union, the Middle East and Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. Our main focus is on the following countries: Slovakia, Poland, Czech Republic, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, Middle East countries (i.e., United Arab Emirates, KSA, Qatar and other Gulf states), Russia, Belarus, Kazakhstan, Ukraine and Latvia.

The Group distributes IT components (to assemblers, system integrators, local brands and retail), as well as A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail customers. Our IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. We currently purchase the majority of our products from leading international manufacturers, including Apple, Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Lenovo and Hitachi. In addition, an important part of our revenue is comprised of sales of IT products and mobile devices under our private labels, Prestigio, Canyon and Perenio.

ASBIS commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cyprus headquarters support, through two master distribution centers (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 60 countries.

The Company's registered and principal administrative office is at Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, CY4103 Limassol, Cyprus.

We have prepared this annual report as required by Paragraph 60 section 1 point 3 of the Regulation of the Ministry of Finance dated 29 March 2018 on current and periodic information to be published by issuers of securities and rules of recognition of information required by the law of non-member country as equivalent. In this annual report, all references to the Company apply to ASBISc Enterprises Plc and all references to the Group apply to ASBISc Enterprises Plc and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group (including its particular subsidiaries, depending on the country discussed) unless from the context it is clear that they apply to the stand-alone Company. "Shares" refers to our existing ordinary shares traded on the Warsaw Stock Exchange.

Forward-Looking Statements

This annual report contains forward-looking statements relating to our business, financial condition and results of operations. You can find many of these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this annual report. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution you not to place undue reliance on such statements, which speak only as of the date of this annual report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this annual report.

Industry and Market Data

In this annual report, we set out information relating to our business and the market in which we operate and compete.

The information regarding our market, market share, market position, growth rates and other industry data relating to our business and the market in which we operate consists of data and reports compiled by various third-party sources, discussions with our customers and our own internal estimates. We have obtained market and industry data relating to our business from providers of industry data, including:

- Gartner and GfK - leading research companies on IT,
- IDC – a dedicated organization on publishing data for IT industry, and
- Other independent research conducted on our sector

We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. The data of independent surveyors might not have taken into consideration recent developments in the markets we operate and therefore in certain instances might have become outdated and not represent the real market trends.

In addition, in many cases, we have made statements in this annual report regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

Financial and Operating Data

This annual report contains financial statements and financial information relating to the Group. In particular, this annual report contains our audited consolidated financial statements for the twelve months ended 31 December 2018. The financial statements appended to this annual report are presented in U.S. dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The functional currency of the Company is U.S. dollars. Accordingly, transactions in currencies other than our functional currency are translated into U.S. dollars at the exchange rates prevailing on the applicable transaction dates.

Certain arithmetical data contained in this annual report, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this annual report may not conform exactly to the total figure given for that column or row.

All numbers are presented in thousands, except share, per share and exchange rate data, unless otherwise stated.

PART I

ITEM 1. KEY INFORMATION

Currency Presentation and Exchange Rate Information

Unless otherwise indicated, all references in this annual report to "U.S. $" or "U.S. dollars" are to the lawful currency of the United States; all references to "€" or the "Euro" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and all references to "PLN" or "Polish Zloty" are to the lawful currency of the Republic of Poland.

All references to U.S. dollars, Euro, Polish Zloty and other currencies are in thousands, except share and per share data, unless otherwise stated.

The following tables set out, for the periods indicated, certain information regarding the average of the 11:00 a.m. buying/selling rates of the dealer banks as published by the National Bank of Poland, or NBP, for the zloty, the "effective NBP exchange rate", expressed in Polish Zloty per dollar and Polish Zloty per Euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this annual report. Our inclusion of the exchange rates is not meant to suggest that the U.S. dollars amounts actually represent such polish Zloty or Euro amounts or that such amounts could have been converted into Polish Zloty or Euros at any particular rate, if at all.

	Year ended December 31,				
Year (Polish Zloty to U.S. dollar)	**2014**	**2015**	**2016**	**2017**	**2018**
Exchange rate at end of period	3.51	3.90	4.18	3.48	3.76
Average exchange rate during period[(1)]	3.18	3.79	3.97	3.74	3.62
Highest exchange rate during period	3.55	4.04	4.25	4.23	3.83
Lowest exchange rate during period	3.00	3.56	3.72	3.48	3.32

The average exchange rate as certified for customs purposes by NBP on the last business day of each month during the applicable period

Month (Polish Zloty to U.S. dollar)	**Highest exchange rate during the month**	**Lowest exchange rate during the month**
January 2018	3.50	3.33
February 2018	3.43	3.32
March 2018	3.45	3.37
April 2018	3.50	3.36
May 2018	3.73	3.56
June 2018	3.77	3.61
July 2018……………………………………………………………………	3.78	3.65
August 2018………………………………………………………………...	3.79	3.65
September 2018……………………………………………………………	3.73	3.64
October 2018………………………………………………………………	3.82	3.69
November 2018……………………………………………………………	3.83	3.74
December 2018……………………………………………………………	3.81	3.73

The following table shows for the dates and periods indicated the period-end, average, high and low Euro to U.S. dollar exchange rate as calculated based on the rates reported by the National Bank of Poland.

Year ended December 31 (Euro to U.S. dollar)	**2014**	**2015**	**2016**	**2017**	**2018**
Exchange rate at end of period	0.8228	0.9154	0.9447	0.8347	0.8743
Average exchange rate during period[(1)]	0.7586	0.9063	0.9067	0.8819	0.8487
Highest exchange rate during period	0.8228	0.9489	0.9629	0.9607	0.8702
Lowest exchange rate during period	0.7163	0.8293	0.8706	0.8289	0.8008

The average NBP exchange rate, euro per U.S. $, on the last business day of each month during the applicable period

Month (Euro to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2018	0.8368	0.8039
February 2018	0.8153	0.8000
March 2018	0.8144	0.8062
April 2018	0.8257	0.8074
May 2018	0.8635	0.8372
June 2018	0.8645	0.8459
July 2018	0.8586	0.8528
August 2018	0.8786	0.8589
September 2018	0.8638	0.8522
October 2018	0.8820	0.8615
November 2018	0.8835	0.8721
December 2018	0.8855	0.8720

Selected Financial Data

The following table set forth our selected historical financial data for the years ended December 31, 2018, and 2017 and should be read in conjunction with Item 3. *"Operating and Financial Review and Prospects"* and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements.

For your convenience, certain U.S. $ amounts as of and for the year ended 31 December 2018, have been converted into Euro and PLN as follows:

- Individual items of the balance sheet – based at average exchange rates quoted by the National Bank of Poland 31 December 2018, that is 1 US$ = 3.7597 PLN and 1 EUR = 4.3000 PLN.

- Individual items in the income statement and cash flow statement – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a period between 1 January to 31 December 2018, that is 1 US$ = 3.6227 PLN and 1 EUR = 4.2669 PLN.

	Period from 1 January to 31 December			
	2018			2017
	USD	PLN	EUR	USD
Revenue	**2,069,564**	**7,497,461**	**1,757,115**	**1,484,913**
Cost of sales	(1,971,471)	(7,142,097)	(1,673,831)	(1,408,177)
Gross profit	**98,093**	**355,364**	**83,284**	**76,736**
Selling expenses	(46,030)	(166,754)	(39,081)	(34,745)
Administrative expenses	(22,653)	(82,066)	(19,233)	(17,585)
Profit from operations	**29,410**	**106,544**	**24,970**	**24,406**
Financial expenses	(18,622)	(67,462)	(15,811)	(16,006)
Financial income	4,452	16,128	3,780	1,598
Other gains and losses	(81)	(293)	(69)	(985)
Share of (loss)/profit from associates	(30)	(109)	(25)	-
Profit before taxation	**15,129**	**54,808**	**12,845**	**9,013**
Taxation	(3,092)	(11,201)	(2,625)	(2,104)
Profit after taxation	**12,037**	**43,607**	**10,220**	**6,909**
Attributable to:				
Non-controlling interests	0	0	0	(47)
Owners of the Company	**12,037**	**43,607**	**10,220**	**6,956**
	12,037	**43,607**	**10,220**	**6,909**
	USD (cents)	**PLN (grosz)**	**EUR (cents)**	**USD (cents)**
Earnings per share				
Weighted average basic and diluted earnings per share from continuing operations	21.69	78.58	18.42	12.53

	USD	PLN	EUR	USD
Net cash inflows from operating activities	(11,426)	(41,393)	(9,701)	42,111
Net cash outflows from investing activities	(3,132)	(11,346)	(2,659)	(2,163)
Net cash outflows from financing activities	26,734	96,850	22,698	(554)
Net increase in cash and cash equivalents	**12,176**	**44,110**	**10,338**	**39,394**
Cash at the beginning of the period	**45,933**	**166,403**	**38,998**	**6,537**
Cash at the end of the period	**58,109**	**210,513**	**49,336**	**45,933**

	As of 31 December 2018			As of 31 December 2017
	USD	PLN	EUR	USD
Current assets	474,614	1,784,406	414,978	495,566
Non-current assets	29,187	109,734	25,520	28,356
Total assets	**503,801**	**1,894,141**	**440,498**	**523,922**
Liabilities	404,568	1,521,054	353,734	429,454
Equity	99,233	373,086	86,764	94,468

Risk Factors

This section describes significant risks and uncertainties affecting our business. The risks and uncertainties described below are not the only ones we face. There may be additional risks and uncertainties not presently known to us or that we currently deem immaterial. Any of these risks could adversely affect our business, financial condition, our results of operations and our liquidity.

Risk factors relating to our business and industry

The in-country financial conditions affecting our major markets, gross profit and gross profit margin

Throughout the years of operation, the Company has from time to time suffered from specific in-country problems, emanating from the deterioration of the specific country's financial situation, due to a number of issues including but not limited to the political instability. We need to monitor any developments, react fast and weather every risk showing up in a specific market to secure our results.

We always need to keep in mind that different in-country problems might arise at any time and affect our operations. Despite the fact that we improved our procedures, we cannot be sure that all risks are mitigated.

Fluctuation in the value of currencies in which operations are conducted and activities are financed relative to the U.S. dollar could adversely affect our business, operating results and financial condition.

The Company's reporting currency is the U.S. dollar. In 2018 approximately 30%_of our revenues were denominated in U.S. dollars, while the balance is denominated in Euro, Ruble, UAH, KZT and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally (about 80%) denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro. As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Ruble, the Ukrainian Hryvnia, the Czech Crown, the Polish Zloty, the Croatian Kuna, the Kazakhstani Tenge and the Hungarian Forint.

In particular, a strengthening of the U.S. dollar against the Euro and other currencies of the countries in which we operate may result in a decrease in revenues and gross profit, as reported in U.S. dollars, and foreign exchange loss relating to trade receivables and payables, which would have a negative impact on our operating and net profit despite a positive impact on our operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and other currencies of the countries in which we operate may have a positive impact on our revenues and gross profit, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on our operating expenses. In addition, foreign exchange fluctuation between the U.S. dollar and the Euro or other currencies of the countries in which we operate may result in translation gains or losses affecting foreign exchange reserve. Furthermore, a major devaluation or depreciation of any such currencies may result in a disruption in the international currency markets and may limit the ability to transfer or to convert such currencies into U.S. dollars and other currencies.

Despite all efforts of the Company, there can be no assurance that fluctuations in the exchange rates of the Euro and/or other currencies of the countries in which we operate against the U.S. dollar will not have a material adverse effect on our business, financial condition and results of operations. Therefore, careful observation of the currency environment remains a crucial factor for our success.

Worldwide financial environment

The Group is exposed to the global financial environment, which always affects all markets we operate in. Traditionally we suffer if any of the major economies we trade in face challenges.

There are many uncertainties about the world economy following turmoil in different countries, volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. A recent example is the trade war between the USA and China.

This is undoudebtly one of our major risk factors since the financial and economic situation dictates the business environment in which the Company operates. Demand might be negatively affected and the results of the Company could be negatively impacted, despite the experience we have gained from the management of similar situations in the past.

Credit risk faced by us due to our obligations under supply contracts and the risk of delinquency of customer accounts receivable could have a material adverse effect on our business, operating results and financial position.

The Company buys IT products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 70% of its revenue.

Despite all efforts to secure our revenues, certain countries remained non-insured (Ukraine and Belarus) therefore is very important to ensure that we find other sources of securities which help us minimize our credit risk. The Group directors has decided to enhance risk management procedures. These do not guarantee that all issues will be avoided, however, these have granted the Company with confidence that is in a position to weather any possible major credit issue that may arise.

Competition and price pressure in the industry in which we operate on a global scale may lead to a decline in market share, which could have a material adverse effect on our business, operating results and financial condition.

The IT distribution industry is a highly competitive market, particularly with regards to products selection and quality, inventory, price, customer services and credit availability and hence is open to margin pressure from competitors and new entrants. The Company competes at the international level with a wide variety of distributors of varying sizes, covering different product categories and geographic markets. In particular, in each of the markets in which the Company operates, it faces competition from

1. International IT and CE distributors with a presence in all major markets we operate

2. Regional IT and CE distributors who cover mostly a region but they are quite strong

3. Strong local distributors who focus mostly on a single market but they are very strong

4. International IT and mobile phones brokers, who sell opportunistically in any region and/or country

Competition and price pressures from market competitors and new market entrants may lead to significant reductions in the Company's sales prices. Such pressures may also lead to a loss of market share in certain of the Group's markets.

Price pressures can have a material adverse effect on the Company's profit margins and its overall profitability, especially in view of the fact that its gross profit margins, like those of most of its competitors, are low and sensitive to sales price fluctuations.

This was also visible for the twelve months of 2018, where the Group had to sacrifice some of its gross profit margins in order to gain market share against competitors.

The IT distribution and mobile devices business have low-profit margins, which means that operating results are highly sensitive to increased operating costs, which if not successfully managed could have a material adverse effect on our business, results of operations and financial condition.

The Company's business is both a traditional distribution of third-party products and own brand. This allows the Company to deliver healthier gross profit margins when conditions are favorable. However, the own brand business has been significantly affected by new entrants and the margins have been lowered.

In the traditional distribution business, the Company's gross profit margins, like those of other distributors of IT products, are low and the Company expects that in the distribution arm of its business they will remain low in the foreseeable future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder the Company's ability to maintain or improve its gross margins. A portion of the Company's operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, the Company may not be able to reduce its operating expenses as a percentage of revenue in order to mitigate any reductions in gross margins in the future.

In an effort to increase gross margins, the Company has developed its own brand business, that allows for higher gross profit margins. It has also invested in the VAD Business Unit which is also expected to deliver higher gross profit margins. It is very important for the Company to address all risks associated with these business lines and avoid negative surprises which might lead to significant losses.

Inventory obsolescence and price erosion in the industry in which we operate may have a material adverse effect on our business, financial condition and results of operations.

