

**INTERIM MANAGEMENT REPORT  
FOR THE THREE MONTHS  
ENDED 31 MARCH 2019**

## **Table of Contents**

Directors' report on the Company's and Group's operations.....	3
Part I: Additional information .....	4
Part II: Financial Information.....	20

## **Directors' report on the company's and group's operations**

We have prepared this report as required by 60 section 2 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 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 2019. 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 "US\$" 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, 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. Our IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. We currently purchase most 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 part of our revenues is comprised of sales of IT products under our private labels: Prestigio, Canyon, Perenio and Atlantech.

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 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.

### 2. Executive summary for the three-month period ended 31 March 2019

In the three-month period ended March 31, 2019, we managed to maintain a positive growth trend in gross profit margin observed in prior periods which is the result of the strong efforts of the management team to develop its product portfolio including all own brands with higher margins. We are satisfied with the sales performance of the Group for Q1 2019 despite lower revenues compared to last year. It is important to note that the previous year's same quarter was record-breaking in the history of ASBIS when we had several factors strongly supporting our sales, such as high demand for VGA graphic cards for block-chain technology and very strong sales of smartphones. Our results have met our expectations and are in line with the financial forecast for 2019.

#### **The principal events of the three months ended 31 March 2019 were as follows (in US\$ thousand):**

- Revenues in Q1 2019 decreased by 17.1% to US\$ 417,332 from US\$ 503,303 in Q1 2018.
- Gross profit in Q1 2019 decreased by 7.3% to US\$ 21,108 from US\$ 22,765 in Q1 2018.
- Gross profit margin in Q1 2019 increased to 5.06% from 4.52% in Q1 2018.
- Selling expenses in Q1 2019 decreased by 4.4% to US\$ 10,573 from US\$ 11,054 Q1 2018.
- Administrative expenses in Q1 2019 decreased by 6.9% to US\$ 5,932 from US\$ 6,371 in Q1 2018.
- EBITDA in Q1 2019 decreased by 9.3% to US\$ 5,409 in comparison to US\$ 5,966 in Q1 2018.
- As a result, Q1 2019 net profit after taxation was almost the same as in Q1 2018 (US\$ 1,693 in comparison to US\$ 1,712 in Q1 2018). This result is considered to be very good for the Group, confirming once again the strengths of the Group and its ability to deliver strong results.

The following table presents revenues breakdown by regions for Q1 2019 and Q1 2018 (in US\$ thousand):

Region	Q1 2019	Q1 2018	YoY change
Former Soviet Union	205,152	251,984	-18.6%
Central and Eastern Europe	110,538	160,014	-30.9%
Middle East and Africa	56,822	46,989	20.9%
Western Europe	34,869	35,174	-0.9%
Other	9,951	9,142	8.8%
<b>Total</b>	<b>417,332</b>	<b>503,303</b>	<b>-17.1%</b>

### 3. Summary of 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 US\$ amounts as of and for the three months ended March 31st, 2019 and 2018, have been converted into Euro and PLN, based on the exchange rates provided by the National Bank of Poland:

	As at 31 March 2019	Three months ended 31 March 2019 average	As at 31 March 2018	Three months ended 31 March 2018 average
<b>USD/PLN</b>	3.8365	3.7830	3.4139	3.3882
<b>EUR/PLN</b>	4.3013	4.2978	4.2085	4.1784

Balance sheet items have been translated using the exchange rate as at the reporting date, while income statement and cash flow statement items have been translated using the arithmetic average rate for the period.

