ASBISc Enterprises Plc

INTERIM REPORT
FOR THE THREE MONTHS
ENDED 31 MARCH 2017

Limassol, May 9th, 2017

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DIRECTORS' REPORT ON THE COMPANY'S AND GROUP'S OPERATIONS

We have prepared this report as required by Paragraph 82 section 1 point 1 of the Regulation of the Ministry of Finance dated 19 February 2009 on current and periodic information to be published by issuers of securities and conditions of recognition of information required by the law of non-member country as equal.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this quarterly 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 Company alone.

Financial and Operating Data

This quarterly report contains financial statements of, and financial information relating to the Group. In particular, this quarterly report contains our interim consolidated financial statements for the three months ended 31 March 2017. The financial statements appended to this quarterly report are presented in U.S. dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34.

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 quarterly 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 quarterly report may not conform exactly to the total figure given for that column or row.

Currency Presentation

Unless otherwise indicated, all references in this quarterly 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 No. 974/98; and all references to "PLN" or "Polish Zloty" are to the lawful currency of the Republic of Poland.

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

FORWARD-LOOKING STATEMENTS

This quarterly 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 quarterly 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 quarterly 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 quarterly report.

Part I Additional information

1. Overview

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 and Ukraine.

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. 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 Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Apple, Lenovo and Hitachi. In addition, a significant part of our revenue is comprised of sales of IT products under our private labels, Prestigio and Canyon.

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 centres (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 24 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.

2. Executive summary for the three-month period ended 31 March 2017

The principal events of the three months ended 31 March 2017 were as follows:

- Revenues in Q1 2017 increased by 16.50% to U.S. $ 290,202 from U.S. $ 249,095 in Q1 2016.
- Gross profit in Q1 2017 has increased by 13.81% to U.S. $ 15,139 from U.S. $ 13,302 in Q1 2016.
- Gross profit margin in Q1 2017 reached to 5.22% from 5.34% in Q1 2016.
- Selling expenses in Q1 2017 have increased by 11.86% to U.S. $ 6,873 from U.S. $ 6.145 in Q1 2016.
- Administrative expenses in Q1 2017 have increased by 10.05% to U.S. $ 4,280 from U.S. $ 3,889 in Q1 2016.
- Financial expenses in Q1 2017 have increased by 20.35% to U.S.$ 3,570 from U.S.$ 2,967 in Q1 2016. This is mainly related to financing of growth in the F.S.U. countries.
- EBITDA in Q1 2017 increased by 18.80% to U.S. $ 4,517, in comparison to U.S. $ 3,802 in Q1 2016.
- As a result, in Q1 2017, net profit after taxation have increased by 37.37% to U.S. $ 551 in comparison to U.S. $ 401 in Q1 2016.

The following table presents revenues breakdown by regions for Q1 2017 and Q1 2016 (in U.S.$ thousand):

Region	Q1 2017	Q1 2016	Change (%)
Former Soviet Union	139,736	73,926	+89.02%
Central and Eastern Europe	91,313	99,413	-8.15%
Middle East and Africa	36,398	43,871	-17.03%
Western Europe	21,135	22,768	-7,17
Other	1,620	9,118	-82.24%
Grand Total	290,202	249,095	+16.50%

3. Summary historical financial data

The following data sets out our summary historical consolidated financial information for the periods presented. You should read the information in conjunction with the interim condensed consolidated financial statements and results of operations contained elsewhere in this interim report.

For your convenience, certain U.S. $ amounts as of and for the three months ended March 31st, 2017 and 2016, have been converted into Euro and PLN as follows:

- Individual items on the balance sheet – based at average exchange rates quoted by the National Bank of Poland for a given balance sheet date December 31st, 2016, that is: 1 US$ = 4.1793 PLN and 1 EUR = 4.4240 and March 31st, 2017, that is: 1 US$ = 3.9455 PLN and 1 EUR = 4.2198 PLN

- Individual items on 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 given period January 1st to March 31st, 2017, that is 1 US$ = 4.0230 PLN and 1 EUR = 4.2891 and January 1st to March 31st, 2016, that is 1 US$ = 3.9416 PLN and 1 EUR = 4.3559 PLN.

	Period from 1 January to 31 March 2017			Period from 1 January to 31 March 2016		
	USD	**PLN**	**EUR**	**USD**	**PLN**	**EUR**
Revenue	**290,202**	**1,167,481**	**272,197**	**249,095**	**981,831**	**225,403**
Cost of sales	(275,062)	(1,106,575)	(257,997)	(235,793)	(929,400)	(213,366)
Gross profit	**15,139**	**60,906**	**14,200**	**13,302**	**52,432**	**12,037**
Selling expenses	(6,873)	(27,651)	(6,447)	(6,145)	(24,219)	(5,560)
Administrative expenses	(4,280)	(17,217)	(4,014)	(3,889)	(15,328)	(3,519)
Profit from operations	**3,987**	**16,038**	**3,739**	**3,269**	**12,885**	**2,958**
Financial expenses	(3,570)	(14,363)	(3,349)	(2,967)	(11,693)	(2,685)
Financial income	187	753	176	97	383	88
Other gains and losses	68	275	64	61	239	55
Profit before taxation	**672**	**2,702**	**630**	**460**	**1,814**	**416**
Taxation	(121)	(487)	(114)	(59)	(234)	(54)
Profit after taxation	**551**	**2,215**	**516**	**401**	**1,580**	**363**
Attributable to:						
Non-controlling interests	3	11	3	3	11	3
Owners of the Company	**548**	**2,204**	**514**	**398**	**1,569**	**360**

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)	PLN (grosz)	EUR (cents)
Basic and diluted earnings per share from continuing operations	0.99	3.97	0.93	0.72	2.83	0.65

	Period from 1 January to 31 March 2017			Period from 1 January to 31 March 2016		
	USD	**PLN**	**EUR**	**USD**	**PLN**	**EUR**
Net cash outflows from operating activities	(29,679)	(119,400)	(27,838)	(18,854)	(74,316)	(17,061)
Net cash outflows from investing activities	(375)	(1,507)	(352)	(401)	(1,580)	(363)
Net cash outflows from financing activities	(432)	(1,736)	(405)	(595)	(2,346)	(539)
Net decrease in cash and cash equivalents	**(30,486)**	**(122,643)**	**(28,594)**	**(19,850)**	**(78,242)**	**(17,962)**
Cash at the beginning of the period	**6,537**	**26,298**	**6,131**	**4,290**	**16,909**	**3,882**
Cash at the end of the period	**(23,949)**	**(96,345)**	**(22,463)**	**(15,560)**	**(61,333)**	**(14,080)**

	As at 31 March 2017			As at 31 December 2016		
	USD	**PLN**	**EUR**	**USD**	**PLN**	**EUR**
Current assets	339,603	1,339,904	317,528	387,011	1,617,435	365,605
Non-current assets	28,624	112,935	26,763	28,475	119,004	26,900
Total assets	368,227	1,452,840	344,291	415,486	1,736,439	392,504
Liabilities	281,277	1,109,778	262,993	329,591	1,377,459	311,360
Equity	86,950	343,061	81,298	85,895	358,980	81,144

4. Organization of ASBIS Group

The following table presents our corporate structure as at March 31st, 2017:

Company	Consolidation Method
ASBISC Enterprises PLC	**Mother company**
Asbis Ukraine Limited (Kiev, Ukraine)	Full (100% subsidiary)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100% subsidiary)
Asbis Poland Sp. z o.o. (Warsaw, Poland)	Full (100% subsidiary)
ASBIS Estonia AS (formerly AS Asbis Baltic) (Tallinn, Estonia)	Full (100% subsidiary)
Asbis Romania S.R.L (Bucharest, Romania)	Full (100% subsidiary)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100% subsidiary)
Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100% subsidiary)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100% subsidiary)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100% subsidiary)
Asbis CZ,spol.s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100% subsidiary)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100% subsidiary)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100% subsidiary)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100% subsidiary)
Asbis Limited (Charlestown, Ireland)	Full (100% subsidiary)
FPUE Automatic Systems of Business Control (Minsk, Belarus)	Full (100% subsidiary)
E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus)	Full (100% subsidiary)
OOO ' Asbis'-Moscow (Moscow, Russia)	Full (100% subsidiary)
Asbis Morocco Limited (Casablanca, Morocco)	Full (100% subsidiary)
EUROMALL CZ s.r.o. (formerly ISA Hardware s.r.o.) (Prague, Czech Republic)	Full (100% subsidiary)
S.C. EUROMALL 2008 S.R.L (formerly ISA Hardware International S.R.L) (Bucharest, Romania)	Full (100% subsidiary)
ISA Hardware s.r.o Slovakia (Bratislava, Slovakia)	Full (100% subsidiary)
Euro-Mall SRB d.o.o. (former ISA Hardware d.o.o Beograd) (Belgrade, Serbia)	Full (100% subsidiary)
Prestigio Plaza Sp. z o.o in liquidation (Warsaw, Poland)	Full (100% subsidiary)
Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)	Full (100% subsidiary)
Prestigio Europe s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
Prestigio Plaza NL.B.V. (Amsterdam, Netherlands)	Full (100% subsidiary)
Asbis Kypros Ltd (Limassol, Cyprus)	Full (100% subsidiary)
Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)	Full (100% subsidiary)
SIA "ASBIS LV" (Riga, Latvia)	Full (100% subsidiary)
Asbis d.o.o. (former Megatrend d.o.o.) (Sarajevo, Bosnia Herzegovina)	Full (90% ownership)
ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)	Full (100% subsidiary)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100% subsidiary)
Euro-Mall SRO (Bratislava, Slovakia)	Full (100% subsidiary)
Prestigio China Corp. (former AOSBIS TECHNOLOGY (SHENZHEN) CORP.) (Shenzhen,China)	Full (100% subsidiary)
ASBIS DE GMBH, (Munchen, Germany)	Full (100% subsidiary)
EUROMALL BULGARIA EOOD (Sofia, Bulgaria)	Full (100% subsidiary)
Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)	Full (100% subsidiary)
SHARK Computers a.s. (merged with SHARK ONLINE a.s.) (Bratislava, Slovakia)	Full (100% subsidiary)
E-vision Production Unitary Enterprise (Minsk, Belarus)	Full (100% subsidiary)
ASBIS UK LTD (Hounslow, England)	Full (100% subsidiary)

5. Changes in the structure of the Company

During the three months ended March 31st, 2017 there were no changes in the structure of the Company and the Group.

However, after the period end, on April 4th, 2017 a company named "I ON" LTD with share capital of 5.404.364UAH (equal to USD 200 thousand) has been created in Ukraine. This entity is 100% owned by the Issuer's subsidiary E.M. EURO-MALL LIMITED. It was incorporated in order to support growing business of the Group in Ukraine.

6. Discussion of the difference of the Company's results and published forecasts

We have not published any forecasts for the three-month period ended March 31st, 2017. However, on March 29th, 2017 the Company announced its official financial forecast for 2017. Having seen Q1 2017 results, we fully sustain our forecasts that assume revenues between USD 1,20 billion and 1,30 billion and net profit after tax between USD 5 and USD 6 million.

7. Information on dividend payment

For the three-month period ended March 31st, 2017 no dividend was paid.

However, on March 29th, 2017 the Company's Board of Directors announced its decision to recommend to the forthcoming Annual General Meeting of Shareholders the payment of a dividend on Y2016 results. The Board of Directors will recommend to the AGM to pay U.S.$ 0.03 per share, which gives a total amount of U.S.$ 1,665,000 – about 1/3 of the Y2016 net profit after tax. Regardless the Board of Directors' recommendation, the final decision on the dividend payment and its amount will be at the discretion of the Annual General Meeting of Shareholders.

8. Shareholders possessing more than 5% of the Company's shares as of the date of publication of the interim report

The following table presents shareholders possessing more than 5% of the Company's 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	20,401,361	36.76%	20,401,361	36.76%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. Quercus Parasolowy SFIO and Quercus Absolutnego Zwrotu FIZ)*	3,274,931	5.90%	3,274,931	5.90%
Noble Funds TFI S.A. managing Noble Funds Fundusz Inwestycyjny Otwarty, Noble Funds Specjalistyczny Fundusz Inwestyjny Otwarty and Noble Fund Opportunity Fundusz Inwestycyjny Zamknięty	2,934,690	5.29%	2,934,690	5.29%
Noble Funds Fundusz Inwestycyjny Otwarty**	2,866,781	5.17%	2,866,781	5.17%
NN OFE	2,872,954	5.18%	2,872,954	5.18%

* Including 2,775,045 shares corresponding to 5.00% votes at the AGM held by Quercus Parasolowy SFIO - according to notification from December 9th, 2011 amended by the notification from July 14th, 2015.
** Following notification from October 6th, 2016

In the three-month period ended on March 31st, 2017 the Company has not received any information about changes in its shareholders structure.

9. Changes in the number of shares owned by the members of the Board of Directors

During the three-month period ended on 31 March 2017 as well as for the period between March 30th, 2017 (the date of the publication of the Annual Report for 2016) and May 9th, 2017 (date of this report) there were no changes in the number of shares possessed by the members of the Board of Directors.

The table below presents the number of shares held by the members of the Board of Directors as of the date of this report. The information included in the table below is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading:

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%
Chris Pavlou	0	0%

Siarhei Kostevitch holds shares as the shareholder of KS Holdings Ltd.

10. Changes in the members of managing bodies

During the three-month period ended March 31st, 2017 there were no changes in the members of the Company's Board of Directors.

11. Significant administrative and court proceedings against the Company

As of March 31st, 2017, no court, arbitration or administrative proceedings whose single or aggregate value exceeds 10% of our equity were pending against us or any of the members of our Group.

12. Related Party Transactions

During the three months ended March 31st, 2017 we have not had any material related party transaction exceeding the Polish Zloty equivalent of Euro 500 thousand other than typical or routine transactions.

13. Information on guarantees granted to third parties

The Company has increased corporate guarantees to support its subsidiaries' local financing from U.S.$ 147,628 at December 31st, 2016 to U.S.$ 144,590 at March 31st, 2017, representing more than 10% of the Company's equity. The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at March 31st, 2017 was U.S. $ 13,394 – as per note number 16 to the financial statements – which is less than 10% of the Company's equity.

14. Information on changes in conditional commitments or conditional assets, occurred since the end of last fiscal year

No changes in conditional commitments or conditional assets occurred since the end of the last fiscal year.

15. Other information important for the assessment of our personnel, economic and financial position, as well as our financial results

In the three month period ended March 31st, 2017, the Company's results of operations have been affected and are expected to continue to be affected by a number of factors. These factors were: the in-country crisis seriously affecting major markets, currency fluctuations, competition and price pressures, low gross profit margins, potential inventory obsolescence and price erosions, the worldwide unstable financial environment, seasonality, development of own brand business, warranty claims and high cost of debt. Our revenues in Q1 2017 have grown significantly as compared to Q1 2016 while expenses remained under control. As a result our net profitability grew significantly year-on-year. Despite all challenges we face, we expect the upward trend in our results to continue in the next quarters of 2017. Below we present all factors that have affected and will continue to affect our business:

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

Throughout the years of operation, the Company has suffered from specific in-country crises (i.e. Russia and Ukraine in 2014 and 2015), because risk of in-country crises is quite high. We need to monitor any developments, react fast and weather any risks driven by external unforeseen factors in order to secure our results.

As previously mentioned, we have adapted to situation in Russia and Ukraine, and our results in these countries started to improve. In Russia, we have decided to focus on profits. For this reason, the Group is selective on the deals to undertake and for the customers to engage with. However, we need to remember, that different in country problems might arise at any time and affect our operations, as the late example of Romania and Poland. Fortunately, our procedures that have significantly improved after 2014, allow us to react fast enough and not to accept any losses.

Currency fluctuations

The Company's reporting currency is the U.S. dollar. About 40% of the Company's revenues are denominated in U.S. dollars, while the balance is denominated in Euro, Ruble 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. It is also believed by the management that hedging is very important in our industry and we shall continue enhancing it going forward.