The Company is often required to buy components and finished products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components are characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers. This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs. In an oversupply situation, other distributors may elect to proceed with price reductions in order to dispose of their existing inventories, forcing the Company to lower its prices to stay competitive. The Company's ability to manage its inventory and protect its business against price erosion is critical to its success.

A number of the Company's most significant contracts with its major suppliers contain advantageous contract terms that protect the Company against exposure to price fluctuations, defective products and stock obsolescence.

For the own brand business division, the Company needs to balance between satisfying consumer demand on one side and the risk of inventory obsolescence or price erosion on the other, by having a proper level of inventory.

Our business is highly dependent on distribution contracts with a limited number of suppliers; a loss of or change in the material terms of these contracts could have a material adverse effect on our business, operating results and financial condition.

The part of our business consisting of the distribution of third-party products is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2018, the Company held contracts with Apple, Intel, Advanced Micro Devices (AMD), Seagate, Microsoft, Dell, Toshiba, Acer, Lenovo and other international suppliers. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

We face a risk of termination of our distribution agreements, in the event that we do not perform pursuant to the supplier's expectations or for any other reason, including a number of factors outside our control. Changes in the suppliers' business strategies, including moving part or all of their distribution arrangements to our competitors, or directly distributing products to end-users, could result in the termination of the respective distribution contracts. Any of these suppliers may merge with, acquire or be acquired by, any of our competitors which already has its own distribution network in the market. Any supplier may consider us redundant as a distributor and may terminate our distribution agreement or may experience financial difficulties, as a result of which it may not be able to grant beneficial credit terms and/or honour financial terms in the relevant distribution agreements, such as those relating to price protection, stock returns, rebates, performance incentives, credit from returned materials and reimbursement of advertising expenses incurred during joint promotion campaigns. Termination or material change in the terms of a vendor contract due to any of the aforesaid factors could have a material adverse effect on our business, results of operations and financial condition.

Our inability to maintain or renew our distribution and supply contracts on favourable terms with key customers and suppliers could have a material adverse effect on our business, operating results and financial condition.

In the part of our business related to the distribution of third-party products, we have significant contracts with a limited number of customers and other business partners, some of which are oral agreements, the precise terms of which and the enforceability of which, remain uncertain, or are agreements that may be terminated without cause or by written notice at the expiry of their term.

In addition, a number of our most significant contracts with our major suppliers contain terms that protect us against exposure to price fluctuations, defective products and stock obsolescence. Specifically, our contracts terms including terms such as (i) a price protection policy, which allows us to request reimbursement from the suppliers for inventory in transit or held at our warehouses in the event that product prices decline; (ii) a stock rotation policy under which we have the right to return to the supplier slow moving inventory in exchange for credit, which reduces our exposure to obsolescence of inventory; and (iii) a return material authorization policy under which we can return defective items to our suppliers in return for either credit, replacements or refurbished products. If we are unable to maintain or enforce our significant contracts, or if any of our significant suppliers refuse to renew contracts with us on similar terms, or new significant suppliers of ours do not make such terms available to us, we could face a higher risk of exposure to price fluctuations and stock obsolescence, which given our narrow gross profit margins, could have a material adverse effect on our business, operating results and financial condition.

Our suppliers' increasing involvement in e-commerce activities, which would enable them to directly sell to our customers, could threaten our market share, and therefore adversely affect our business, operating results and financial condition.

In the third party products distribution part of our business, we operate as a distributor, or a "middleman", between manufacturers and our customers. Manufacturers are sometimes able to outsource their sales and marketing functions by engaging the services of a distributor and concentrating on their core competencies.

With the emergence, however, of new internet technologies and e-commerce, more manufacturers are developing their own online commerce platforms with the capability to accept orders and conduct sales through the internet. Global distributors have also set up their own web-sites to enable sales and purchases to be conducted online.

Although we have developed the IT4Profit platform, an online purchasing platform for electronic dealing with our customers (B2B), there can be no assurance that any of our suppliers or competing distributors will not successfully implement similar electronic purchasing platforms and manage to fully satisfy our customers' needs, in which case our risks losing a significant part of our business. In addition, market prices of components may deteriorate as a result of increasing online competition, as online customers have the ability to search globally for the cheapest available components. If we are unable to effectively leverage our internet technologies and e-commerce or successfully compete with emerging competitors offering online services, this could have a material adverse effect on our business, operating results and financial condition.

Our success is dependent on our own logistics and distribution infrastructure and on third parties that provide those services, a loss of which could adversely affect our business, operating results and financial performance.

We maintain two large regional distribution centres from which the great majority of our products are shipped. As a result, we are highly dependent on third-party providers for logistics such as courier and other transportation services. An interruption or delay in delivery services causing late deliveries could result in loss of reputation and customers and could force us to seek alternative, more expensive delivery services, thereby increasing operating costs, which would have an adverse effect on our business, operating results and financial performance. An important part of our strategy to achieve cost efficiencies while maintaining turnover growth is the continued identification and implementation of improvements to our logistics and distribution infrastructure. We need to ensure that our infrastructure and supply chain keep pace with our anticipated growth. The cost of this enhanced infrastructure could be significant and any delays to such expansion could adversely affect our growth strategy, business, operating results and financial performance. Therefore, any significant disruption to the services of these third-party providers could have a material adverse effect on our business, results of operations and financial condition.

Our inability to recruit and retain key executives and personnel could have a material adverse effect on our business, operating results and financial condition.

Our business depends upon the contribution of a number of our executive Directors, key senior management and personnel, including Siarhei Kostevitch, our Chief Executive Officer and Chairman of the Board of Directors. There can be no certainty that the services of Mr Kostevitch and of other of our key personnel will continue to be available to us. We have in the past experienced and may in the future continue to experience difficulty in identifying expert personnel in our areas of activity, and particularly in the areas of information technology and sales and marketing, in the countries in which we operate. In addition, we do not currently maintain "key person" insurance. If we are not successful in retaining or attracting highly qualified personnel in key management positions, this could have a material adverse effect upon our business, operating results and financial condition.

High cost of debt

The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is quite high. The Company has already negotiated improved terms with some of its supply-chain financiers and banks and is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in increased cost of financial facilities in these countries and this may limit our efforts to further decrease the average cost of debt. In the course of the twelve months of 2018, we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost.

Development of own brand business

The Company’s strategy is to focus more on profitability than on revenues, thus we continue to develop the own brand business that allows for higher gross profit margins. This includes the development of smartphones, tablets and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company’s operations.

The Company has also invested in two new own brands - Perenio, which contains the sales of smart home and smart security sensors and other products and ATLANTECH, aiming to become a leading pan-regional OEM in servers, data storage, data centre solutions and pro- services across CEE, FSU, EMEA.

In order to keep quality under control and get the maximum possible gross profit margins, the Company's Directors have decided to go under a back-to-back scheme. This implies that orders are placed with ODMs, only if they are in advance confirmed by customers.

The Company is undertaking a number of quality control measures to mitigate this risk, but given the volumes and a large number of factories used to produce these products, these controls might not be sufficient. Moreover, competition has already been intensified and the Company may not be able to sustain its profitability levels.

Despite the Company's efforts, there can be no assurance of a similar development pace in the own brand business in future periods. This is because there may be a significant change in market trends, customer preferences or technology changes that may affect the development of own-brand business and therefore, its results.

Warranty claims from own brand products

The own-brand business requires us to put extra efforts to avoid any problems with the quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced in the recent past, though this situation has much improved in the course of the twelve months of 2018.

This risk has negatively affected our results in the past when certain ODMs have not honored their contractual obligations on products with epidemic failure. The Group is undertaking all possible steps towards ensuring proper compensation for past expenses.

In the same time, in an effort to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which, however, does not guarantee elimination of the risk of warranty losses.

ITEM 2. Information on the Company

History and Development of Asbisc Enterprises Plc and Business Overview

Asbisc Enterprises Plc. is the parent entity for the Group described in this chapter, in the section "*Group Structure and Operations*".

ASBISc Enterprises Plc is one of the leading distributors of Information Technology ("IT") products in Europe, Middle East and Africa ("EMEA") Emerging Markets: Central and Eastern Europe, the Baltic States, the Former Soviet Union, the Middle East and Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. Our main focus is on the following countries: Slovakia, Poland, Czech Republic, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, Middle East countries (i.e. United Arab Emirates, Iraq, Qatar and other Gulf states), Russia, Belarus, Kazakhstan, Ukraine and Latvia.

The Group distributes IT components (to assemblers, system integrators, local brands and retail), mobile devices such as smartphones and tablets to retailer and A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail customers.

Our product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile systems. We currently purchase the majority of our products from leading international manufacturers, including Apple, Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Lenovo and Hitachi. In addition, a significant part of our revenue is comprised of sales of IT products under our private labels, Prestigio, Canyon and Perenio.

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through two master distribution centers (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 60 countries.

The Company's registered and principal administrative office is at Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, CY 4103 Limassol, Cyprus.

Our revenues amounted to U.S. $ 2,069,563 in 2018, compared to U.S. $ 1,484,912 in 2017, following a strategy to increase profitable business and improve market share alongside with stabilization of gross profit margins. As a consequence, the Company significantly improved its net result and posted a net profit after tax of U.S.$ 12,037 in comparison to U.S.$ 6,909 in 2017. Our headquarters are home to our centralized purchasing department and global control function, which centrally monitors and controls our global activities, including purchasing, warehousing and transportation operations. In line with our strategy of focusing on automation and innovation in order to increase our cost-efficiency, in 2002, we began developing the IT4Profit platform, our online purchasing platform for electronic trading with our customers (B2B) and electronic data interchange for the Company and its subsidiaries. Within this platform, we have also implemented our end-to-end online supply chain management system, in order to effectively manage our multinational marketplace and to increase automation and reporting transparency both internally and vis-à-vis our suppliers. We combine the international experience of our central management team with the local expertise of our offices in each of the 26 countries in which we operate. With our broad local presence, we have developed an in-depth knowledge and understanding of fast-growing markets in regions such as Central and Eastern Europe "(CEE") and FSU and our diverse cultural, linguistic and legal landscape, which may form significant barriers to entry for most of our international competitors. The Directors believe that this advantage has helped us to quickly and cost-effectively penetrate emerging markets and strengthen our competitive position, in the markets we operate.

History of the Group

We were established in Minsk, Belarus in 1990 by Mr Siarhei Kostevitch and our main activity was the distribution of Seagate Technology products in the territory of the Former Soviet Union. Then, in 1995, we were incorporated in Cyprus and moved our headquarters to Limassol. In 2002, in order to fund further growth, we privately placed U.S. $ 6,000 worth of shares with MAIZURI Enterprises Ltd (formerly named Black Sea Fund Limited), and U.S. $ 4,000 with Alpha Ventures SA. In 2006, we listed our common stock on Alternative Investment Market of London Stock Exchange (AIM), however after the successful listing on the Warsaw Stock Exchange (October 2007) the Board of Directors took a decision and cancelled the AIM listing as at 18 of March 2008. The changes in the shareholders' structure that occurred in 2018 were the following:

1) On April 23rd, 2018, the BOD has received from Nationale-Nederlanden Otwarty Fundusz Emerytalny (Fund) notification that total share of this Fund descended below the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders. According to the notification, before the abovementioned change of share, the Fund had 2,792,890 Company's shares that were equal to 5.03% in the Company's share capital and had 2,792,890 votes from these shares, that were equal to 5.03% of a total number of votes. According to the notification, as of April 19th, 2018, the Fund held 2,692,890 Company's shares, equal to 4.85% in the Company's share capital and had 2,692,890 votes from these shares, equal to 4.85% of a total number of votes.

2) On May 15th, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that total share of these Funds moved above the threshold of 5% of the total voting rights of the Company. According to the notification, the increase above the 5% threshold in the Company followed

transactions conducted in the regulated market on May 14th, 2018. According to the notification, before the abovementioned change of share, the Funds had 2,756,299 Company's shares that were equal to 4,97% in the Company's share capital and had 2,756,299 votes from these shares, that were equal to 4,97% of a total number of votes. According to the notification, as of May 15th, 2018, the Funds held 2,866,299 of the Company's shares, equal to 5,16% in the Company's share capital and had 2,866,299 votes from these shares, equal to 5,16% of a total number of votes.

3) On September 24th, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that the total share of these Funds jointly fell below the threshold of 5% of the total voting rights of the Company. According to the notification, the decrease below the 5% threshold in the Company followed transactions conducted on the Warsaw Stock Exchange on September 21st, 2018. According to the notification, before the abovementioned change of share, the Funds had 2,814,736 Company's shares that were equal to 5,07% in the Company's share capital and had 2,814,736 votes from these shares, that were equal to 5,07% of the total number of votes. According to the notification, as of September 24th, 2018, the Funds held 2,769,303 of the Company's shares, equal to 4,99% in the Company's share capital and had 2,769,303 votes from these shares, equal to 4,99% of the total number of votes.

Strengths of the Group

The Directors consider that our key strengths are:

- Broad geographic coverage combined with a strong local presence.

Unlike most of our international competitors, we operate with active local presence in a number of countries across different regions. Since many of our competitors target the same markets from a number of different locations in Western Europe, we benefit from increased logistical cost efficiencies. In particular, our broad geographic coverage, combined with our centralized structure and automated processes, results in reduced shipping costs and lower revenue collection expense, as well as a consistent marketing approach, as compared to our competitors. As a result, we have become an authorized distributor for leading international suppliers wishing to penetrate a number of fast-growing markets served by us, offering them the ability to penetrate these markets in a cost-efficient manner and through a consistent marketing approach.

- Experienced management team, combined with local expertise.

Our management team consists of experienced executives. Our Chief Executive Officer has been with the Company since inception in 1990, while all of our key executives have served for seventeen years.

In addition, our subsidiary operations are managed by teams of mainly local experienced managers, which provides us with strong expertise and understanding of the diverse markets in which we operate. The Directors believe that local presence represents a significant competitive advantage for us over our multinational competitors.

- A critical mass of operations.

Having revenues of almost 2.1 billion U.S. Dollars, sales in approximately 60 countries and facilities in 26 countries, we believe that we have become a strong partner for leading international suppliers of IT components and finished products, including Apple, Intel, AMD, Seagate, Samsung, Microsoft, Hitachi, Dell, Toshiba, Logitech, etc. in most of our regions of operation. Thanks to our size and the scope of our regional reach, we have achieved authorized distributor status with leading international suppliers, either on a pan-European, regional, or on a country-by-country basis, thus enjoying a number of beneficial commercial terms and achieving agreements with respect to the distribution of products offering higher profit margins.

- Price protection and stock rotation policy for inventory.

As an authorized distributor for a number of leading international suppliers of IT components, we are able to benefit from certain beneficial contract terms that provide protection from declining prices or slow-moving inventory. In particular, such terms allow us to return part of the inventory to the respective distributors at the event market prices decline or such inventory becomes obsolete. See "*Our Main Suppliers - Price Protection Policy and Stock Rotation Policy*". In contrast, in some of the countries in which we operate, many of our major competitors tend to buy from the open market, which leaves them exposed to the risk of price changes and obsolete stock.