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:

a) international distributors such as Avnet Inc., Tech Data Corp., Ingram Micro Inc. and Arrow Electronics Inc., which are much larger than the Company, but do not always cover the same geographic regions with local presence as the Company does,

b) regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine, Merlion in the Former Soviet Union, AB, ABC Data in Poland and ATC and ED System-BGS Levi in the Czech Republic and Slovakia.

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 the tablet and smartphone segments where we have experienced the entrance of a number of strong competitors. This had a negative result on our profitability since we had to lower prices to get rid of our stocks.

In the same time, we see opportunities arising from specifics of particular markets, like in case of Ukraine, where we have managed to win market share from weaker competitors.

Low gross profit margins

The Company's business is both traditional distribution of third party products and own brand sales. 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 the own brand business, that allows for higher gross profit margins. Since this business already accounts for a significant part of total sales, it positively affects the overall gross profit margins and profitability of the Company. However, this business is also connected with risks, including the risk of technology change, the risk of changes in demand and customer preferences. Therefore, it is extremely important for the Company to foresee market demand changes and offer new products right in time to satisfy consumer needs and be able to sell the previous technology as well.

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 is 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 and risk of inventory obsolence or price erosion, by having a proper level of inventory. Following an upgrade in our procedures done in 2015, we have not had any problems related to this issue since then.

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 a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 60% of its revenue.

Due to the recent market developments following the changes in credit rating of certain countries and regions where the Group operates in, credit risk has become one of the most important risk factors that might affect the Group's results in the future. Credit insurance companies are being more strict and risk averse to certain regions they have suffered from significant default cases. A major change happened in the GCC area where the credit insurers smashed the credit limit granted due to an extensive number of run-away cases. The Group, despite the fact that it has not been directly affected by these events, has decided to enhance its risk management proceedures. These do not guarantee that all issues will be avoided, however it grants the Company 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 years. This included recovery signals from some of our markets and stabilization in some of others. Following partial recovery, the Company has undertaken certain efforts to benefit from these signals both in revenues and profitablity. 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 the developments in China and turmoil in the ME region coupled with volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. However, with the experience we have gained (lately in Russia and Ukraine), the management strongly believes today the Company is much more flexible and better prepared to weather any obstacles that may arise due to 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 tablets, smartphones, GPS and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations.

In order to keep quality under control and get the maximum possible gross profit margins, the Company decided go under a back-to-back scheme. Thus overall revenues from own brands sales are limited to the extent we decide is the best from the point of view of overall profitability. As a result we enjoy improvements in our total results, while any quality related risks are weathered.

The Company is undertaking a number of quality control measures to mitigate this risk, but given the volumes and the large amount 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 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 quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced the last three years.

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 of 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 100% elimination of the risk of warranty losses.

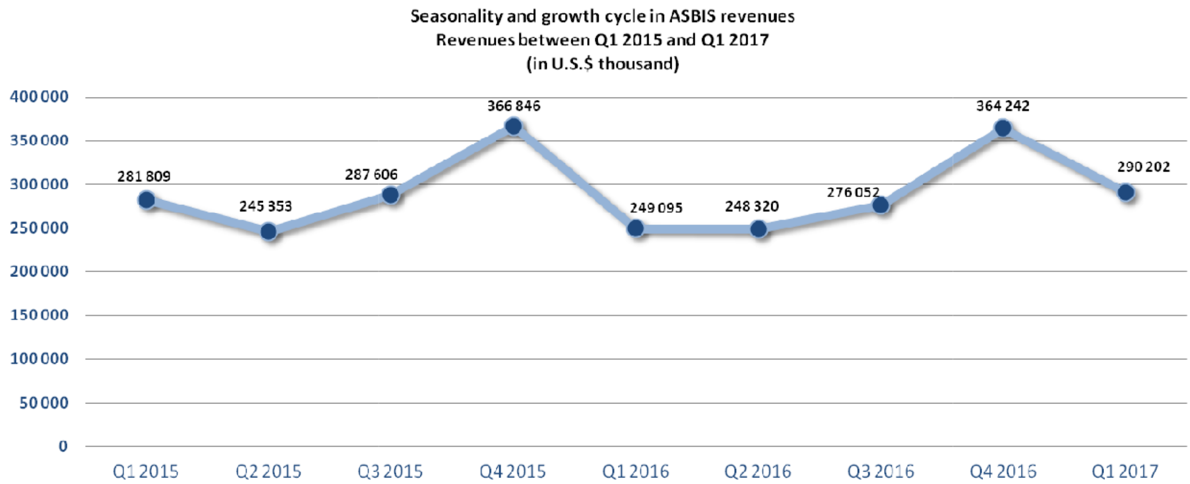
High cost of debt

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 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 financing facilities in these countries and this may limit our efforts to further decrease our average cost of debt.

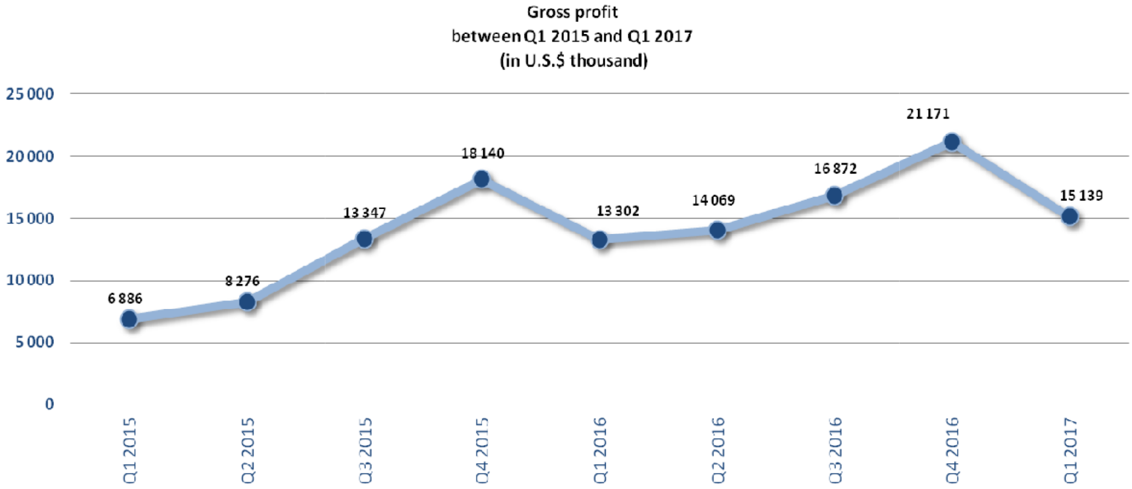
Results of Operations

Three-month period ended 31 March 2017 compared to the three-month period ended 31 March 2016

- **Revenues:** In Q1 2017 revenues increased by 16.50% to U.S. $ 290,202 from U.S. $ 249,095 in Q1 2016.



- **Gross profit:** In Q1 2017 gross profit has increased by 13.81% to U.S. $ 15,139 from U.S. $ 13,302 in Q1 2016.



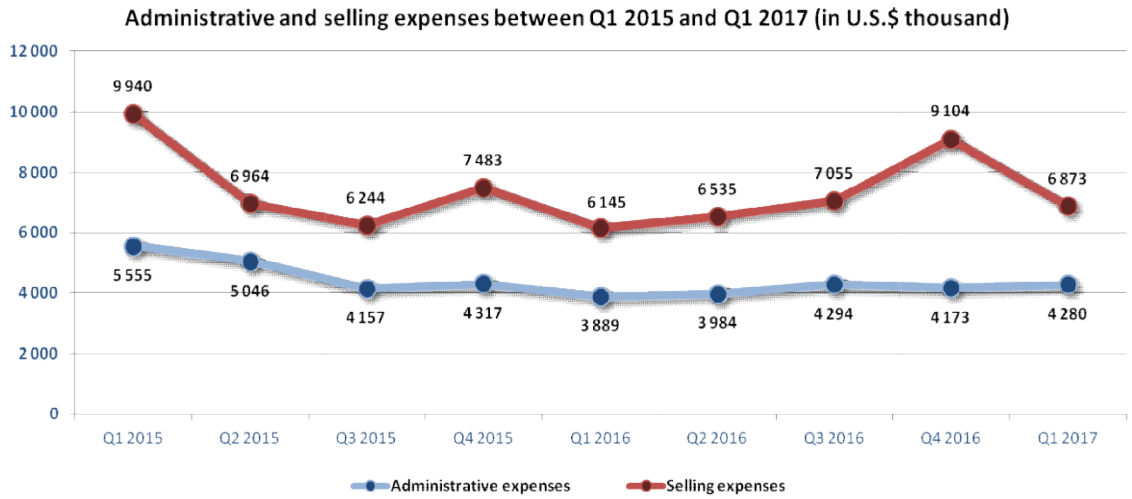
- **Gross profit margin:** In Q1 2017 gross profit margin has decreased slightly by 2.31% to 5.22% from 5.34% in Q1 2016.