- One-stop-shop for producers and integrators of IT equipment.

We distribute a broad range of IT components, blocks, peripherals and finished products supplied by a large number of leading international suppliers. As a result, we serve as a one-stop-shop, providing complete solutions to producers and integrators of the server, mobile and desktop segments in the countries in which we operate. The Directors consider this to be a significant advantage over competitors with more limited product offerings.

- Own brands business improving our profitability

In the past years, we have invested in the development of our own brands and built a strong market position. In 2018 the amount of own brand business has remained stable, following our decision to continue with a more balanced approach. We try to keep revenues from own brands at sustainable levels based on expected profitability and good cash flow. The Directors consider our own brands to be a valuable reinforcement to our profitability if it is developed as an addition to the distribution business. Thus, the development of this segment will be continued.

- Ability to adjust our cost structure to the new business environment and the company needs.

This is considered a very big advantage of the Company. It has been proven that we can adjust very quickly to any turbulent business environment and this enables the group to develop its core competences.

Group Structure and Operations

The following table presents our corporate structure as at December 31st, 2018:

Company	**Consolidation Method**
ASBISC Enterprises PLC	**Mother**
Asbis Ukraine Limited (Kiev, Ukraine)	Full (100%)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100%)
Asbis Poland Sp. z o.o. (Warsaw, Poland)	Full (100%)
Asbis Romania S.R.L (Bucharest, Romania)	Full (100%)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100%)

Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100%)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100%)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100%)
Asbis CZ,spol.s.r.o (Prague, Czech Republic)	Full (100%)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100%)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100%)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100%)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100%)
Asbis Limited (Charlestown, Ireland)	Full (100%)
FPUE Automatic Systems of Business Control (Minsk, Belarus)	Full (100%)
E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus)	Full (100%)
OOO ‘ Asbis’-Moscow (Moscow, Russia)	Full (100%)
Asbis Morocco Limited (Casablanca, Morocco)	Full (100%)
Prestigio Plaza Sp. z o.o in liquidation (Warsaw, Poland)	Full (100%)
Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)	Full (100%)
Perenio IoT spol. s.r.o. (Prague, Czech Republic) (former Prestigio Europe s.r.o)	Full (100%)
Asbis Kypros Ltd (Limassol, Cyprus)	Full (100%)
Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)	Full (100%)
SIA “ASBIS LV” (Riga, Latvia)	Full (100%)
Asbis d.o.o. (former Megatrend d.o.o.) (Sarajevo, Bosnia Herzegovina)	Full (90%)
ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)	Full (100%)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100%)
Euro-Mall SRO (Bratislava, Slovakia)	Full (100%)
Prestigio China Corp. (former AOSBIS TECHNOLOGY (SHENZHEN) CORP.)	Full (100%)
ASBIS DE GMBH, (Munchen, Germany)	Full (100%)
EUROMALL BULGARIA EOOD (Sofia, Bulgaria)	Full (100%)
Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)	Full (100%)
SHARK Computers a.s. (merged with SHARK ONLINE a.s.) (Bratislava,	Full (100%)
E-vision Production Unitary Enterprise (Minsk, Belarus)	Full (100%)
ASBIS CLOUD Ltd (Moscow, Russia)	Full (100%)
ASBIS SERVIC Ltd (Kiev, Ukraine)	Full (100%)
I ON Ltd (Kiev, Ukraine)	Full (100%)
ASBC MMC LLC (Baku, Azerbaijan)	Full (65.85%)
ASBC KAZAKHSTAN LLP (Almaty, Kazakhstan)	Full (100%)
Atlantech Ltd (Ras Al Khaimah, U.A.E)	Full (100%)

Asbisc Enterprises Plc is the parent company of the Group. Our subsidiaries are involved in diverse activities related to the distribution of IT components, mobile devices and equipment. In particular, our subsidiaries operating under the ASBIS name are involved in the distribution of IT components, mobile devices, finished products and equipment, including distribution of products from worldwide leading manufacturers such as Apple, Intel, AMD, Seagate, Western Digital, Samsung, Microsoft, Hitachi Dell, Acer, Toshiba and many other well-known international suppliers. Our subsidiaries operating under Prestigio, Canyon and Atlantech brands are primarily responsible for the procurement, quality control, marketing and wholesale distribution of our private label (Canyon, Prestigio and Atlantech) IT products.

Changes in the Group's structure

During the year ended December 31st, 2018 there were the following changes in the structure of the Company and the Group:

- During 2018 ASBIS ESTONIA AS and PRESTIGIO PLAZA NL BV have both been liquidated, being dormant and empty companies. Also, a subsidiary company named Prestigio Europe spol. s.r.o. (Prague, Czech Republic) changed its name to Perenio IoT spol. s.r.o.

  Moreover:

- On August 13rd, 2018, the Issuer has acquired 100% shares of the company named ASBC KAZAKHSTAN LLP (Almaty, Kazakhstan). The Issuer holds 100% in this subsidiary, being equal to share capital of USD 300,000. We acquired this entity to expand the retail business with Apple stores.

- On September 26th, 2018, S.C. EUROMALL 2008 S.R.L (formerly ISA Hardware International S.R.L) (Bucharest, Romania) has been liquidated , being a dormant company

- On November 21st, 2018, S.C. EUROMALL CZ s.r.o. (formerly ISA Hardware s.r.o.) (Prague, Czech Republic) has been liquidated, being a dormant company.

- On December 26th, 2018, the company named Atlantech Ltd (Ras Al Khaimah, U.A.E) has been incorporated into the Capital Group of Asbis. The parent company of issuer - Asbis Middle East holds 100% shares of this company, being equal to share capital of USD 13,605. We incorporated this entity to manage our server business in a more efficient manner.

Regional operations

We operate as a one-stop-shop for the desktop PC, server, laptop, tablet PC, smartphones and software segments. The management believes that the Company is currently the only IT component and A-branded finished products distributor that covers substantially all of Eastern Europe, as part of a single supply chain with highly integrated sales and distribution systems. We also have operations in the Baltic States, the Balkans, the Former Soviet Union, the United Arab Emirates and other Middle East countries.

We also provide technical support for all new products that we stock through product line sales managers. Sales personnel receive internal training and focus groups are established that have an in-depth knowledge of their respective product lines.

Our sales staff are also trained by our suppliers, such as Apple, Intel, AMD, Seagate, Western Digital, Samsung, Microsoft, Hitachi and others, as a result of our status as an authorized distributor of their products. The Directors consider that this organizational process allows us to provide added value to our customers and differentiate us from our competitors.

Key markets and regions

Historically, the regions of Central Eastern Europe ("CEE") and the Former Soviet Union ("FSU") have been the larger revenue contributors of the Group. This has not changed in 2018.

The following table presents a breakdown of our revenue by regions for the years ended 31 December 2018, 2017 and 2016:

	Year ended 31 December		
	2018	**2017**	**2016**
	%	**%**	**%**
Former Soviet Union	52.45	48.45	39.12
Central and Eastern Europe	27.79	33.40	37.45
Middle East & Africa	9.79	10.95	14.77
Western Europe	7.91	6.31	6.13
Other	2.06	0.89	2.53
Total revenue	**100**	**100**	**100**

Products

We are engaged in the sales and distribution of a variety of products including IT components, mobile devices, laptops, server and mobile building blocks and peripherals to third-party distributors, OEMs, retailers and e-tailers and resellers. Our customers are located mainly in Central and Eastern Europe, the Former Soviet Union, Western Europe, North and South Africa and the Middle East.

We engage in the following primary lines of business:

- Sales and distribution of IT components and blocks described below that we purchase from a variety of suppliers such as Intel, AMD, Seagate and Western Digital
- Value-add distribution ("VAD") of Apple products in certain Former Soviet Union countries
- Sales of accessories and gaming products (like Logitech)
- Sales of a wide range of finished products from worldwide manufacturers (Dell, Apple, Acer) as well as software (Microsoft and antivirus software producers)
- Sales of a range of private label products (such as tablet PCs, smartphones, multiboards, data storage devices, GPS devices, peripherals, accessories, security solution, products in the field of servers, mass storage, solutions for data centers) with larger volumes and profit potential selected by us and manufactured by ODM/OEM producers in the Far East under our own private label brands, Canyon, Prestigio, Perenio and Atlantech.

The products that are purchased from suppliers and distributed by us are divided into various categories and are presented in the table below:

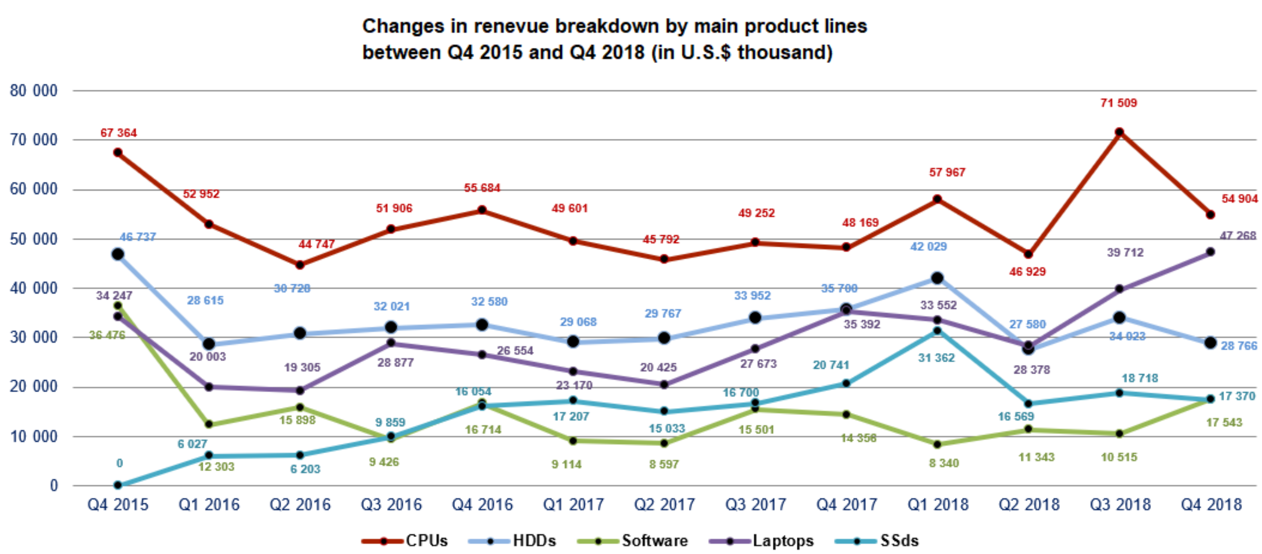
	Year ended 31 December	
	2018	**2017**
	(U.S. $)	
Smartphones	799,059	421,155
Central processing units (CPUs)	231,308	192,814
PC mobile (laptops)	148,910	106,661
Accessories & multimedia	142,872	79,800

Hard disk drives (HDDs)	132,398	125,487
SSDs	84,018	69,681
Servers & server blocks	80,967	68,595
Tablets	75,841	61,186
Memory modules (RAM)	54,964	49,214
Networking products	50,660	46,537
PC desktop	50,105	31,456
Software	47,741	47,567
Mainboards & VGA cards	42,893	48,089
Peripherals	39,784	38,525
Display products	34,899	28,988
Flash memory	11,793	11,211
Optical & floppy drives	1,641	1,542
Other	39,712	56,405
Total revenue	**2,069,564**	**1,484,913**

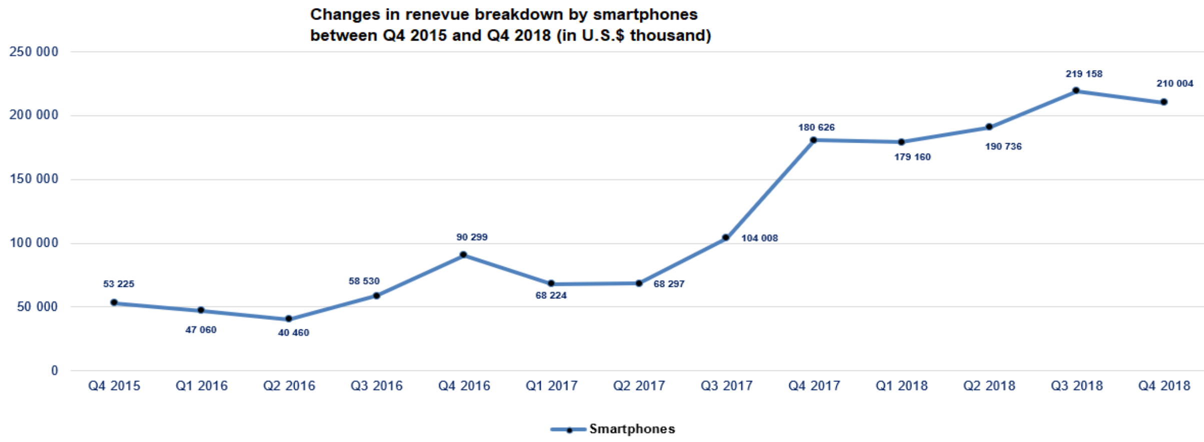
Revenues showed a significant growth year-on-year. The structure of our product portfolio has significantly changed in favor of smartphones, storage and other products.

In 2018 we continued our efforts to increase revenues, mainly through gaining new markets and by focusing on specific product groups. This was possible because ASBIS remains the distributor of first choice for many worldwide suppliers. A major and good example is Apple that has entrusted us for iPhone and other products distribution for Ukraine, Belarus, Kazakhstan and other CIS markets.

The chart below indicates the trends in sales per product line



The chart below indicates trends in smartphones sales



Private labels: Prestigio, Canyon, Perenio and Atlantech

We have developed our private label brands - Canyon, Prestigio and recently added Perenio and Atlantech. We, mainly through our purchasing office in China, select products or ranges of products with high-profit potential from a number of ODM/OEM producers in the Far East, particularly in China, and purchase these products at larger volumes to benefit from economies of scale. We then resell these products in the markets in which we operate under our own brand at more competitive prices than similar products sold by competitors.

Canyon. Canyon was launched in 2003 as a supplier of motherboards and video graphics adaptors (VGA) cards to Eastern European markets. The brand has evolved and currently primarily targets retail chains with IT and consumer electronic peripherals and accessories, supplying products such as RAM and flash memory modules, web cams, mice, networking products, external HDD, MP3 players, handbags, phone accessories and speakers. Canyon is perceived to be a brand targeting younger customers who want good quality products at affordable prices.

Canyon uses attractive colours and packaging to promote this image.

During 2017 Canyon launched several new products which proved very successful and we plan to continue these projects going forward – but only to the extent we want to develop own brands. Our focus is on fewer products and models with better profitability. During 2018 Canyon introduced fitness smartwatches with own application and platform.

Prestigio. Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality products and devices, multiboards, tablet PCs and smartphones. Prestigio brand slogan "Your life, your way" reflects the positioning of these products in this premium, high-specification design segment. In 2011 Prestigio was recognized as the leading GPS Navigator device in the F.S.U. and CEE regions. In 2013 we have also decided to enter the smartphones segment with our own brand and started successfully selling Prestigio Multi-phones from Q4 2013. These moves were connected with anticipated and observed changes in the markets and proved the Company's ability to benefit from its experience and know-how in order to improve its market share. Prestigio is now developing a smart TV that will be produced in factories in Belarus and Russia. In June 2019 we will start production of a device which is a combination of a keyboard and a touchpad under the Prestigio brand.

Alongside this, we entered the market with two new brands: Perenio and Atlantech.

Perenio is currently developing its own platform in the Internet of Things (IoT) segment in the field of device smart video surveillance, smart security, smart energy saving and smart control.

Atlantech was launched at the end of 2018 with the aim of becoming a leading pan-regional OEM in servers, data storage, data centre solutions and pro-services across CEE, FSU and EMEA regions.

Suppliers and Procurement

Our Main Suppliers/Partners

We believe that establishing strong supplier relationships is a critical success factor for our business and have devoted considerable resources over the years to establish strong relationships based on mutual trust with our key suppliers. In that direction, we strive to provide full visibility to our suppliers by reporting to them crucial information on a daily/weekly basis, including stock levels, sales-out reports by country, thus assisting them in monitoring customer demand and allowing them time to comprehend and react to specific market peculiarities, trends and dynamics.

In 2018, a significant portion of our revenues was generated from the ten biggest suppliers. However, the management believe that we place no reliance on anyone of our suppliers since we carry for every product category a wide portfolio of brands.

Acting as a non-exclusive distributor, we are generally responsible for promoting, marketing, advertising, selling, and providing training and after-sales support for each supplier's products in the respective markets. A monitoring mechanism is established by the suppliers to ensure that minimum sales targets are met, pursuant to which we are responsible for providing our suppliers with various reports, including weekly inventory reports and monthly point of sales reports.

Price Protection Policy. In an attempt to reduce distributors' exposure to market price fluctuations, a number of our large suppliers provide in their standard contractual terms for protection from a decline in product prices by allowing such distributors, including us, to request, within an agreed time frame, reimbursement for inventory in transit or held in warehouses. This is not, however, usually the case with smaller suppliers, with whom we are more exposed to potential price variations.

Stock Rotation Policy. Our exposure to the risk of obsolescence of inventory is limited through the stock rotation policy provided by many of our large suppliers, but not generally under arrangements with smaller suppliers.

In general, under a stock rotation policy, we have the right to return to the supplier, within a predefined time frame, slow-moving inventory in exchange for credit. In practice, we can return a certain percentage of products we hold immediately after the end of each quarter, usually based on our sales performance in the preceding quarter.

Return Material Authorization Policy (“RMA”). Subject to the specific provisions of each suppliers' RMA policy, we have the flexibility to return defective items to our major suppliers in return for either credit, replacements or refurbished products.

Procurement Policies

We operate a system of centralized purchasing through our headquarters in Limassol, Cyprus. Country managers communicate expected sales levels and targets, analyzed by product lines and suppliers, to our Product Line Managers ("PLMs") who then identify purchasing requirements for the forthcoming three weeks and in turn forward this information to the Vice President of Product Marketing who verifies and, upon agreement, consolidates the information. The Vice President of Product Marketing then presents the relevant information to management, holding weekly meetings to review and approve requirements.

We strive to keep our stock, including stock in transit, for our main product lines at a level of four weeks of sales revenues, and to cover four to five weeks of sales revenues for other product lines in order to ensure adequate supply, while reducing the length of time over which we hold our inventory at our warehouses. Since we maintain a stable supplier base, there is no need for any formal supplier take-on procedures.

Sales and Marketing

We focus on developing an efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our sales managers in order to instill a thorough understanding of our product offerings with the goal of enhancing customer satisfaction. We also have the possibility to use some of our main supplier's marketing funds, to increase our sales and our clients' satisfaction.

Our marketing department is divided into two groups. The product marketing group establishes pricing policies, oversees product supply and communicates with suppliers with regards to the training of PLMs; the channel marketing group responsible for both central and in-country activities such as public relations, marketing and website content management.

Our marketing team consists of the Central Marketing Group and the Local Marketing Coordinators, both of which work in close coordination with suppliers, product managers and sales teams.

Distribution

Distribution model. Our distribution model is based on a system of centralized purchasing operations at our headquarters in Cyprus, which is in direct contact with the suppliers. Suppliers replenish their product stocks with our warehouses weekly or even several times per week, after receiving our product orders, most of them by shipping their products directly to our two master distribution centres, leading to significant cost savings for us. Local in-country operations place their orders online through our IT4profit online platform and receive their goods directly from one of the two distribution centres. On the other hand, products such as memory modules and our private label products with small size, high-price dynamics and high value are supplied directly to our local in-country operations from the suppliers' factories.

Distribution centres. Our two master distribution centres are located in Dubai and Prague.

The facility in Prague is responsible for distribution across whole Europe; Dubai serves our operations in the Middle East and Africa and certain Central Asian countries.

The table below presents information with respect to the size and ownership of each of our two master distribution centers:

Facility Location	Office area (m^2)	Warehouse area (m^2)	Total area (m^2)	Ownership
Prague	575	4,473	5,048	Leased
Dubai	1,086	6,475	7,025	Owned

In order to ensure visibility and bottom-line efficiencies of our warehousing environment, we have connected our warehouse management system ("WMS") to IT4Profit. Thus, when an order is placed on IT4Profit, this is communicated to our relevant master distribution centre, which can then process the order for delivery. This WMS is currently functional in the Prague and Dubai warehouses. The Directors believe that the advantages of operating the WMS connected through IT4Profit include the ability to meet or exceed shipping commitments, instant visibility of inventory movements, consistency of inventory management records, reduction of inventory write-offs and simplicity in shipment planning, lot replenishment and storage activities.

In-Country Operations. We operate through 31 local offices in 26 countries. Customer orders are mainly served through the supply of local offices, and in the event that local inventory levels are insufficient, additional inventory is drawn from one of the three distribution centres. Each local office operates its own logistics function and is responsible for direct shipments to its customers. Our headquarters monitor and assess the performance of each local logistics center by using a number of key performance indicators, including transit time of incoming shipments, order fulfilment, (such as pick, pack and ship time and the percentage of orders shipped to commitment by date and time), on-time delivery, transport, cost per kilogram shipped and cycle count performance.

Distribution Operations Management - "Asbis on IT4Profit"

The Directors consider that an efficient logistics and distribution model is one of the key contributors to maintaining our success in the distribution industry. Each in-country logistics centre is focused on continuous improvement with key performance indicators in place to measure performance.

IT4Profit is our online supply chain management software owned by us, which was internally developed, and which we continuously improve. We use IT4Profit to effectively manage the flow of goods within our distribution network. This system collaborates and exchanges business data with our key suppliers, master distribution centres, subsidiaries and customers. Local subsidiaries place their orders online through our e-market place on www.IT4Profit.com and receive their goods directly from one of the three distribution centres. In addition, local logistics staff use this online system to ensure that every online order is picked, packed and shipped within the allocated timeframe.

IT4Profit provides the following functions:

- interconnectivity with suppliers;
- B2B and B2C online shops to our customers for both front and back office administration;
- online supply chain management;
- statistics for product pricing and product content management and
- comprehensive operational reports and a balanced scorecards management system.

Disaster Recovery

We have developed and will continue to enhance, an enterprise-wide business plan, incorporating a disaster recovery plan that will enable us to restore all major procedures from offices around the world.

For our servers, we use Intel, Dell and IBM hardware.

In case of a system failure, spare servers kept at a number of locations where we operate can be made available within 24 hours. In addition to the daily back-ups that we maintain in Cyprus, we have our storage space resources in Lithuania for performing daily back-ups. In the event of a system failure, we can restore applications and recover data. In such an instance, this will enable us to continue operating with electronic means and servicing our clients. ASP services have a different scheme of high availability. On the main host in Lithuania, the services have fully duplication hardware according to the active-standby scheme with full online replication. Additionally, data is being replicated with 15 minutes delay to the standby host in Prague and every day a full back-up of each service is taken.

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Customers

We served 33,000 customers in approximately 60 countries in 2018. We have no reliance on any single customer, as our biggest customer is only responsible for about 6% of total revenues. Approximately 60% of our total sales were conducted on-line, based on our IT4Profit platform described above.

Industry overview and competition

Market characteristics

The markets we operate in are characterized by multi-culture environment and significantly lower per capita income when compared to the Western European markets.

Despite differences in GDP per person, our markets have been proving quite technology-oriented that consist of very much educated and demanding consumers.

Distributors are considered to be a basic component of the industry since the major suppliers of technology would rather deal with distribution, instead of own in-country operational investment.

This is particularly true of the European market, where a diversity of national business practices, as well as cultural and language differences make it difficult to pursue efficient hardware distribution models without having a strong local presence. In the Central and Eastern European and Former Soviet Union markets, different currencies, varying levels of economic development, import regulations and periodic episodes of political and economic instability create additional impediments to IT distribution not found in Western Europe. At the same time, leading manufacturers of IT do not want to rely solely on multinational OEMs and world-wide distributors for distribution as this would reduce producers' bargaining power.

For companies having own brands business, like us, it is important to find new niches all the times and leverage on market position and brand recognition. The need for new product lines is very important since we need to timely replace saturated product segments.

Market trends

During 2018 we have experienced significant growth in revenues in all major markets we operate. Markets accepted the products we deliver and demand was significantly increased. The key drivers of this growth were mostly mobile devices (smartphones) across all markets we were franchised as Value-Add-Distributors (''VAD'').

Another development of 2018 was the strong growth of the servers and server blocks segment in the commercial segment, especially solutions for data centres and other cloud providers. For 2019, independent analysts forecast this market to grow by a single digit.

Thus, our focus will be mostly on increasing margins while growing revenues to a reasonable extent. On the other hand though, we continue to search for new opportunities that will be supported by big vendors, like cloud services and internet of things (“IoT”).

The policy described above and the fact that the Company built a solid market position and gained recognition from customers, allows the Company’s management to be optimistic about 2019. This is particularly true because the Company is flexible enough to move between product lines, since its business is built on multiple pillars.

Competitive Landscape – traditional distribution

Distribution of IT and mobile devices in Central and Eastern Europe and the Former Soviet Union is fragmented. Major multinational players who dominate the U.S. and Western European markets are present in a few countries each.

A large number of local distributors operate mostly in a single country with only a few operating in more than one country. Typically, these local players have the largest share in each of the countries.

The Directors consider us to be one of the largest distributors of IT components in Eastern Europe, with a distribution network covering the majority of countries in Eastern Europe, and one of the three largest distributors in the EMEA region for IT components such as HDDs and CPUs. As no other distributor has a pan-regional presence like ASBIS, we believe we are very much protected with our current set up and infrastructure.

We compete with local distributors but the Directors consider that none of them has comparable geographic coverage, nor carry as diverse a portfolio as we do. The Directors consider that we do not have one main competitor but rather a group of competitors varying from country-to-country.

As some consolidation is seen on the market, and this trend may continue due to the effects of the recent world's financial crisis and limited abilities of the smaller distributors to finance themselves, ASBIS is ready to benefit from any opportunities that may arise.

Competitive Landscape – Private Labels

The private labels, Canyon, Prestigio, Perenio and Atlantech are competing with a variety of brands in all markets we operate. The market leaders of the tablet and smartphone segments are Apple and Samsung. We do not consider our Prestigio brand to be competing with these conglomerates since we are not considered as an A-brand. We are positioning ourselves as a B-Brand with a limited amount of product offerings and limited countries of presence. Recently the market was flooded by cheap brands, thus we have decided not to compete on price but rather on quality and decreased product lines and a number of models to achieve better margins. We continue our own brands business on a back-to-back basis and expect it to be responsible for a good share of our total revenues. This will allow us to benefit from its higher profitability, try not to carry any other related risks, such as inventory obsolescence.

Directions of further development

Our strategy is to grow our business and increase profitability by improving our operating efficiency in the distribution of IT products within all of the regions we operate in, upgrading our product portfolio and increasing sales of our private label products.

We intend to achieve this by:

a) increasing or retaining sales and market share in particular countries of the Former Soviet Union, Central and Eastern Europe and the Middle East and Africa and taking advantage of the weaknesses of the competition

b) benefiting from increased smartphones business, keep enhancing the IT component business, adding more third-party products to our portfolio and improving the gross profit margin

c) further optimizing our private label business

d) further developing of the VAD business

e) decreasing cost of financing

f) engaging in IoT and new technologies

g) controlling our cost structure, enhancing operating efficiency and automated processes, including our online sales channels

h) continuing our successful foreign exchange hedging

a) Increasing or retaining sales and market share in particular countries of the Former Soviet Union, Central and Eastern Europe, Middle East and Africa and taking advantage of the weaknesses of the competition

The Group has shown significant dynamics and 2018 was a year of growth, across all markets of operations. We have built very solid foundations to continue this growth at least for the foreseeable future.

The recent world's financial crisis has led some of our competitors to bankruptcy or to the decision of moving out from particular markets. We have signed a number of agreements with suppliers for many countries, including Slovakia, Ukraine and the Middle East countries. We have also developed sales of our own brands in almost all regions of our operations.

We have changed our strategy and product portfolio and addressed the market with more Apple products (i.e. we became the sole distributor in Ukraine, opened Azerbaijan and Georgia), more solutions to data centres and cloud-related products. This allowed us to increase our sales and market share in all major regions, but the most important being FSU and CEE markets. However, we had to achieve it quickly, and therefore sometimes at a cost of lower gross profit margin. This strategy was proven successful as our 2018 results grew significantly, both in terms of the top line, as well as in the terms of profitability.

b) Benefiting from increased smartphones business, keep enhancing the IT component business, adding more third-party products to our portfolio and improving gross profit margin;

The smartphones segment grew significantly in 2018 following our increased cooperation with Apple, the introduction of its products, mainly iPhone, to new territories and the 15 Apple Premium Reseller network in 5 countries of the FSU. For 2019, we plan to maintain a strong position on the Apple products market, following a year of a quite high sales growth. It is important to mention that independent analysts indicate that the smartphones segment is expected to decline this year.

The traditional IT components segment is characterized by high volumes, low gross profit margins. The component business is the backbone of our company. The example of growth in servers and server blocks proves that components are going to continue to play a significant role in our success.
Thus, the Company continues its efforts to rebuild its product portfolio by adding more finished-goods, namely networking, accessories and other products in order to benefit from growing sales and better margins. This strategy paid off well in 2018 and therefore the Company will continue, in order to increase its overall gross profit margin in the future.

c) Further optimizing of Private Labels

Our private label (branded) product lines, Canyon, Prestigio, Perenio and Atlantech are manufactured by leading Original Equipment Manufacturers ("OEM") in the Far East (China), often based on designs developed by us, selected on the basis of their quality and potential for achieving high profit margins in our markets. We market and sell these products under our own brands, successfully competing with products of comparable quality marketed under international brands.