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

  Selling expenses in Q1 2017 have increased by 11.86% to U.S. $ 6,873 from U.S. $ 6.145 in Q1 2016. This was a result of higher revenues and gross profit. However, selling expenses grew slower than revenues and gross profit.

- **Administrative expenses** largely comprise of salaries and wages of administration personnel and rent expense.

  Administrative expenses in Q1 2017 have increased by 10.05% to U.S. $ 4,280 from U.S. $ 3,889 in Q1 2016.



- **Financial expenses** in Q1 2017 have increased by 20.35% to U.S.$ 3,570 from U.S.$ 2,967 in Q1 2016. This is mainly related to financing of growth in the F.S.U. countries.

- **Operating profit:** In Q1 2017 operating profit have increased by 21.95% to U.S. $ 3,987 from U.S. $ 3,269 in Q1 2016.

- **EBITDA:** In Q1 2017 EBITDA was positive and have increased by 18.80% to U.S. $ 4,517, in comparison to U.S. $ 3,802 in Q1 2016.

- **Net profit:** Net profit after taxation in Q1 2017 increased by 37.37% to U.S. $ 551 in comparison to U.S. $ 401 in Q1 2016.

Sales by regions and countries

The F.S.U. and the CEE regions traditionally contribute the majority of our revenues. This has not changed in Q1 2017. However, our focus on F.S.U. region allowed it to continue its very good performance and show an impressive 89.02% growth year-on-year. Following that, the F.S.U. share in our total revenues grew to 48.15% from 29.68% in Q1 2016 (and 42.23% in Q4 2016).

As a result of our focus on F.S.U. region, sales in other regions have decreased. Sales in the Central and Eastern Europe region have decreased by 8.15% in Q1 2017 as compared to Q1 2016.
Sales in Western Europe in Q1 2017 decreased by 7.17% compared to Q1 2016. Sales in MEA region have decreased by 17.03% in Q1 2017 as compared to Q1 2016.

Country-by-country analysis allows for a better understanding of the above mentioned trends. Growth in F.S.U. has arisen from a continuous improvement in Russia, Ukraine, Kazakhstan and Belarus that in Q1 2017 grew by 87.25%, 85.71%, 163.84% and 36.48% respectively. In the same time the 26.68% decrease in Slovakia has been partially compensated by a 20.81% increase in the Czech Republic, 16.38% increase in Romania and 6.81% increase in Hungary. The decrease in MEA region of 17.03% is mainly attributed to the slow-down in the North Africa region where last year we have serviced large education projects.

The table below provides a geographical breakdown of sales in the three month periods ended March 31st, 2017 and 2016.

	Q1 2017		Q1 2016	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Former Soviet Union	139,736	48.15%	73,926	29.68%
Central and Eastern Europe	91,313	31.47%	99,413	39.91%
Middle East and Africa	36,398	12.54%	43,871	17.61%
Western Europe	21,135	7.28%	22,768	9.14%
Other	1,620	0.56%	9,118	3.66%
Total	290,202	100%	249,095	100%

Revenue breakdown – Top 10 countries in Q1 2017 and Q1 2016 (in U.S. Dollar thousand)

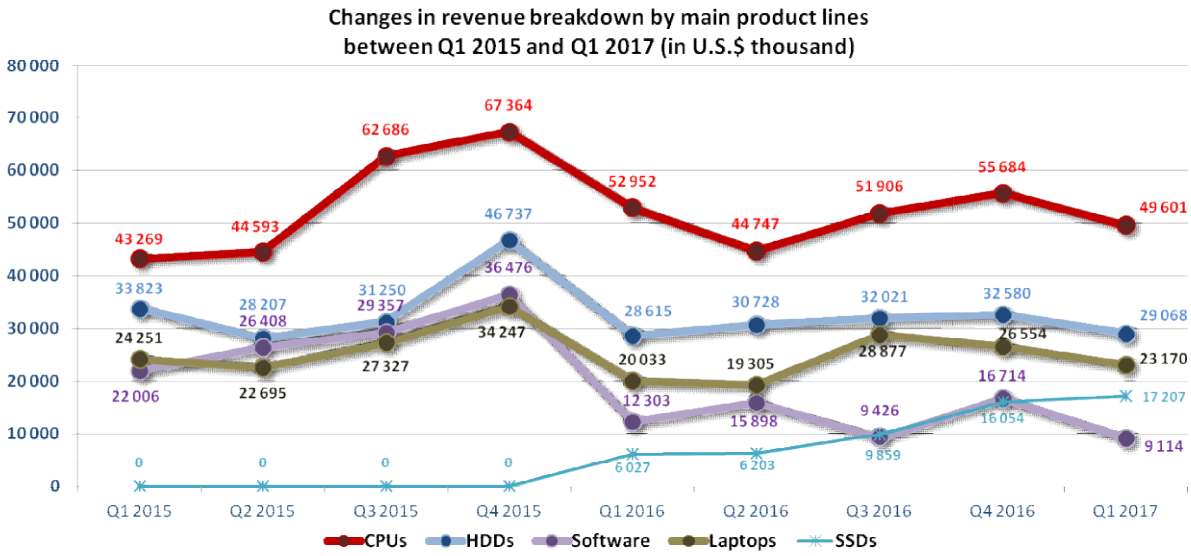
	Q1 2017		Q1 2016	
	Country	Sales	Country	Sales
1.	**Russia**	59,673	**Slovakia**	43,316
2.	**Slovakia**	31,760	**Russia**	31,868
3.	**Ukraine**	32,079	**United Arab Emirates**	30,030
4.	**Kazakhstan**	27,548	**Ukraine**	17,274
5.	**United Arab Emirates**	25,117	**Czech Republic**	12,906
6.	**Czech Republic**	15,592	**Romania**	11,464
7.	**Belarus**	14,133	**United Kingdom**	11,402
8.	**Romania**	13,341	**Kazakhstan**	10,442

9.	The Netherlands	10,747	Belarus	10,356
10.	Hungary	6,954	Hungary	6,511
11.	Other	53,259	Other	63,528
	TOTAL	**290,202**	**TOTAL**	**249,095**

Sales by product lines

Despite pressure on our revenues emanating from turbulence in several countries over the last few years, we have already started to increase them. This has been possible mainly because of improvements in our product portfolio that included adding more products and penetrating the markets that have been weak during the last couple of years. ASBIS remains the distributor of first choice for many worldwide suppliers. This includes cooperation with Apple, that allows us to increase our revenues in Ukraine, Belarus and Kazakhstan where we have also distributed iPhones. All changes in our product portfolio have to comply with our main focus, which is the increase of margins and profitability.

The chart below indicates the trends in sales per product lines:



In Q1 2017 revenues from CPUs and HDDs decreased by 6.33% and 8.90% respectively as compared to Q1 2016. However, decrease in HDDs sales was compensated with 185.49% growth in sales of SSDs. In the same time laptops sales increased by 15.66% and sales of tablets grew by 32.47%. What is even more important, we increased sales of smartphones in Q1 2017 by 44.97% year-on-year (mostly following an improvement in iPhone sales). As a result, smartphones were again our no. 1 segment in our portfolio in Q1 2017.

From other product lines, the Company has noticed a positive trend for Q1 2017 in mainboards and VGA cards (+34.26%), PC desktop (+22.87%), peripherals (+65.77%), display products (+38.89%), memory modules (+102.48%), accessories and multimedia (+74.87%) and flash memory (+13.49%).