We believe that keeping the share of private label business in our total revenues at healthy levels will have a positive impact on the overall profitability, as these products deliver a higher profit margin, compared to international suppliers' products distributed by us. We will increase such sales only to the extent this does not drive up our financial expenses nor affect our cashflows.

We aim to continue expanding the range of our private label products and strengthening their promotion in our markets and we expect that this will have a positive impact on our profitability.

d) Further developing of the VAD business

Development of Value-Added-Distribution (VAD) solutions is a key priority of the Group. Following the changes in the market trends and the significant increase in storage as well as other commercial services leave no room but to ensure that we are joining this segment which seems to gain a large chunk of the IT-Industry.

e) Decreasing cost of financing

Distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is expensive. The Company has already negotiated better terms with some of its supply-chain financiers and banks and is currently undertaking certain extra steps to further lower cost of financing.

The Company already significantly decreased its cost of bank facilities and we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost in 2018.

f) **Controlling our cost structure, enhancing operating efficiency and automated processes, including online sales channels;**

We continue to focus on improving our operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins. Our cost structure has been significantly decreased during 2018 as a ratio to revenues, however, in absolute numbers, it grew due to our investments to support growing sales and entrance into new business segments. The cost structure will continue to be under strict control in the coming years.

g) Continuing our successful foreign exchange hedging;

In 2018 our FX hedging strategy has successfully shielded our results. However, since there is no such thing as perfect hedging, the currency environment needs to be closely monitored and FX hedging strategies updated as soon as new developments are visible in the markets.

Real property and other tangible assets

The table below presents our main real properties:

		Area (m^2)			
Name of company	**Country**	**Land**	**Office**	**Warehouse**	**Total**
ASBISc Enterprises Plc	Cyprus	530	1,630	200	1,830
Asbis CZ, spol s.r.o.	Czech Republic	5,000	232	1,300	1,532
Asbis Ukraine Limited	Ukraine	-	2,646	348	2,994
ASBC Ltd	Belarus	-	1,056	-	1,056
Asbis SK sp.l. sr.o.	Slovakia	10,397	2,276	4,622	6,898
Asbis Middle East FZE	United Arab Emirates	-	1,086	4,477	5,563
CJSC ASBIS (Asbis BY)	Belarus	-	1,205	1,030	2,235
ASBIS Bulgaria Ltd	Bulgaria	3,855	-	-	3,855

Our remaining premises are under lease.

Information regarding real property owned by us and the relevant encumbrances are provided in the annual consolidated audited financial statements included elsewhere in this report. Other than this real property, we do not hold any other significant tangible assets***.***

Intellectual Property

We have registered the following trademarks, including their word and graphical representations in colour and design.

a) ASBIS
b) "CANYON";
c) "PRESTIGIO" and its product group trademarks, which include Nobile, Cavaliere, Signore, Visconte, Emporio, Prestigio Multi-Pad and Prestigio Grace
d) “Euromall”; and
e) “PrestigioPlaza.com”

Most of these trademarks are registered and protected in the countries in which we operate, both under international, regional and national registration schemes and systems, to the extent and other terms set forth in the provisions based on which they were registered. The registrations are mostly in the international class of goods 09, computers and IT products, and related classes of services.

In addition, we have registered a number of domain names for ASBIS, ISA Hardware, Canyon and Prestigio.

Insurance

We hold two different types of insurance: products or “cargo” insurance and credit insurance.

Products insurance*.* We have a products insurance policy with M.N. Leons B.V. We assume the risks of products we receive from our suppliers only upon transfer of legal title, and thereafter.

Under our product insurance policy, covering the twenty-four months ending 1 January 2021 with tacit renewal thereafter our products are insured for a maximum of U.S. $ 4,000 from any single shipment of computers, monitors and supplies of accessories transported from country to country or warehouse to warehouse. Typical shipment values for each warehouse are as follows: Czech Republic: U.S. $ 120 and the Middle East: U.S. $ 140.

Furthermore, goods held in storage at both distribution centers (i.e., both the Czech Republic and Middle East) and certain local warehouses are insured up to US 10,000.

The aforementioned insurance coverage approximates the typical value of stock held in each warehouse.

Credit Insurance: We have a major credit insurance policy in place with Atradius Credit Insurance N.V. reducing our exposure in respect to possible non-recoverability of our receivables. The insurers have agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured about 70% of our 2018 revenues.

The major insurance policy is held with Atradius Credit Insurance N.V. which was signed in April 2008 and is renewed every year. It covers Asbisc Enterprises PLC, Asbis Middle East FZE, Asbis D.o.o. (Slovenia), Asbis Doo (Serbia), Asbis OOO (Russian Federation), ASBIS Kazakhstan and ASBIS Hungary. Each buyer, primarily our large customers, who have an approved credit limit is insured for a coverage amounting to 85%. Atradius also offers us a discretionary credit limit up to a maximum of U.S. $ 60.

We also hold stand-alone credit insurance policies with Atradius in Slovakia covering the receivables of the country. Finally, for the receivables of the Czech Republic, we insure through a standalone policy with Euler Hermes.

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management's discussion and analysis of our financial position and results of operations review our historical financial results as at, and for the years ended, 31 December 2018 and 2017. The reader shall read the following discussion in conjunction with our audited financial statements as at 31 December 2018 and 2017, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by KPMG Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors"* and *"Information on the Company*".

Unless we indicate otherwise, references to U.S. $, PLN and € are in thousands except for share and per share data.

Summary

The principal events of 2018 were as follows:

- Revenues in 2018 increased by 39% to U.S. $ 2,069,564 from U.S. $ 1,484,913 in 2017.
- Gross profit in 2018 increased by 28% to U.S. $ 98,093 from U.S. $ 76,736 in 2017.
- Gross profit margin in 2018 decreased to 4.74% from 5.17% in 2017.
- Selling expenses in 2018 increased by 32% to U.S. $ 46,030 from U.S. $ 34,745 in 2017 as a result of higher sales and gross profit.
- Administrative expenses in 2018 have increased by 29% to U.S. $ 22,653 from U.S. $ 17,585 in 2017.
- EBITDA in 2018 amounted to U.S. $ 31,978 in comparison to U.S. $ 26,642 in 2017.
- As a result, we had a much improved year over 2017. In 2018 the Company posted a net profit after tax of U.S. $ 12,037 in comparison to U.S. $ 6,909 in 2017. This is a significant, more than 74% improvement year on year.

Principal Factors Affecting Financial Condition and Results of Operations

In 2018, the Company's results of operations have been affected and are expected to continue to be affected by a number of factors.

Below we present all factors that have affected and continue to affect our business:

The in-country financial conditions affecting our major markets, gross profit and gross profit margin

Throughout the years of operation, the Company has from time to time suffered from specific in-country problems, emanating from the deterioration of specific countries' financial situation, due to a number of issues including but not limited to the political instability. We need to monitor any developments, react fast and weather every risk showing up in a specific market to secure our results.

The Company needs to keep in mind that different in-country problems might arise at any time and affect our operations. Despite the fact that we have improved our procedures, we cannot be certain that all risks are mitigated.

Currency fluctuations

The Company's reporting currency is the U.S. dollar. About 30% of the Company's revenues are denominated in U.S. dollars, while the balance is denominated in Euro, Ruble, UAH, KZT and other currencies, some of which are pegged to the Euro.
Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company is exposed to foreign exchange risk that remains a crucial risk factor that might affect the Group's results in the future. Although the problem still persists and will persist as the Euro and other Eastern European currencies fluctuate in a steep manner against the U.S. dollar, the Group has adopted hedging strategies to tackle this problem and this has been successful despite large volatility of some currencies. Especially, and given the fact that our FSU business is growing, the risk of devaluation of currencies of countries like Kazakhstan, Belarus and Ukraine, might cause significant losses to the Group. The management believes that hedging is very important in our industry and we shall continue enhancing it going forward, by adapting to new market realities and finding solutions to hedge all exotic currencies in the region.

Competition and price pressure

The IT distribution industry is a highly competitive market, particularly with regards to products selection and quality, inventory, price, customer services and credit availability and hence is open to margin pressure from competitors and new entrants. The Company competes at the international level with a wide variety of distributors of varying sizes, covering different product categories and geographic markets. In particular, in each of the markets in which the Company operates it faces competition from:

1. International IT and CE distributors with a presence in all major markets we operate
2. Regional IT and CE distributors who cover mostly a region but they are quite strong
3. Strong local distributors who focus mostly on a single market but they are very strong
4. International IT and mobile phones brokers, who sell opportunistically in any region and/or country

Competition and price pressures from market competitors and new market entrants may lead to significant reductions in the Company's sales prices. Such pressures may also lead to a loss of market share in certain of the Group's markets. Price pressures can have a material adverse effect on the Company's profit margins and its overall profitability, especially in view of the fact that its gross profit margins, like those of most of its competitors, are low and sensitive to sales price fluctuations.

This was also visible in 2018, where the Group had to sacrifice some of its gross profit margin in order to gain market share against competitors.

Low gross profit margins

The Company's business is both a traditional distribution of third-party products and own brand. This allows the Company to deliver healthier gross profit margins when conditions are favourable. However, the own brand business has been significantly affected by new entrants and the margins have been lowered.

In the traditional distribution business, the Company's gross profit margins, like those of other distributors of IT products, are low and the Company expects that in the distribution arm of its business they will remain low in the foreseeable future.

Increased competition arising from industry consolidation and low demand for certain IT products may hinder the Company's ability to maintain or improve its gross margins. A portion of the Company's operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, the Company may not be able to reduce its operating expenses as a percentage of revenue in order to mitigate any reductions in gross margins in the future.

In an effort to increase gross margins, the Company has developed its own brand business that allows for higher gross profit margins. It has also invested in the VAD Business Unit which is also expected to bring higher gross profit margins. It is very important for the Company to address all risks associated with these business lines and avoid negative surprises which might lead to significant losses.

Inventory obsolescence and price erosion

The Company is often required to buy components and finished products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components are characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers. This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs. In an oversupply situation, other distributors may elect to proceed with price reductions in order to dispose of their existing inventories, forcing the Company to lower its prices to stay competitive. The Company's ability to manage its inventory and protect its business against price erosion is critical to its success.

A number of the Company's most significant contracts with its major suppliers contain advantageous contract terms that protect the Company against exposure to price fluctuations, defective products and stock obsolescence.

For the own brand business division, the Company needs to balance between satisfying consumer demand on one side and the risk of inventory obsolesces or price erosion on the other, by having a proper level of inventory.

Credit risk

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 70% of its revenue.

Despite all efforts to secure our revenues, certain countries remained uninsured (Ukraine and Belarus) therefore is very important for us to ensure that we find other sources of securities which help us minimize our credit risk. The Group Directors have decided to enhance risk management procedures. These do not guarantee that all issues will be avoided, however, these have granted the Company with confidence that is in a position to weather any possible major credit issue that may arise.

Worldwide financial environment

The world's financial crisis has eased throughout the last few years. Following partial recovery, the Company has undertaken certain efforts to benefit from this recovery both in revenues and profitability. The revised strategy and adaptation to the new environment, i.e., by rebuilding our product portfolio, has paid off in terms of increased market share and sales. However, there are many uncertainties about the world economy following turmoil in different countries, the volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. A recent example is the trade war between the USA and China. We believe that the Company is much more flexible and better prepared to weather any obstacles that may arise due to the worldwide financial environment.

Seasonality

Traditionally the IT distribution industry in which the Company operates experiences high demand during the months prior to and leading up to the Christmas and New Year holiday period. In particular, IT distributors' demand tends to increase in the period starting from September till the end of the year.

Development of own brand business

The Company's strategy is to focus more on profitability than on revenues, thus we continue to develop the own brand business that allows for higher gross profit margins. This includes the development of smartphones, tablets and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations. The Company has also invested in two new brands - Perenio, which contains the sales of smart home and smart security sensors and other products and Atlantech - solutions for data centre, embedded computing, servers and data storage.

In order to keep quality under control and get the maximum possible gross profit margins, the Company's Directors have decided to go under a back-to-back scheme. This implies that orders are placed with ODMs, only if they are in advance confirmed by customers.

The Company is undertaking a number of quality control measures to mitigate this risk but given the volumes and a large number of factories used to produce these products, these controls might not be sufficient. Moreover, competition has already been intensified and the Company may not be able to sustain its profitability levels.

Despite the Company's efforts, there can be no assurance of a similar development pace in the own brand business in future periods.

This is because there may be a significant change in market trends, customer preferences or technology changes that may affect the development of own-brand business and therefore, its results.

Warranty claims from own brand products

The own-brand business requires us to put extra efforts to avoid any problems with the quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced in the recent past, though this situation has much improved in 2018.

This risk has negatively affected our results in the past when certain ODMs have not honored their contractual obligations on products with epidemic failure. The Group is undertaking all possible steps towards ensuring proper compensation for past expenses.

In the same time, in an effort to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which, however, does not guarantee elimination of the risk of warranty losses.

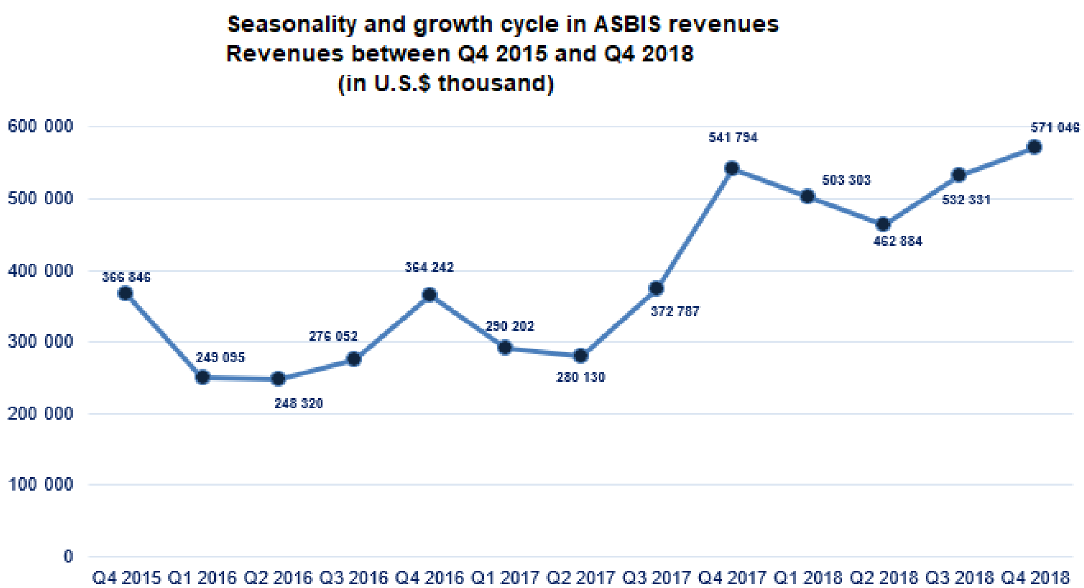
The high cost of debt

The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is quite high. The Company has already negotiated improved terms with some of its supply-chain financiers and is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in significantly increased cost of financial facilities in these countries and this may limit our efforts to further decrease our average cost of debt. In 2018 we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost.