The table below sets a breakdown of revenues, by product lines, for Q1 2017 and Q1 2016:

	Q1 2017		Q1 2016	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Smartphones	68,224	23.51%	47,060	18.89%
Central processing units (CPUs)	49,601	17.09%	52,952	21.26%
Hard disk drives (HDDs)	26,068	8.98%	28,615	11.49%
PC-mobile (laptops)	23,170	7.98%	20,033	8.04%

Solid State Drives (SSDs)	17,207	5.93%	6,027	2.42%
Tablets	10,065	3.47%	7,598	3.05%
Software	9,114	3.14%	12,303	4.94%
Other	86,753	29.89%	74,507	29.91%
Total revenue	**290,202**	**100%**	**249,095**	**100%**

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 in Q1 2017 has been negatively impacted by revenue growth and increased working capital utilization. We do expect cash flow from operations for the full year to be positive.

The following table presents a summary of cash flows for the three months ended March 31st, 2017 and 2016:

	Three months ended March 31st	
	2017	**2016**
	U.S. $	
Net cash outflows from operating activities	(29,679)	(18,854)
Net cash outflows from investing activities	(375)	(401)
Net cash outflows from financing activities	(432)	(595)
Net decrease in cash and cash equivalents	(30,486)	(19,850)

Net cash outflows from operations

Net cash outflows from operations amounted to U.S. $ 29,679 for the three months ended March 31st, 2017, compared to outflows of U.S. $ 18,854 in the corresponding period of 2016. This is attributed mainly to increased revenues and working capital utilization. The Company expects cash from operations to turn positive for the year 2017.

Net cash outflows from investing activities

Net cash outflows from investing activities was U.S. $ 375 for the three months ended March 31st, 2017, compared to U.S. $ 401 in the corresponding period of 2016. These outflows mainly relate to on-going investments for fixed assets (such as computers, furniture etc.).

Net cash outflows from financing activities

Net cash outflows from financing activities was U.S. $ 432 for the three months ended March 31st, 2017, compared to outflows of U.S.$ 595 for the corresponding period of 2016. This primarily relates to lower utilization of certain financing lines.

Net decrease in cash and cash equivalents

As a result of higher revenues and increased working capital utilization, cash and cash equivalents have decreased by U.S. $ 30,486, compared to a decrease of U.S. $ 19,850 in the corresponding period of 2016.

16. Factors which may affect our results in the future

Political and economic stability in Europe and our regions

The markets the Group operates into, have traditionally shown a vulnerability in political and economic environment, like the turbulence noted in Ukraine and Russia back in 2014 that has negatively affected our results in the past.

The weak economies in the F.S.U. region and certain politically driven events in all markets, are considered by the management as a crucial external factor, which might adversely affect our results, in the short term.

Having seen the recent improvement in our F.S.U. markets and our other major regions, we do believe to be able to further benefit from the work done during the tough times. We will continue this strategy and focus more on our core regions and strengths, to maximize profits and take advantage of any further market revival.

The Group's ability to increase revenues and market share while focusing on profits

The diversified geographic coverage of the Group's revenues ensures that we do mitigate the risk of lower sales in a particular country with the possibility of higher sales in a number of other countries. Russia, Slovakia and Ukraine are currently the markets that lead in terms of revenue. We need to ensure that we adopt to any possible changes in these markets and reinforce our strategy to fully diversify our sales.

Following the recent improvement in the F.S.U. region, it regained the leading position in our revenue breakdown by geographies. This was a result of the focus of the Group to its strong competencies and to the extended product portfolio to this market place. As a result, our revenues in Q1 2017 started to grow significantly. We do expect this positive trend to continue, as reflected in our financial forecast for 2017.

Despite all measures taken by the Company, the possibility of a decrease in demand and sales in a particular country cannot be excluded in the future. Such a situation may limit overall growth. It is of extreme importance for the Company to prepare its structure to offset such a situation with higher sales in other markets. This means both a constant upgrade of the product portfolio and close relations with customers to win more market share from weaker competitors.

The Group's ability to increase gross profit margins

The Group's gross profit margin has increased significantly in 2016 as compared to 2015. This improvement is a result of changes in our product portfolio and focus on margins rather than sales. However, the pace of this growth is hard to estimate, as the margins may remain under pressure due to enhanced competition together with lower demand in a number of markets. It is of extreme importance for the Group to manage its stock level and refine its product portfolio in order to achieve optimum gross profit margins. The directors believe that the Group has reached satisfactory gross profit margin levels and shall work hard to retain them.

Currency volatilities

The multi-currency environment that the Group operates in exposes its financial results to steep currency fluctuations. Although volatility of a number of currencies in Q1 2017 was strong, we have been successfully shielded by our hedging policy. Therefore, the hedging strategy should be followed and further improved without any exception for 2017.

Ability of the Group to control expenses

Selling and administrative expenses in Q1 2017 increased as compared to Q1 2016 as a result of increased revenues and gross profit and our investments in human capital for the F.S.U. region. This is expected to allow us to benefit in the next quarters of 2017 from our stronger position in this market. Despite Q1 2017 investments, we continue a strict control over expenses.

Ability to further develop the Group's product portfolio, both third party and own brands

Because of its size, geographical coverage and good relationship with vendors, the Company has managed to build an extensive product portfolio. It is crucial for the Company to continue refining its product mix constantly by adding new product lines with higher gross (and net) profit margins to boost its profitability. A recent example is smartphones that the Company has timely invested in and resulted in improved profitability.

Ability to cover warranty claims from customers

The own brand business requires us to be very careful with quality as it may affect both the consumer satissfaction and our expenses. Since we do not manufacture the devices ourselves, we have built increased warranty provisions and signed separate agreements with our suppliers to cover us against warranty losses of such products. We have much improved our procedures from H2 2015 and this has covered us since then. Therefore, we have not faced any specific problems in this area in Q1 2017 and we do not expect warranty losses to hit us hard in the foreseable future.

17. Information about important events that occurred after the period ended on March 31st, 2017 and before this report release

According to our best knowledge, in the period between March 31st, 2017 and May 9th, 2017 no events have occurred that could affect the Company's operations or its financial stability.

Part II Financial Information

The financial information of ASBISc Enterprises Plc presented as a part of this report is as follows:

Report and Interim Condensed Consolidated Financial Statements for the period ended March 31st, 2017

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ASBISC ENTERPRISES PLC

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FOR THE PERIOD ENDED 31 MARCH 2017

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ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 MARCH 2017

	Note	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Revenue	4,23	290,201,493	249,094,614
Cost of sales		(275,062,112)	(235,792,462)
Gross profit		15,139,381	13,302,152
Selling expenses		(6,873,133)	(6,144,488)
Administrative expenses		(4,279,693)	(3,888,726)
Profit from operations		3,986,555	3,268,938
Financial income	7	187,062	97,176
Financial expenses	7	(3,570,288)	(2,966,655)
Other gains and losses	5	68,347	60,690
Profit before tax	6	671,676	460,149
Taxation	8	(121,129)	(59,362)
Profit for the period		550,547	400,787
Attributable to:			
Owners of the company		547,768	398,002
Non-controlling interests		2,779	2,785
		550,547	400,787
		US$ cents	US$ cents
Earnings per share			
Basic and diluted from continuing operations		0.99	0,72

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2017

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Profit for the period	550,547	400,787
Other comprehensive income		
Exchange difference on translating foreign operations	497,430	969,199
Reclassification adjustments relating to foreign operations liquidated in the period	7,193	-
Other comprehensive income for the period	504,623	969,199
Total comprehensive income for the period	1,055,170	1,369,986
Total comprehensive income attributable to:		
Owners of the company	1,049,249	1,364,259
Non-controlling interests	5,921	5,727
	1,055,170	1,369,986

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	As at 31 March 2017 US$	As at 31 December 2016 US$
ASSETS			
Non-current assets			
Property, plant and equipment	9	23,282,536	23,209,538
Intangible assets	10	3,000,008	2,991,585
Available-for-sale financial assets	11	11,794	11,794
Goodwill	27	1,278,543	1,255,204
Deferred tax assets	20	1,050,952	1,006,592
Total non-current assets		28,623,833	28,474,713
Current assets			
Inventories	12	115,865,557	113,857,748
Trade receivables	13	183,237,900	221,068,033
Other current assets	14	18,436,312	16,990,435
Derivative financial asset	25	255,682	1,079,208
Current taxation	8	506,066	663,773
Cash at bank and in hand	26	21,301,665	33,351,703
Total current assets		339,603,182	387,010,900
Total assets		368,227,015	415,485,613
EQUITY AND LIABILITIES			
Equity			
Share capital	15	11,100,000	11,100,000
Share premium		23,518,243	23,518,243
Retained earnings and other components of equity		52,158,514	51,109,265
Equity attributable to owners of the parent		86,776,757	85,727,508
Non-controlling interests		173,282	167,361
Total equity		86,950,039	85,894,869
Non-current liabilities			
Long term borrowings	17	1,478,550	1,184,107
Other long term liabilities	18	328,905	313,475
Deferred tax liabilities	20	150,581	149,683
Total non-current liabilities		1,958,036	1,647,265
Current liabilities			
Trade payables		141,763,314	202,038,292
Other current liabilities	21	25,705,284	26,945,360
Short term borrowings	16	111,600,112	98,623,302
Derivative financial liability	24	24,297	1,383
Current taxation	8	225,933	335,142
Total current liabilities		279,318,940	327,943,479
Total liabilities		281,276,976	329,590,744
Total equity and liabilities		368,227,015	415,485,613

The financial statements were approved by the Board of Directors on 8 May 2017.

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Constantinos Tziamalis
Director

Marios Christou
Director

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2017

	Attributable to the owners of the parent							
	Share capital US$	**Share premium US$**	**Treasury stock US$**	**Translation of foreign operations US$**	**Retained earnings US$**	**Total US$**	**Non-controlling interests US$**	**Total US$**
Balance at 1 January 2016	11,100,000	23,518,243	(14,234)	(13,126,734)	59,847,099	81,324,374	155,261	81,479,635
Profit for the period 1 January 2016 to 31 March 2016	-	-	-	-	398,002	398,002	2,785	400,787
Other comprehensive profit for the period 1 January 2016 to 31 March 2016	-	-	-	969,199	-	969,199	5,727	974,926
Balance at 31 March 2016	11,100,000	23,518,243	(14,234)	(12,157,535)	60,245,101	82,691,575	163,773	82,855,348
Profit for the period 1 April 2016 to 31 December 2016	-	-	-	-	4,219,241	4,219,241	15,587	4,234,828
Other comprehensive loss for the period 1 April 2016 to 31 December 2016	-	-	-	(1,183,308)	-	(1,183,308)	(11,999)	(1,195,307)
Balance at 31 December 2016	11,100,000	23,518,243	(14,234)	(13,340,843)	64,464,342	85,727,508	167,361	85,894,869
Profit for the period 1 January 2017 to 31 March 2017	-	-	-	-	547,768	547,768	2,779	550,547
Other comprehensive profit for the period 1 January 2017 to 31 March 2017	-	-	-	501,481	-	501,481	3,142	504,623
Balance at 31 March 2017	11,100,000	23,518,243	(14,234)	(12,839,362)	65,012,110	86,776,757	173,282	86,950,039

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	Note	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Profit for the period before tax and minority interest		671,676	460,149
Adjustments for:			
Exchange difference arising on consolidation		253,840	512,761
Depreciation of property, plant and equipment	9	354,325	387,851
Amortization of intangible assets	10	175,846	145,081
Profit from the sale of property, plant and equipment and intangible assets	5	(6,731)	(24,115)
Provision for bad debts and receivables written off		687,461	209,412
Bad debts recovered	5	(5,815)	(242)
Provision for slow moving and obsolete stock		199,603	142,209
Interest received	7	(6,537)	(14,191)
Interest paid	7	993,953	1,157,405
Operating profit before working capital changes		3,317,621	2,976,320
Increase in inventories		(2,207,412)	(13,960,446)
Decrease in trade receivables		37,148,487	34,121,064
Increase in other current assets		(622,351)	(923,337)
Decrease in trade payables		(60,274,979)	(40,972,997)
(Decrease)/increase in other current liabilities		(1,217,162)	5,853,774
Increase in other non-current liabilities		15,430	3,195
Decrease in factoring creditors		(4,732,695)	(4,594,429)
Cash outflows from operations		(28,573,061)	(17,496,856)
Interest paid	7	(993,953)	(1,157,405)
Taxation paid, net	8	(112,266)	(199,906)
Net cash outflows from operating activities		(29,679,280)	(18,854,167)
Cash flows from investing activities			
Purchase of intangible assets	10	(217,760)	(180,293)
Purchase of property, plant and equipment	9	(294,945)	(256,279)
Proceeds from sale of property, plant and equipment and intangible assets		131,463	21,621
Interest received	7	6,537	14,191
Net cash outflows from investing activities		(374,705)	(400,760)
Cash flows from financing activities			
Proceeds/(repayments) of long term loans and long term obligations under finance lease		294,443	(99,466)
Repayments of short term borrowings and short term obligations under finance lease		(725,925)	(495,804)
Net cash outflows from financing activities		(431,482)	(595,270)
Net decrease in cash and cash equivalents		(30,485,467)	(19,850,197)
Cash and cash equivalents at beginning of the period		6,536,849	4,289,856
Cash and cash equivalents at end of the period	26	(23,948,618)	(15,560,341)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

1. Incorporation and principal activities

Asbisc Enterprises Plc was incorporated in Cyprus on 9 November 1995 with limited liability. These condensed consolidated interim financial statements ("interim financial statements") as at and for the three months ended 31 March 2017 comprise the interim financial statements of the company and its subsidiaries (together referred to as the "group"). The group's and the company's principal activity is the trading and distribution of computer hardware and software. The main shareholder of the company is K.S. Holdings Limited, a company incorporated in Cyprus.

The Company is listed on the Warsaw Stock Exchange since 30th October 2007.

2. Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements and they should be read in conjunction with the audited financial statements for the year ended 31 December 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

These interim financial statements were authorized for issue by the company's Board of Directors on 8 May 2017.

(b) Use of judgments and estimates

Preparing the interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by Management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

Financial instruments comprise financial assets and financial liabilities. Financial assets mainly consist of bank balances, receivables and investments. Financial liabilities mainly consist of trade payables, factoring balances, bank overdrafts and loans. The Directors consider that the carrying amount of the company's/group's financial instruments approximate their fair value at the reporting date. Financial assets and financial liabilities carried at fair value through profit or loss represent foreign currency derivative contracts categorized as a Level 2 (inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

3. Significant accounting policies

The accounting policies adopted for the preparation of the condensed consolidated interim financial statements for the three months ended 31 March 2017 are consistent with those followed for the preparation of the annual financial statements for the year 2016 except for the adoption by the group of all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2017. The adoption of new and revised standards and interpretations did not have any material effect on the group's condensed consolidated financial statements.

4. Effects of seasonality

The group's revenue and consequently its profitability are significantly lower during the first half of the year. The seasonality is driven by increased household expenditure during the Christmas period as well as the commencement of the academic period during the second half of the year resulting in a positive effect on demand for the group's products.