Financial position and results of operations / in U.S.$ thousand/

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenues: Revenues in 2018 increased by 39% to U.S. $ 2,069,563 from U.S. $ 1,484,912 in 2017.



The table below sets forth a breakdown of revenues, by product, for the years ended 31 December 2018 and 2017:

	2018		2017	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Smartphones	799,059	38.61%	421,155	28.36%
Central processing units (CPUs)	231,308	11.18%	192,814	12.98%
PC-mobile (laptops)	148,910	7.20%	106,661	7.18%
Accessories & multimedia	142,872	6.90%	79,800	5.37%
Hard disk drives (HDDs)	132,398	6.40%	125,487	8.45%
SSDs	84,018	4.06%	69,681	4.69%
Servers and server blocks	80,967	3.91%	68,595	4.62%
Tablets	75,841	3.66%	61,186	4.12%
Memory modules (RAM)	54,964	2.66%	49,214	3.31%
Networking products	50,660	2.45%	46,537	3.13%
Other	268,566	12.98%	263,782	17.76%
Total revenue	**2,069,564**	**100%**	**1,484,913**	**100%**

ASBIS remains the distributor of the first choice for many worldwide suppliers. In 2018 the Company continued its strategy to broaden its product portfolio and invest in brands which have been on top of the technological trends. All changes in our product portfolio have to comply with our main focus, which is the increase in margins and profitability.

For FY 2018 sales growth has mainly arisen from product lines such as smartphones, accessories & multimedia, PC desktop and laptops.

Sales of CPUs increased by 20% in the 12M 2018. Sales of HDDs increased by 6% in the 12M 2018. Revenues from software sales increased by 0.4% in the 12M 2018. Sales of laptops increased by 40% in the 12M 2018. Sales of SSDs increased by 21% in 12M 2018.

Sales of smartphones, which is a key contributor towards sales growth, increased by 90% in 12M 2018.

PC desktop sales increased by 59% in the 12M 2018. The tablets segment recorded an increase of 24% in 12M 2018.

Among other product lines, the Company recorded a positive trend in the 12M 2018 on the sale of accessories and multimedia (+79%) and flash memory (+ 5%).

Revenues from own brand business were stable year-on-year as a result of our strategy to keep this segment under better operative and financial control, focusing on back-to-back deals.
The Company's intention is to continue developing its own brand sales to the extent they bring targeted gross margin and deliver healthy cash flow. In 2019 we do expect double-digit sales growth for own brands.

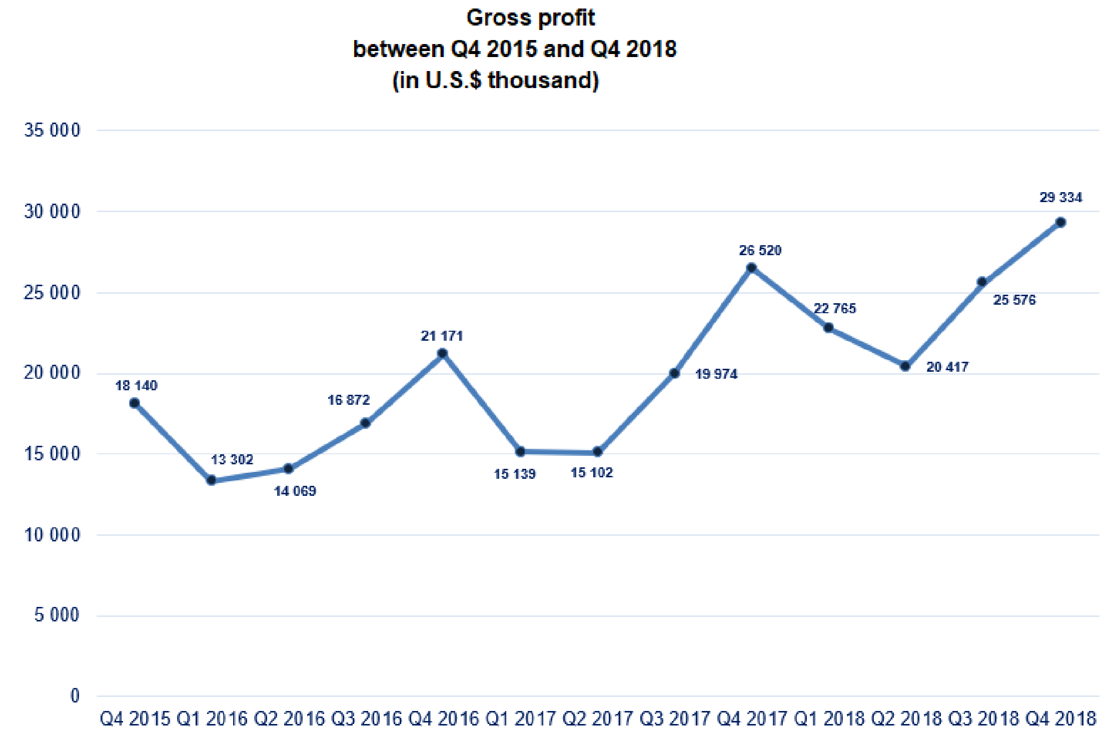
The table below presents a geographical breakdown of sales for the years ended 31 December 2018 and 2017:

	2018		2017	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Former Soviet Union	1,085,559	52.45%	719,388	48.45%
Central and Eastern Europe	575,107	27.79%	496,007	33.40%
Middle East and Africa	202,664	9.79%	162,610	10.95%
Western Europe	163,672	7.91%	93,666	6.31%
Other	42,561	2.06%	13,241	0.89%
Total	**2,069,564**	**100%**	**1,484,913**	**100%**

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2018 and 2017:

	2018			2017		
	Country	Sales in U.S. $ thousands	% of total revenues	Country	Sales in U.S. $ thousands	% of total revenues
1.	Russia	369,040	17.83%	Russia	241,724	16.28%
2.	Ukraine	297,944	14.40%	Ukraine	211,666	14.25%
3.	Kazakhstan	198,803	9.61%	Slovakia	170,921	11.51%
4.	Slovakia	191,667	9.26%	Kazakhstan	147,500	9.93%
5.	United Arab Emirates	152,663	7.38%	United Arab Emirates	113,269	7.63%
6.	Belarus	119,377	5.77%	Czech Republic	81,889	5.51%
7.	Czech Republic	83,520	4.04%	Belarus	79,748	5.37%
8.	The Netherlands	72,718	3.51%	Romania	70,177	4.73%
9.	Romania	71,220	3.44%	The Netherlands	44,144	2.97%
10.	Hungary	35,104	1.70%	Bulgaria	30,499	2.05%
11.	Other	477,507	23.07%	Other	293,378	19.76%
	TOTAL	**2,069,564**	**100%**	**TOTAL**	**1,484,913**	**100%**

Gross Profit: Gross profit in 2018 increased by 28% to U.S. $ 98,093 from U.S. $ 76,736 in 2017.



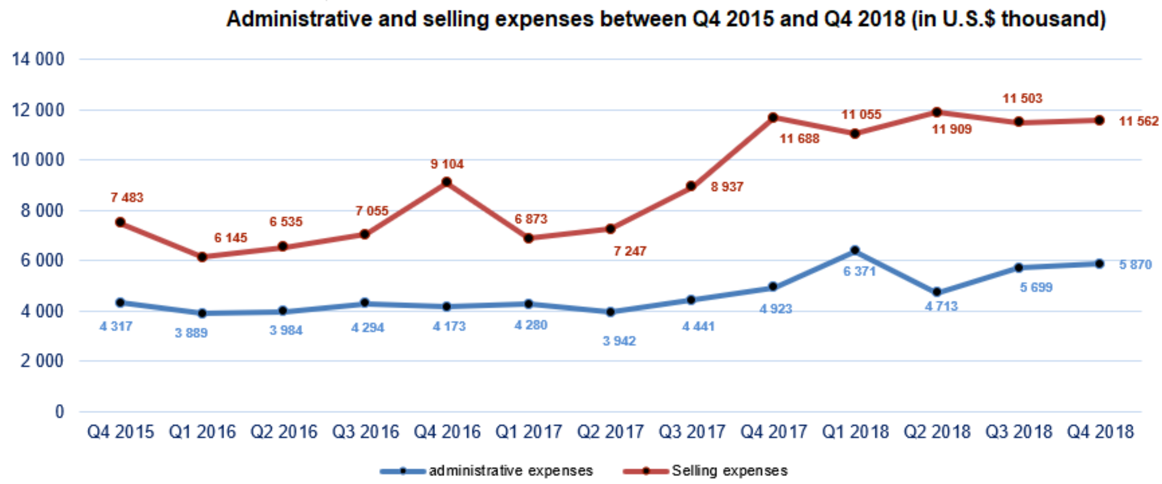
Gross profit margin (gross profit as a percentage of revenues): Gross profit margin in 2018 decreased to 4.74% from 5.17% in 2017. This was a cost we had to pay to gain more market share.

Selling Expenses: largely comprise of salaries and benefits paid to sales employees (sales, marketing and logistics departments), marketing and advertising fees, commissions, and travelling expenses. Selling expenses usually grow together (but not in-line) with growing sales and, most importantly, gross profit.

Selling expenses in 2018 increased by 32% to U.S. $ 46,030 from U.S. $ 34,745 in 2017 as a result of higher sales and gross profit.

Administrative Expenses: largely comprise of salaries and wages of administrative personnel and rent expense.

Administrative expenses in 2018 have increased by 29% to U.S. $ 22,653 from U.S. $ 17,585 in 2017.



EBITDA: EBITDA in 2018 was positive and amounted to U.S. $ 31,978 in comparison to U.S. $ 26,642 in 2017.

Profit After Taxation: As a result of strong growth in revenues and gross profit and controlled expenses, in 2018 the Company posted a net profit after tax of U.S. $ 12,037 in comparison to U.S. $ 6,909 in 2017. This is a significant 74,2% improvement year-on-year.

Liquidity and Capital Resources

The Company has in the past funded its liquidity requirements, including ongoing operating expenses and capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. Cash flow for 2018 was strong despite the strong growth in revenues, increased working capital utilization and dividend and interim dividend payout.

The following table presents a summary of cash flows for the twelve months ended December 31st, 2018 and 2017 (in U.S. $ thousand):

	Twelve months ended December 31st	
	2018	**2017**
Net cash outflows from operating activities	(11,426)	42,111
Net cash outflows from investing activities	(3,132)	(2,163)
Net cash inflows from financing activities	26,734	(554)
Net increase in cash and cash equivalents	12,176	39,394

Net cash inflows from operations

Net cash outflows from operations amounted to U.S. $ (11,426) in 2018, compared to inflows of U.S. $ 42,111 in the corresponding period of 2017.

Net cash outflows from investing activities

Net cash outflows from investing activities were U.S. $ 3,132 in 2018, compared to U.S. $ 2,163 in 2017.

Net cash inflows from financing activities

Net cash inflows from financing activities were U.S. $ 26,734 in 2018, compared to outflows of U.S. $ 554 in 2017.

Net increase in cash and cash equivalents

Because of increased working capital efficiency, increased revenues and dividend and interim dividend payments, in 2018 cash and cash equivalents have increased by U.S. $ 12,176 compared to an increase of U.S. $ 39,394 in 2017.

Capital Resources

The Company's management believe that we have enough resources to finance operations, as described in the audited financial statements attached to this annual report, going forward.

As at 31 December 2018, we had a total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. $ 69,404 (including U.S. $ 87 of current maturities due within one year from 31st, December 2018), compared to U.S. $ 70,821 (including U.S. $ 70,652 of current maturities, as at 31 December 2017).

The table below presents our principal debt facilities as at 31 December 2018:

ENTITY	*Financial institution*	*Type of facilities*	*Credit limit*	*Currency*	*Rate*	*US$ Equivalent*	*Valid from*	*Valid till*
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	2 500 000	Euro	0,87	$ 2 859 757	23.Sep.10	30.Jan.19
Asbisc Enterprises Plc	Cyprus Development Bank	L/C-Bank Guarantees	3 933 000	USD	1,00	$ 3 933 000	23.Sep.10	30.Jan.19
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	3 100 000	USD	1,00	$ 3 100 000	23.Sep.10	30.Jan.19
Asbisc Enterprises Plc	Cyprus Development Bank	Loan	51 884	Euro	0,87	$ 59 350	23.Sep.10	31.Mar.19
Asbisc Enterprises Plc	Barclays Bank Plc	Bank Guarantees	10 000 000	USD	1,00	$ 10 000 000	23.Dec.15	22.Dec.19
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	10 971 951	USD	1,00	$ 10 971 951	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	L/C-Bank Guarantees	250 000	Euro	0,87	$ 285 976	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	SBLC	22 000 000	USD	1,00	$ 22 000 000	10.Sep.18	10-Sep-19
Asbisc Enterprises Plc	Bank of Cyprus Factors	Factoring	9 000 000	USD	1,00	$ 9 000 000	1.Jan.15	non term
Asbisc Enterprises Plc	Raiffeisen Bank International	Overdraft	2 000 000	USD	1,00	$ 2 000 000	21.Sep.17	non term
Asbisc Enterprises Plc	Societe Generale Cyprus	SBLC	3 000 000	USD	1,00	$ 3 000 000	30.Sep.18	30.Sep.19