5. Other gains and losses

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Profit on disposal of property, plant and equipment	6,731	24,115
Other income	36,099	18,570
Bad debts recovered	5,815	242
Rental income	19,702	17,763
	68,347	60,690

6. Profit before tax

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Profit before tax is stated after charging :		
(a) Amortization of intangible assets (Note 10)	175,846	145,081
(b) Depreciation (Note 9)	354,325	387,851
(c) Auditors' remuneration	83,639	104,787
(e) Directors' remuneration – executive (Note 28)	85,448	120,125
(e) Directors' remuneration – non-executive (Note 28)	534	556

7. Financial expense, net

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Financial income		
Interest income	6,537	14,191
Other financial income	166,905	82,985
Net exchange gain	13,620	-
	187,062	97,176
Financial expense		
Bank interest	993,953	1,157,405
Bank charges	301,195	313,377
Derivative charges	204,223	194,133
Factoring interest	1,523,208	875,715
Factoring charges	70,335	76,687
Other financial expenses	36,650	13,240
Other interest	440,724	299,102
Net exchange loss	-	36,996
	3,570,288	2,966,655
Net	(3,383,226)	(2,869,479)

8. Tax

	As at 31 March 2017 US$	As at 31 December 2016 US$
Receivable balance 1 January	(328,631)	(235,073)
Provision for the period/year	157,704	802,924
Under provision of prior year periods	-	5,886
Exchange difference on retranslation	3,060	(4,768)
Amounts paid, net	(112,266)	(897,600)
Net receivable balance 31 March/31 December	(280,133)	(328,631)

	As at 31 March 2017 US$	As at 31 December 2016 US$
Tax receivable	(506,066)	(663,773)
Tax payable	225,933	335,142
Net	(280,133)	(328,631)

The consolidated taxation charge for the period consists of the following:

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Provision for the period	157,704	161,921
Over provision of prior years	-	(2,019)
Deferred tax charge (Note 20)	(36,575)	(100,540)
Charge for the period	121,129	59,362

The taxation charge of the group comprises corporation tax charge in Cyprus on the taxable profits of the company and those of its subsidiaries which are subject to tax in Cyprus and corporation tax in other jurisdictions on the results of the foreign subsidiary companies.

9. Property, plant and equipment

	Land and buildings US$	Computer hardware US$	Warehouse machinery US$	Motor vehicles US$	Furniture and fittings US$	Office equipment US$	Total US$
Cost							
At 1 January 2016	23,355,177	6,436,831	368,967	2,253,762	2,384,129	2,867,739	37,666,605
Additions	732,135	473,166	6,005	218,803	69,371	70,531	1,570,011
Disposals	-	(798,777)	-	(419,387)	(79,859)	(188,327)	(1,486,350)
Foreign exchange difference on retranslation	(301,465)	(75,483)	(111)	(32,009)	(41,245)	(38,306)	(488,619)
At 31 December 2016	23,785,847	6,035,737	374,861	2,021,169	2,332,396	2,711,637	37,261,647
Additions	8,808	141,324	-	136,107	8,706	-	294,945
Disposals	(274,499)	(14,951)	-	(70,524)	(23,302)	(44,462)	(427,738)
Foreign exchange difference on retranslation	204,114	68,338	57	23,429	41,294	38,750	375,982
At 31 March 2017	23,724,270	6,230,448	374,918	2,110,181	2,359,094	2,705,925	37,504,836
Accumulated depreciation							
At 1 January 2016	3,510,711	5,091,969	116,512	1,660,582	1,784,874	1,997,052	14,161,700
Charge for the year	256,585	601,269	38,930	234,095	173,769	239,794	1,544,442
Disposals	-	(798,777)	-	(419,387)	(79,859)	(188,327)	(1,486,350)
Foreign exchange difference on retranslation	(2,839)	(66,319)	(111)	(30,139)	(35,807)	(32,468)	(167,683)
At 31 December 2016	3,764,457	4,828,142	155,331	1,445,151	1,842,977	2,016,051	14,052,109
Charge for the period	71,082	135,697	9,739	56,019	34,083	47,705	354,325
Disposals	(195,817)	(14,951)	-	(70,524)	(23,302)	(39,795)	(344,389)
Foreign exchange difference on retranslation	35,614	48,429	55	16,237	31,554	28,366	160,255
At 31 March 2017	3,675,336	4,997,317	165,125	1,446,883	1,885,312	2,052,327	14,222,300
Net book value							
At 31 March 2017	20,048,934	1,233,131	209,793	663,298	473,782	653,598	23,282,536
At 31 December 2016	20,021,390	1,207,595	219,530	576,018	489,419	695,586	23,209,538

10. Intangible assets

	Computer software US$	Patents and licenses US$	Total US$
Cost			
At 1 January 2016	7,851,215	2,232,094	10,083,309
Additions	587,097	266,558	853,655
Disposals/ write-offs	(218,742)	-	(218,742)
Foreign exchange difference on retranslation	(18,853)	2,474	(16,379)
At 31 December 2016	8,200,717	2,501,126	10,701,843
Additions	203,886	13,874	217,760
Disposals/ write-offs	(100,136)	(92,878)	(193,014)
Foreign exchange difference on retranslation	17,267	13,320	30,587
At 31 March 2017	8,321,734	2,435,442	10,757,176
Accumulated amortization			
At 1 January 2016	6,092,120	1,238,887	7,331,007
Charge for the year	342,861	257,096	599,957
Disposals/ write-offs	(206,728)	-	(206,728)
Foreign exchange difference on retranslation	(19,197)	5,219	(13,978)
At 31 December 2016	6,209,056	1,501,202	7,710,258
Charge for the period	102,880	72,966	175,846
Disposals/ write-offs	(100,136)	(51,496)	(151,632)
Foreign exchange difference on retranslation	16,009	6,687	22,696
At 31 March 2017	6,227,809	1,529,359	7,757,168
Net book value			
At 31 March 2017	2,093,925	906,083	3,000,008
At 31 December 2016	1,991,661	999,924	2,991,585

11. Available-for-sale financial assets

The details of the investments are as follows:

Name	Country of incorporation	Participation %	Cost US$	Impairment US$	As at 31 March 2017 US$	As at 31 December 2016 US$
Investments held in related companies						
E-Vision Ltd	Cyprus	18%	90,000	(90,000)	-	-
Other investments						
Asekol s.r.o.	Czech Republic	9.09%	9,580	-	9,580	9,580
Regnon S.A.	Poland	0.01%	2,214	-	2,214	2,214
			101,794	(90,000)	11,794	11,794

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

12. Inventories

	As at 31 March 2017 US$	As at 31 December 2016 US$
Goods in transit	12,332,135	17,467,719
Goods held for resale	110,877,238	103,518,766
Provision for slow moving and obsolete stock	(7,343,816)	(7,128,737)
	115,865,557	113,857,748

Movement in provision for slow moving and obsolete stock

	As at 31 March 2017 US$	As at 31 December 2016 US$
On 1 January	7,128,737	4,288,149
Net movement for the period/year	199,603	2,870,240
Exchange difference	15,476	(29,652)
On 31 March/31 December	7,343,816	7,128,737

13. Trade receivables

	As at 31 March 2017 US$	As at 31 December 2016 US$
Trade receivables	191,284,682	228,782,976
Allowance for doubtful debts	(8,046,782)	(7,714,943)
	183,237,900	221,068,033

14. Other current assets

	As at 31 March 2017 US$	As at 31 December 2016 US$
Deposits and advances to service providers	475,394	526,314
Employee floats	146,473	39,321
VAT and other taxes refundable	9,847,472	8,583,148
Other debtors and prepayments	7,966,973	7,841,652
	18,436,312	16,990,435

15. Share capital

	As at 31 March 2017 US$	As at 31 December 2016 US$
Authorized		
63,000,000 (2016: 63,000,000) shares of US$ 0.20 each	12,600,000	12,600,000
Issued and fully paid		
55,500,000 (2016: 55,500,000) ordinary shares of US$ 0.20 each	11,100,000	11,100,000

16. Short term borrowings

	As at 31 March 2017 US$	As at 31 December 2016 US$
Bank overdrafts (Note 26)	45,250,283	26,814,854
Current portion of long term loans	242,277	714,258
Bank short term loans	20,066,296	20,289,260
Short term obligations under finance leases (Note 19)	23,353	54,332
Total short term debt	65,582,209	47,872,704
Factoring creditors	46,017,903	50,750,598
	111,600,112	98,623,302

Summary of borrowings and overdraft arrangements

As at 31 March 2017 the group enjoyed factoring facilities of US$ 105,820,657 (31 December 2016 US$ 100,596,829). In addition, the group as at 31 March 2017 had the following financing facilities with banks in the countries that the company and its subsidiaries are operating:

- overdraft lines of US$ 57,838,151 (31 December 2016: US$ 55,570,338)
- short term loans/revolving facilities of US$ 25,058,145 (31 December 2016: US$ 26,427,206)
- bank guarantee and letters of credit lines of US$ 13,394,234 (31 December 2016: US$ 13,446,546)

The Group had for the period ending 31 March 2017 cash lines (overdrafts, loans and revolving facilities) and factoring lines.