Asbisc Enterprises Plc	Societe Generale Cyprus	Overdraft	2 000 000	USD	1,00	$ 2 000 000	31.May.18	non term
Asbisc Enterprises Plc	National Bank of Greece - Cyprus	Overdraft	3 500 000	USD	1,00	$ 3 500 000	7.Mar.18	non term
ASBIS Kypros Ltd	Bank of Cyprus	Factoring	800 000	Euro	0,87	$ 915 122	18-Jul-12	non term
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	500 000	Euro	0,87	$ 571 951	20-Aug-08	non term
ASBIS Kypros Ltd	Ancoria Bank	Overdraft	100 000	Euro	0,87	$ 114 390	16-Jan-18	15-Jan-19
Prestigio Plaza	Bank of Cyprus	Overdraft	50 000	Euro	0,87	$ 57 195	30-Jul-16	non term
Asbis CZ, spol s.r.o	CSOB bank	Revolving	80 000 000	CZK	21,97	$ 3 641 826	14.sty.16	non term
Asbis CZ, spol s.r.o	CSOB bank	Overdraft	15 000 000	CZK	21,97	$ 682 842	14.sty.16	non term
Asbis CZ, spol s.r.o	ČSOB Factoring	Factoring	120 000 000	CZK	21,97	$ 5 462 740	07.sty.16	non term
Asbis Poland	BOŚ Bank S.A.	Overdraft	3 200 000	PLN	3,76	$ 851 132	13.lis.15	12-Feb-19
Asbis Poland	Credit Agricole Bank Polska S.A.	SBLC Line	1 000 000	USD	1,00	$ 1 000 000	11.maj.16	10-May-19
Asbis Romania SRL	ALPHA BANK	Overdraft	17 000 000	RON	4,07	$ 4 173 213	15-Nov-18	15-Jul-19
Asbis Romania SRL	BRD-GSG	Factoring	1 000 000	RON	4,07	$ 245 483	1-Oct-16	non term
Asbis Romania SRL	BRD-GSG	Factoring	2 000 000	RON	4,07	$ 490 966	1-Nov-16	non term
Asbis Romania SRL	BRD-GSG	Factoring	4 700 000	RON	4,07	$ 1 153 771	13-Dec-17	non term
Asbis Romania SRL	CITI	Factoring	10 000 000	RON	4,07	$ 2 454 831	30-Oct-17	non term
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	20 000 000	Euro	0,87	$ 22 878 060	1-Nov-17	31-Oct-19
Asbis SK spol s.r.o	CSOB Leasing	Financial Leasing	19 895	Euro	0,87	$ 22 757		
Asbis SK spol s.r.o	Tatrabanka a.s.	Factoring	8 000 000	Euro	0,87	$ 9 151 224	13-Nov-15	31-Oct-19
Asbis SK spol s.r.o	Všeobecná úverová banka a.s.	Overdraft - committed line	25 000 000	Euro	0,87	$ 28 597 575	18-Jul-18	31-Aug-19
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	Short term Loan	15 000 000	HRK	6,47	$ 2 318 682	24-Aug-18	24-Aug-19
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	Short term Loan	3 375 000	HRK	6,47	$ 521 703	24-Aug-18	30-Sep-19
ASBIS Cr d.o.o	Societe Generale-Splitska Banka D.D	bank guarantee	300 000	HRK	6,47	$ 46 374	5-Jul-18	5-Jul-19
Asbis D.o.o Beograd	Eurobank	Short term Loan	2 000 000	RSD	103,4	$ 116 066	21.Mar.18	21.Mar.19
Asbis D.o.o Beograd	Eurobank	Revovling Credit	37 000 000	RSD	103,4	$ 357 871	21.Mar.18	21-Mar-19
Asbis D.o.o Beograd	Eurobank	Customs Guarantee	15 000 000	RSD	103,4	$ 145 083	28-Feb-18	28-Feb-19
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Revovling Credit	37 000 000	RSD	103,4	$ 357 871	18-Apr-18	18-Apr-19
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Overdraft	10 000 000	RSD	103,4	$ 96 722	18-Apr-18	18-Apr-19
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Long Term Loan	18 000 000	RSD	103,4	$ 174 099	20-Apr-17	20-Apr-19
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Bank Guarantees line	17 729 190	RSD	103,4	$ 171 480	20-Apr-17	20-Apr-19
Asbis Hungary Ltd	Erste Bank	Short term Loan	600 000 000	HUF	280,94	$ 2 135 687	27-Apr-18	27-Apr-19

Asbis Siovenia d.o.o	Addiko bank d.d.	Short term Loan	300 000	Euro	0,87	$ 343 171	1-Dec-18	30-Nov-19
Asbis Siovenia d.o.o	Addiko bank d.d.	Long Term Loan	130 000	Euro	0,87	$ 148 707	8-Dec-16	7-Dec-19
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Revolving loan	4 420 000	BGN	1,67	$ 2 641 929	30-Jun-16	30-Jun-19
Asbis Bulgaria Ltd	Unicredit Factoring EAD	Factoring line	1 000 000	BGN	1,67	$ 597 721	31-Dec-16	30-Jun-19
Asbis Bulgaria Ltd	Citibank N.A. - Sofia Branch	Factoring line	1 000 000	BGN	1,67	$ 597 721	13-Sep-13	non term
Asbis Bulgaria Ltd	DSK Factoring	Factoring line	500 000	BGN	1,67	$ 298 861	19-Apr-18	19-Apr-19
Asbis Middle East FZE	National Bank of Fujairah	Trust Receipt Loan	15 500 000	Dirham	3,68	$ 4 217 687	26.Dec.06	till date
Asbis Middle East FZE	National Bank of Fujairah	Factoring / Discounting	10 000 000	Dirham	3,68	$ 2 721 088	26.Dec.06	till date
Asbis Middle East FZE	National Bank of Fujairah	Short term Loan (via invoice discounting)	3 000 000	Dirham	3,68	$ 816 327	8.Feb.18	till date
OOO Asbis-Moscow	Sberbank	Overdraft	250 000 000	Rur	69,47	$ 3 598 645	4-May-18	29-Apr-19
OOO Asbis-Moscow	Sberbank	Short term Loan	200 000 000	Rur	69,47	$ 2 878 916	10-Apr-17	9-Apr-19
OOO Asbis-Moscow	Sberbank	Short term Loan	150 000 000	Rur	69,47	$ 2 159 187	24-May-17	23-May-19
OOO Asbis-Moscow	Sberbank	Short term Loan	200 000 000	Rur	69,47	$ 2 878 916	26-Jun-18	26-Dec-19
OOO Asbis-Moscow	Sberbank	Factoring	778 000 000	Rur	69,47	$ 11 198 982	30-May-16	till date
OOO Asbis-Moscow	Alfa Bank	Factoring	50 000 000	Rur	69,47	$ 719 729	23-Aug-16	till date
OOO Asbis-Moscow	Absolut Bank	Factoring	147 700 000	Rur	69,47	$ 2 126 079	2-Sep-15	till date
OOO Asbis-Moscow	Zenit	Factoring	1 350 000 000	Rur	69,47	$ 19 432 681	25-Sep-18	uncertain term
OOO Asbis-Moscow	NFK	Factoring	115 221 454	Rur	69,47	$ 1 658 564	10-May-17	till date
OOO Asbis-Moscow	OTP	Factoring	160 000 000	Rur	69,47	$ 2 303 133	29-Jun-18	till date
ASBIS Bosnia	SBERBANK BH d.d.	Overdraft	350 000	KM	1,71	$ 204 972	6-Sep-18	2-Feb-22
ASBIS Bosnia	SBERBANK BH d.d.	Revolving	1 150 000	KM	1,71	$ 673 479	6-Sep-18	2-Feb-22
ASBIS Bosnia	SBERBANK BH d.d.	Bank guarantees	500 000	KM	1,71	$ 292 817	6-Sep-18	2-Feb-22
ASBIS Bosnia	Raiffeisen Bank d.d.	Revolving	700 000	KM	1,71	$ 409 944	30-Jun-17	30-Jun-19
ASBIS Bosnia	Raiffeisen Bank d.d.	Overdraft	300 000	KM	1,71	$ 175 690	30-Jun-17	30-Jun-19
ASBIS Bosnia	Raiffeisen Bank d.d.	Bank guarantees	600 000	KM	1,71	$ 351 380	30-Jun-17	30-Jun-19
ASBIS Bosnia	Vakufska Banka d.d.	Overdraft	300 000	KM	1,71	$ 175 690	3-May-17	3-May-19
ASBIS Bosnia	Vakufska Banka d.d.	Revolving	200 000	KM	1,71	$ 117 127	3-May-17	3-May-19
Asbis Latvia	OP BANK	Factoring	550 000	EUR	0,87	$ 629 147	28-Aug-17	till date
Asbis Latvia	OP BANK	Overdraft	1 000 000	EUR	0,87	$ 1 143 903	15.Aug.18	15.Aug.19
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	4 500 000	USD	1,00	$ 4 500 000	29-Mar-16	28-Mar-19
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Overdraft	2 700 000	BYN	2,16	$ 1 250 116	22-Apr-15	21-Apr-19

Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	1 500 000	USD	1,00	$ 1 500 000	10-May-18	10-Mar-19
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Factoring	2 500 000	BYN	2,16	$ 1 157 515	25-Jul-18	24-Jul-20
Zao Asbis (Asbis Belarus)	Bank BelVEB	Short Term Loan	4 000 000	BYN	2,16	$ 1 852 023	25-May-17	30-Jul-21
Zao Asbis (Asbis Belarus)	Priorbank (RBI Group)	Factoring	2 250 000	BYN	2,16	$ 1 041 763	9-Dec-16	25-Oct-19
ASBC (707)	Bank "BelVEB"	Short Term Loan	495 000	BYN	2,16	$ 229 188	26-May-17	24-May-19
ASBIS Kazakhstan	Alfabank	Short Term Loan	600 000 000	KZT	384,20	$ 1 561 687	8-Aug-14	8-Aug-21
ASBIS Kazakhstan	Alfabank	Factoring	11 900 000 000	KZT	384,20	$ 30 973 451	4-May-14	4-May-21
ASBIS Ukraine	OTP Bank	Short Term Loans	50 000 000	UAH	27,69	$ 1 805 819	14-Nov-14	21-Jul-21
ASBIS Ukraine	First Ukrainian International bank	Factoring	161 000 000	UAH	27,69	$ 5 814 738	2-Aug-17	27-Oct-19
ASBIS Ukraine	OTP Bank	Factoring facility	200 000 000	UAH	27,69	$ 7 223 277	21-Jul-17	19-Jul-19
ASBIS Ukraine	OTP Bank	Overdraft facility	18 000 000	UAH	27,69	$ 650 095	21-Jul-17	20-Jul-19
Asbis Ukraine	Credit Agricole	Short Term Loans	75 000 000	UAH	27,69	$ 2 708 729	12-Jun-18	30-Apr-19
Prestigio Europe	ČSOB bank	overdraft	2 000 000	CZK	21,97	$ 91 046	1.Sep.14	non term

Capital Expenditure

Our total capital expenditure for tangible and intangible assets amounted to U.S. $ 3,014 for the year ended 31 December 2018, compared to U.S. $ 2,332 for the year ended 31 December 2017.

Commitments and contingencies

Commitments and contingencies are presented in the audited financial statements included elsewhere in this annual report.

Critical Accounting Policies

The preparation of our financial statements under IFRS requires Management to select and apply certain accounting policies that are important to the presentation of our financial condition and results of operations. Certain of our accounting policies have been identified as critical accounting policies. A "critical accounting policy" is one that both (i) is significant to our financial condition and results of operations (in that the application of a different accounting principal or changes in related estimates and assumptions that Management could reasonably have used or followed would have a material impact on our financial condition and results of operations) and (ii) requires difficult, complex or subjective analysis to be made by Management based on assumptions determined at the time of analysis.

Our accounting policies are reviewed on a regular basis and Management believe that the assumptions and estimates made in the application of such policies for the purposes of preparing our financial statements are reasonable; actual amounts and results, however, could vary under different methodologies, assumptions or conditions. Our accounting policies and certain critical accounting estimates and judgments with respect to the preparation of our financial statements are described in Note 2 to the financial statements included elsewhere in this annual report.

Financial forecast for the year 2019

The 2018 results have shown strong growth in revenues and net profit. The Board of Directors believes 2019 will prove to be as good for the Company as the previous year. Thus, on March 27th, 2019 the Company announced its official financial forecast for 2019.

The Company forecasts that for 2019 will reach the following:
- Sales revenue at the level between USD 1.7 billion and USD 1.9 billion,
- Net profit after tax at the level between USD 8.5 million and USD 10.0 million

Forecasted values result from the Company's strategy including - but not limited to - more focus on sales in the FSU and CEE regions, increase in third-party brands' distribution and continuation of stable back-to-back own brands business.

The significant assumptions made on the forecasted results are the following:
- The situation in our major markets of Russia, Ukraine, Kazakhstan, Belarus and Slovakia will not deteriorate, as compared to 2018
- There will not be any major devaluations of the currencies of Russia, Belarus, Kazakhstan and Ukraine, and therefore it will not negatively affect demand on those markets
- There would be no significant disturbance in the general economic environment in other markets where the Company operates
- Competition in all major segments will remain similar to that of 2018, with no new significant market entrants
- The Group will continue enjoying favorable terms from its key suppliers
- Smartphones segment will not deteriorate more than 10% in the markets we operate.

ITEM 4. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

The Board of Directors is responsible for formulating, reviewing and approving our strategy, budgets and corporate actions. We intend to hold Board of Directors meetings at least four times each financial year and at other times as and when required.

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1964	Chairman, Chief Executive Officer	30 August 1999	8 May 2020	Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	8 May 2020	Cypriot
Constantinos Tziamalis	1975	Director of Risk & Investor Relations	23 April 2007	14 June 2020	Cypriot
Yuri Ulasovich	1962	Director, COO	29 September 2015	8 May 2020	Cypriot
Demos Demou	1969	Non-Executive Director	7 August 2015	14 June 2020	Cypriot

The biographical details of the members of our Board of Directors are set out below:

Siarhei Kostevitch, born in 1964, holds a Master's degree in radio engineering design from the Radio Engineering University of Minsk (1987). Between 1987 and 1992, Siarhei worked as a member of the Research Center at the Radio Engineering University in Minsk, where he published a series of articles on microelectronics design in local and worldwide specialist magazines. In 1990, Siarhei established a design and manufacturing business in Minsk, Belarus, and within 15 years has built it into the leading computer component distributor in Eastern Europe and the Former Soviet Union. Siarhei is the Chairman and the CEO of the Group.

Marios Christou, born in 1968, holds a B.A., dual major in Accounting and Information Systems and Economics, from Queens College of the City University of New York (C.U.N.Y.) (1992), and an M.B.A. in International Finance from St. John's University, New York (1994). Marios is also a Certified Public Accountant (CPA) and a member of the American Institute of Certified Public Accountants (AICPA). Marios worked with Deloitte & Touche Limassol, Cyprus, for four years, as an audit manager. Marios then worked as a Financial Controller at Photos Photiades Breweries Ltd (part of the Carlsberg Group of companies) for three years. Marios joined the Company in August 2001 and is the Chief Financial Officer.

Constantinos Tziamalis, born in 1975, holds a B.Sc. in Banking and Financial Services (1998) and a Masters (M.Sc.) in Finance (1999) from the University of Leicester. Constantinos Tziamalis worked at the private banking department of BNP Paribas in Cyprus and then joined a brokerage house, Proteas Asset Management Limited, for 3 years as Investor Accounts Manager. Constantinos joined the Company in January 2002 as Financial Project Manager. He was promoted to his current position as Corporate Credit Controller & Investor Relations in March 2003 and became Director of Risk and Investor Relations as of 23 April 2007. In January 2010 Constantinos has been also appointed as head of the FX Risk Management team.

Yury Ulasovich, born in 1962, joined the Group in 1995. He received a Master's degree from Novosibirsk High Military School (1983) and a Master's degree (with Honors) in Philosophy and Economics from the Moscow Academy of Armed Forces (1992), a postgraduate degree from the Institute for Higher Education of Belarus (Economic Theory and Industrial Economics) in 1995. Mr Ulasovich joined the Company in 1995 as a Regional Sales Director and was promoted to the position of Vice President - Product Marketing in 2004. He became Chief Operating Officer from August 2015.