The Weighted Average Cost of Debt (cash lines and factoring lines) for the period was 8.4% (for 2016: 9.2%).

The factoring, overdraft and revolving facilities as well as the loans granted to the company and its subsidiaries by their bankers are secured by:

- Floating charges over all assets of the company
- Mortgage on land and buildings that the group owns in Cyprus, Czech Republic, Belarus, Middle East, Bulgaria, Slovakia and Ukraine
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted to subsidiary companies
- Assignment of insurance policies
- Pledged deposits of US$ 10,154,139 (31 December 2016: US$ 9,967,243)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

17. Long term borrowings

	As at 31 March 2017 US$	As at 31 December 2016 US$
Bank loans	1,478,550	1,157,262
Long term obligations under finance leases (Note 19)	-	26,845
	1,478,550	1,184,107

18. Other long term liabilities

	As at 31 March 2017 US$	As at 31 December 2016 US$
Pension provision	328,905	313,475

19. Finance leases

	As at 31 March 2017 US$	As at 31 December 2016 US$
Obligation under finance lease	23,353	81,177
Less: Amount payable within one year	(23,353)	(54,332)
Amounts payable within 2-5 years inclusive	-	26,845

20. Deferred tax

	For the three months ended 31 March 2017 US$	For the year ended 31 December 2016 US$
Debit balance on 1 January 2016	(856,909)	(1,436,016)
Deferred tax credit for the period/year (Note 8)	(36,575)	569,392
Exchange difference on retranslation	(6,887)	9,715
Debit balance on 31 March/31 December	(900,371)	(856,909)

	For the three months ended 31 March 2017 US$	For the year ended 31 December 2016 US$
Deferred tax assets	(1,050,952)	(1,006,592)
Deferred tax liabilities	150,581	149,683
Net deferred tax assets	(900,371)	(856,909)

21. Other current liabilities

	As at 31 March 2017 US$	As at 31 December 2016 US$
Salaries payable and related costs	1,019,041	1,019,145
VAT payable	3,636,721	6,159,670
Accruals and deferred income	18,335,534	17,218,258
Non-trade accounts payable	2,713,988	2,548,287
	25,705,284	26,945,360

22. Commitments and contingencies

As at 31 March 2017 the group was committed in respect of purchases of inventories of a total cost value of US$ 2,566,612 (31 December 2016: US$ 3,100,450) which were in transit at 31 March 2017 and delivered in April 2017. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of purchase title of the goods has not passed to the group at period end.

As at 31 March 2017 the group was contingently liable in respect of bank guarantees and letters of credit lines of US$ 13,394,234 (31 December 2016: US$ 13,446,546) which the group has extended mainly to its suppliers.

As at 31 March 2017 the group had no other capital or legal commitments and contingencies.

23. Operating segments

1.1 Reportable segments

The group mainly operates in a single industry segment as a distributor of IT products. The group's operating segments are based on geographic location, and the measure of segment profit is profit from operations. The group operates in four principal geographical areas – Former Soviet Union, Central Eastern Europe, Western Europe and Middle East & Africa.

1.2 Segment revenues

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Former Soviet Union	139,736,394	73,925,514
Central Eastern Europe	91,312,547	99,413,009
Western Europe	21,135,212	22,767,704
Middle East & Africa	36,397,807	43,870,796
Other	1,619,533	9,117,591
	290,201,493	249,094,614

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

1.3 Segment results

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Former Soviet Union	2,304,882	1,702,899
Central Eastern Europe	1,338,550	1,258,597
Western Europe	60,521	54,256
Middle East & Africa	249,494	231,013
Other	33,108	22,173
Profit from operations	3,986,555	3,268,938
Net financial expenses	(3,383,226)	(2,869,479)
Other gains and losses	68,347	60,690
Profit before taxation	671,676	460,149

1.4 Segment capital expenditure (CAPEX)

	As at 31 March 2017 US$	As at 31 December 2016 US$
Former Soviet Union	4,046,332	4,100,423
Central Eastern Europe	12,198,148	12,080,453
Middle East & Africa	3,160,817	3,206,783
Unallocated	8,155,790	8,068,668
	27,561,087	27,456,327

1.5 Segment depreciation and amortization

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Former Soviet Union	87,006	64,149
Central Eastern Europe	170,134	187,585
Western Europe	-	10,381
Middle East & Africa	50,256	55,878
Unallocated	222,775	214,939
	530,171	532,932

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

1.6 Segment assets

	As at 31 March 2017 US$	As at 31 December 2016 US$
Former Soviet Union	163,598,087	154,300,176
Central Eastern Europe	113,786,746	142,566,106
Western Europe	24,273,268	28,285,670
Middle East & Africa	36,761,099	51,058,290
Total	338,419,200	376,210,242
Assets allocated in capital expenditure (1.5)	27,561,088	27,456,327
Other unallocated assets	2,246,727	11,819,044
Consolidated assets	368,227,015	415,485,613

24. Derivative financial liability

	As at 31 March 2017 US$	As at 31 December 2016 US$
Derivative financial liabilities carried at fair value through profit or loss		
Foreign currency derivative contracts	24,297	1,383

25. Derivative financial asset

	As at 31 March 2017 US$	As at 31 December 2016 US$
Derivative financial assets carried at fair value through profit or loss		
Foreign currency derivative contracts	255,682	1,079,208

26. Cash and cash equivalents

	As at 31 March 2017 US$	As at 31 December 2016 US$
Cash at bank and in hand	21,301,665	33,351,703
Bank overdrafts (Note 16)	(45,250,283)	(26,814,854)
	(23,948,618)	6,536,849

The cash at bank and in hand balance includes an amount of US$ 10,154,139 (31 December 2016: US$ 9,967,243) which represents pledged deposits.

27. Goodwill

	As at 31 March 2017 US$	As at 31 December 2016 US$
At 1 January	1,255,204	1,555,972
Goodwill written off (note ii) (Note 29)	-	(250,000)
Foreign exchange difference on retranslation	23,339	(50,768)
At 31 March/31 December (note i)	1,278,543	1,255,204

(i) The capitalized goodwill arose from the business combinations of the following subsidiaries:

	As at 31 March 2017 US$	As at 31 December 2016 US$
ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo)	374,752	367,911
SHARK Computers a.s.	903,791	887,293
	1,278,543	1,255,204

(ii) The impairment loss of goodwill relates to the following subsidiary:

	As at 31 March 2017 US$	As at 31 December 2016 US$
SHARK Computers a.s.	-	(250,000)
	-	(250,000)

28. Transactions and balances of key management

	For the three months ended 31 March 2017 US$	For the three months ended 31 March 2016 US$
Directors' remuneration – executive (Note 6)	85,448	120,125
Directors' remuneration - non-executive (Note 6)	534	556
	85,982	120,681

29. Business combinations

Disposals of subsidiaries to 31 March 2017

During the period the following group's subsidiary went into liquidation. Loss of US$ 12,461 arose on the event.

Name of disposed entity	Type of operations	Date liquidated	% liquidated
Shark Online a.s.	Information Technology	01 January 2017	100%

Disposals of subsidiaries to 31 December 2016

During the year the following group's subsidiary went into liquidation. No gain or loss arose on the event.

Name of disposed entity	Type of operations	Date liquidated	% liquidated
EuroMall SRB d.o.o	Information Technology	03 August 2016	100%
EuroMall Croatia	Information Technology	13 October 2016	100%
IT-MAX	Information Technology	04 November 2016	100%

30. Fair values

Financial instruments comprise financial assets and financial liabilities. Financial assets mainly consist of bank balances, receivables and investments. Financial liabilities mainly consist of trade payables, factoring balances, bank overdrafts and loans. The Directors consider that the carrying amount of the company's/group's financial instruments approximate their fair value at the reporting date. Financial assets and financial liabilities carried at fair value through profit or loss represent foreign currency derivative contracts categorized as a Level 2 (inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).