Demos Demou, born in 1969, joined the Group in 2015. His career includes a number of managerial positions, mainly in the Shipping and Banking Industry. Currently, he is the managing director of Fidelius Management Services Ltd. In the past, he was working for a number of companies including the Limassol Cooperative Savings Bank Ltd where he held the position of the Financial Manager for 5 years, V.Ships Ltd, Comarine Ltd, Oesterreichischer Lloyd Ship Management (Cyprus) Ltd, Acomarit (Cyprus) Ltd, Blasco Ship Management (Cyprus) Ltd, Unicom Management Services Ltd and Nikos Karantokis Holdings. He is a member of the Institute of Certified Public Accountants of Cyprus since 1995, a fellow member of the Association of Chartered Certified Accountants of the United Kingdom, a member of the Society of Trust and Estate Practitioners and a graduate of the International Management Development Institute / University of Pittsburgh. Demos is the Company's Non-Executive Director.

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Directors' remuneration

Unless determined by ordinary resolution, the number of Directors shall be not less than three and there shall be no maximum number of Directors.

Subject to our Articles of Association, we may by ordinary resolution appoint a person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board of Directors.

The remuneration of the Directors will from time to time be determined by the general meeting on the recommendation of the remuneration committee.

Any Director performing special or extraordinary services in the conduct of our business or in discharge of his or her duties as Director, or who travels or resides abroad in discharge of his or her duties as Director may be paid such extra remuneration as determined by the Directors, upon recommendation by the remuneration committee.

Executive Directors are also entitled to receive a bonus every quarter depending upon quarterly results. The bonus consists of a certain amount or percentage which is agreed and described in each Director's service agreements or contracts, as applicable, however, Directors only receive such a bonus to the extent profit meets certain pre-set budgetary figures. All such bonus amounts are included in the remuneration tables set forth below.

The following table presents the remuneration (including bonuses) of Directors for the years ended 31 December 2018 and 2017, respectively (U.S.$):

Name			**2018 Total**			**2017 Total**
	Salary	Other benefits		Salary	Other benefits	
Siarhei Kostevitch	434	-	434	185	-	185
Marios Christou	97	-	97	63	-	63
Constantinos Tziamalis	97	-	97	61	-	60
Yuri Ulasovich	138	-	138	125	-	125
Demos Demou	1	-	1	1	-	1
Chris Pavlou *	1	-	1	1	-	1
TOTAL	**768**	**-**	**768**	**436**	**-**	**436**

* On 26th of March 2019, Chris Pavlou – Non-Executive Director has resigned from his position.

Information about non-financial remuneration components due to each board member and key manager

Executive members of the Board of Directors are entitled to a car and medical insurance.

Significant amendments of the remuneration policy in the last financial year or information about their absence;

During 2018 there were no significant changes in remuneration policy.

Assessment of the implementation of the remuneration policy

The Board of Directors positively evaluates the functioning of the remuneration policy from the point of view of achieving its objectives, in particular, the long-term shareholder value growth and the stability of the Company's operations.

Shares ownership

The table below presents the beneficial interests of Directors in the Company's issued share capital as at the date of the publication of this annual report:

Name	Number of Shares	% of the share capital
Siarhei Kostevitch (directly and indirectly)	20,443,127	36.83%
Constantinos Tziamalis	555,000	1.00%
Marios Christou	463,061	0.83%
Yuri Ulasovich	210,000	0.38%
Demos Demou	0	0%

Siarhei Kostevitch holds shares as the ultimate beneficial owner of KS Holdings Ltd.

To the best of the Company's knowledge, the members of the Board of Directors do not have any rights to the Company's shares.

During 2018 there were no changes in the number of shares possessed by the Directors.

Committees

The Audit Committee of the Company, during 2018 and till 26th of March 2019, was comprising by Chris Pavlou (on 26th of March 2019, Chris Pavlou - non-executive Director has resigned from his position) and Demos Demou (both non-executive Directors) and Marios Christou (as attending member) is chaired by Demos Demou. The Audit Committee meets at least twice a year. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the auditors and reviews reports from the auditors relating to accounts and internal control systems. The Audit Committee meets at least once a year with the auditors.

The Remuneration Committee of the Company, during 2018 and till 26th of March 2019, was comprising by Chris Pavlou (on 26th of March 2019, Chris Pavlou - non-executive Director has resigned from his position) and Demos Demou (both nonexecutive Directors) and Siarhei Kostevitch (as attending member) was chaired by Chris Pavlou. It sets and reviews the scale and structure of the executive Directors' remuneration packages, including share options and terms of their service contracts. The remuneration and the terms and conditions of the nonexecutive Directors are determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

Changes in main management rules

In 2018, there has been an increase in the packages of certain executive directors.

List of all agreements signed with directors that gives the right to compensation in a case the person resigns or is fired

There were no changes in the service agreements of any of the directors.

Information about ownership of shares of any related parties - owned by the Directors

None of our Directors holds shares of any of our subsidiary companies, other than disclosed.

Employees

During 2018 we employed an average number of 1,401 employees, of whom 123 were employed by the Company and the remainder in the rest of the Company's offices worldwide. The split of employees by area of activity as at 31 December 2018 and 2017 is as follows:

	As at 31 December	
	2018	**2017**
Sales and Marketing	750	624
Administration and IT	215	169
Finance	145	131
Logistics	291	278
Total	**1,401**	**1,202**

ITEM 5. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table presents shareholders possessing more than 5% of our shares as of the date of publication of this report, according to our best knowledge. The information included in the table is based on the information received from the shareholders pursuant to Art. 69, sec. 1, point 2 of the Act on Public Offering, conditions governing the introduction of financial instruments to organized trading and public companies.

Name	Number of shares	% of share capital	Number of votes	% of votes
KS Holdings Ltd*	20,443,127	36,83%	20,443,127	36,83%
ASBISc Enterprises Plc (buy-back program)	16,389	0,03%	16,389	0,03%
Free-float	35,040,484	63,14%	35,040,484	63,14%
TOTAL	**55,500,000**	**100%**	**55,500,000**	**100%**

*Siarhei Kostevitch holds shares as the ultimate beneficial owner of KS Holdings Ltd

In 2018 the Company has received the following information about changes in its shareholders' structure:

1) On April 23rd, 2018, the BOD has received from Nationale-Nederlanden Otwarty Fundusz Emerytalny (Fund) notification that total share of this Fund descended below the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders. According to the notification, before the abovementioned change of share, the Fund had 2,792,890 Company's shares that were equal to 5.03% in the Company's share capital and had 2,792,890 votes from these shares that were equal to 5.03% of a total number of votes. According to the notification, as of April 19th, 2018, the Fund held 2,692,890 Company's shares, equal to 4.85% in the Company's share capital and had 2,692,890 votes from these shares, equal to 4.85% of a total number of votes.

2) On May 15th, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that total share of these Funds moved above the threshold of 5% of the total voting rights of the Company. According to the notification, the increase above the 5% threshold in

the Company followed transactions conducted in the regulated market on May 14th, 2018. According to the notification, before the abovementioned change of share, the Funds had 2,756,299 Company's shares that were equal to 4,97% in the Company's share capital and had 2,756,299 votes from these shares, that were equal to 4,97% of a total number of votes. According to the notification, as of May 15th, 2018, the Funds held 2,866,299 of the Company's shares, equal to 5,16% in the Company's share capital and had 2,866,299 votes from these shares, equal to 5,16% of a total number of votes.

3) On September 24th, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that the total share of these Funds jointly fell below the threshold of 5% of the total voting rights of the Company. According to the notification, the decrease below the 5% threshold in the Company followed transactions conducted on the Warsaw Stock Exchange on September 21st, 2018. According to the notification, before the abovementioned change of share, the Funds had 2,814,736 Company's shares that were equal to 5,07% in the Company's share capital and had 2,814,736 votes from these shares, that were equal to 5,07% of the total number of votes. According to the notification, as of September 24th, 2018, the Funds held 2,769,303 of the Company's shares, equal to 4,99% in the Company's share capital and had 2,769,303 votes from these shares, equal to 4,99% of the total number of votes.

Related Party Transactions

During the year ended 31 December 2018, the Company did not have any materially related party transactions other than typical or routine transactions. For the ordinary course of business transactions, please refer to the notes on the audited financial statement attached on this annual report.

In the year 2018, a number of transactions have occurred between us and our subsidiaries and between our subsidiaries. In our opinion, all of these transactions were based on terms that did not vary from market terms and their nature and conditions resulted from ongoing needs and operations of the Company and of the Group, such as contracts related to the purchases of goods for onward distribution to external clients. All of these transactions and related outstanding balances were eliminated in the Financial Statements included in this Annual Report and, as a result, did not have any impact on our consolidated financial results and on our financial position as a whole.

ITEM 6. FINANCIAL INFORMATION

Legal Proceedings

Currently, there are no legal significant proceedings pending against us or any of the members of our Group.

Information on loans granted to any other party

During the year ended 31st December 2018, we have not granted any loan to any other party other than our subsidiaries which are disclosed in another part of this report (audited financial statements).

Information on granted guarantees

We grant certain guarantees to some of our vendors and to certain customs authorities. All our guarantees are reported in the financial statements section of this annual report.
The total corporate guarantees the Company has issued, as at December 31st, 2018 to support its subsidiaries' local financing, amounted to U.S.$ 191,300,000.

The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at December 31st, 2018 was U.S.$ 41,226,000 – as per note number 17 to the financial statements.

Evaluation of financial resources management (including the ability to pay back commitments) and information about actions undertaken to avoid risks

This has been discussed in note 32 of our financial statements to this annual report under the headline Financial Risk management.

Evaluation of the possibility of realization of investment intentions

The Company has completed almost all of its current investments in prior years and in 2019 intends to mainly grow organically, therefore there is low risk connected with the realization of current investment intentions.

Characteristics of the structure of assets and liabilities in the consolidated balance sheet including characteristics from the point of view of Company liquidity

The structure of assets and liabilities in the balance sheet including characteristics from the point of view of the Company's liquidity has been discussed in detail in the financial statements included in this annual report:

a) note 13 - Trade receivables - Ageing analysis of receivables
b) note 32 – Financial risk management – point 1.3. Liquidity risk

Information about the structure of main deposits and capital investments in 2018

There were no deposits other than those disclosed as pledged deposits in the financial statements to this annual report.

There were no other capital investments than the ones disclosed in note 9 of the financial statements included in this annual report.

Information about relevant off-balance sheet positions as at December 31st, 2018

There were no relevant off-balance sheet positions as at December 31st, 2018 other than Bank Guarantees disclosed in note 23 of the audited financial statements.

DIVIDEND POLICY

Our dividend policy is to pay dividends at levels consistent with our growth and development plans while maintaining a reasonable level of liquidity.

The Board taking into consideration the strong growth in 2017 and continuation of this trend in 2018, decided to propose to the AGM a dividend payout from the Company's profit for 2017 of U.S.$ 0.06 cents per share and in December 2018 an interim dividend from the Company's profit for 2018 of U.S.$ 0.05 cents per share. Moreover, on 27th of March, 2019, the Board of Directors decided to propose to the AGM the payment of a final dividend of US$ 0.05 per share for the year 2018, based on improved 2018 profitability.

Any future dividends will be solely at the discretion of the Board of Directors and the General Meeting of shareholders after considering various factors, including business prospects, future earnings, cash requirements, financial position, expansion plans and requirements of the Cyprus law.

The Cyprus law does not limit dividends that may be paid out except that it states that dividends may only be paid out of profits and may not be higher than recommended by the Board of Directors.

Throughout recent years the Group has always followed a steady Dividend Policy, by not paying anything more than 50% of the profitability of the precedent year.

Significant Contracts

During 2018 neither the Company nor any of the members of our Group have concluded any significant contracts.

PART II

ITEM 7. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We enter into agreements with our principal auditors, KPMG Limited, as well as other auditors of Group companies, to review interim (period ending 30 June) and audit annual financial statements (fiscal year ending 31 December).

The last agreement has been signed on 20th July 2018.
The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2018, and 2017:

(U.S. $)	2018	2017
Auditors fees regarding annual report [1]	378	392
Auditors fees regarding other approval services	0	0
Auditors fees for tax advisory	9	0
Auditors fees for other services	0	0
Total fees	**387**	**392**

[1] Positions in the table include fees and expenses for certain services (i.e. in relation to reviews and audits of financial statements) for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

ITEM 8. ASBISC ENTERPRISES PLC STATEMENT ON NON-FINANCIAL INFORMATION FOR THE YEAR 2018

According to art. 55.2b of the Polish Bill of Accounting (which implements the 2014/95/EU Directive into Polish law), ASBISc Enterprises Plc presents separately a consolidated report on non-financial information for Y2018.
The report includes all non-financial information regarding the ASBISc Enterprises Plc Group in the period from January 1 to December 31, 2018.
The report is available at the Company website http://investor.asbis.com/csr-reports

Signatures:

……………………………………………………
Siarhei Kostevitch
Chairman, Chief Executive Officer
Member of the Board of Directors

....
Marios Christou
Chief Financial Officer
Member of the Board of Directors

....
Constantinos Tziamalis
Director of Credit and Investor Relations
Member of the Board of Directors

....
Yuri Ulasovich
Director
Member of the Board of Directors

ITEM 9.

MANAGEMENT REPRESENTATIONS

In accordance with the requirements of the Decree of the Minister of Finance of March 29th, 2018 on current and periodic information to be published by issuers of securities and on rules of recognition of information required by law of a non-member country as equivalent, the Board of Directors of ASBISc Enterprises Plc hereby represents that:

a) to its best knowledge, the annual consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Group’s financial position and its results of operations, and that the annual Directors’,

b) The report gives a true view of the Group’s development, achievements and position, including a description of the basic risks and threats;

c) The Company adheres to the provisions regarding the appointment, composition and functioning of the audit committee, including the fulfilment of independence criteria by its members and the requirements for knowledge and skills in the industry in which ASBISc Enterprises Plc operates and in the field of accounting or auditing

d) The audit committee performed the tasks provided for in the applicable regulations

e) The auditing company and the members of the audit team met the conditions for drawing up an unbiased and independent audit report on the annual consolidated financial statements in accordance with applicable regulations, professional standards and professional ethics,

f) The applicable regulations related to the rotation of the auditing company and the key statutory auditor and mandatory grace periods are observed

g) The issuer has a policy regarding the selection of the audit company and the policy for providing the issuer by the auditing company, an entity related to the auditing company or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition by the audit company

Signatures:

……………………………………………………

Siarhei Kostevitch

Chairman, Chief Executive Officer

Member of the Board of Directors

....
Marios Christou
Chief Financial Officer
Member of the Board of Directors

....
Constantinos Tziamalis
Director of Credit and Investor Relations
Member of the Board of Directors

....
Yuri Ulasovich
Director
Member of the Board of Directors

Limassol, 27th of March 2019