<i>(in thousands)</i>	Three months ended 31 March 2019			Three months ended 31 March 2018		
	<u>USD</u>	<u>PLN</u>	<u>EUR</u>	<u>USD</u>	<u>PLN</u>	<u>EUR</u>
<b>Revenue</b>	<b>417,332</b>	<b>1,578,753</b>	<b>367,337</b>	<b>503,303</b>	<b>1,705,274</b>	<b>408,117</b>
Cost of sales	(396,224)	(1,498,902)	(348,758)	(480,538)	(1,628,143)	(389,657)
<b>Gross profit</b>	<b>21,108</b>	<b>79,851</b>	<b>18,579</b>	<b>22,765</b>	<b>77,132</b>	<b>18,460</b>
Selling expenses	(10,573)	(39,997)	(9,306)	(11,054)	(37,453)	(8,963)
Administrative expenses	(5,932)	(22,441)	(5,221)	(6,371)	(21,586)	(5,166)
<b>Profit from operations</b>	<b>4,603</b>	<b>17,413</b>	<b>4,052</b>	<b>5,340</b>	<b>18,093</b>	<b>4,330</b>
Financial income	1,388	5,251	1,222	911	3,087	739
Financial expenses	(4,013)	(15,181)	(3,532)	(4,055)	(13,739)	(3,288)
Share of loss of equity-accounted investees	(6)	(23)	(5)	-	-	-
Other gains and losses	215	813	189	27	91	22
<b>Profit before taxation</b>	<b>2,187</b>	<b>8,273</b>	<b>1,925</b>	<b>2,223</b>	<b>7,532</b>	<b>1,803</b>
Taxation	(494)	(1,869)	(435)	(511)	(1,731)	(414)
<b>Profit after taxation</b>	<b>1,693</b>	<b>6,405</b>	<b>1,490</b>	<b>1,712</b>	<b>5,801</b>	<b>1,388</b>

Attributable to:

Non-controlling interests	7	26	6	(9)	(30)	(7)
Owners of the Company	1,686	6,378	1,484	1,721	5,831	1,396
	<b>1,693</b>	<b>6,405</b>	<b>1,490</b>	<b>1,712</b>	<b>5,801</b>	<b>1,388</b>

	<b>USD cents</b>	<b>PLN grosz</b>	<b>EUR cents</b>	<b>USD cents</b>	<b>PLN grosz</b>	<b>EUR cents</b>
Basic and diluted earnings per share from continuing operations	3.04	11.50	2.68	3.10	10.50	2.51

	Three months ended 31 March 2019			Three months ended 31 March 2018		
(in thousands)	USD	PLN	EUR	USD	PLN	EUR
Net cash movement from operating activities	(58,933)	(222,942)	(51,873)	(45,924)	(155,598)	(37,239)
Net cash movement from investing activities	(561)	(2,122)	(494)	(713)	(2,416)	(578)
Net cash movement from financing activities	(5,437)	(20,568)	(4,786)	2,254	7,637	1,828
<b>Net movement in cash and cash equivalents</b>	<b>(64,931)</b>	<b>(245,632)</b>	<b>(57,152)</b>	<b>(44,383)</b>	<b>(150,377)</b>	<b>(35,989)</b>
Cash at the beginning of the period	58,109	219,824	51,148	45,933	155,629	37,246
<b>Cash at the end of the period</b>	<b>(6,822)</b>	<b>(25,807)</b>	<b>(6,005)</b>	<b>1,550</b>	<b>5,252</b>	<b>1,257</b>

	As at 31 March 2019			As at 31 March 2018		
(in thousands)	USD	PLN	EUR	USD	PLN	EUR
Current assets	409,587	1,571,381	365,327	474,614	1,620,285	385,003
Non-current assets	33,340	128,254	29,818	29,187	99,641	23,676
<b>Total assets</b>	<b>443,017</b>	<b>1,699,635</b>	<b>395,144</b>	<b>503,801</b>	<b>1,719,926</b>	<b>408,679</b>
Current liabilities	338,244	1,297,673	301,693	403,869	1,378,768	327,615
Non-current liabilities	4,128	15,837	3,682	699	2,386	567
<b>Total liabilities</b>	<b>342,372</b>	<b>1,313,510</b>	<b>305,375</b>	<b>404,568</b>	<b>1,381,155</b>	<b>328,182</b>
<b>Equity</b>	<b>100,645</b>	<b>386,125</b>	<b>89,769</b>	<b>99,233</b>	<b>338,772</b>	<b>80,497</b>

#### 4. Organization of ASBIS Group

The following table presents our corporate structure as at March 31<sup>st</sup>, 2019:

Company	Consolidation Method
<b>ASBISC Enterprises PLC</b>	<b>Mother</b>
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%)
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%)
LLC Vizuatika (Minsk, Belarus)	Full (75%)
LLC Vizuators (Minsk, Belarus)	Full (75%)

## 5. Changes in the structure of the Group

During the three months ended March 31<sup>st</sup>, 2019 there were the following changes in the Group’s structure:

- On January 25th, 2019, Asbis Limited (Charlestown, Ireland) has been liquidated, being a dormant company.
- On March 28th, 2019, E-vision - a subsidiary company of ASBIS acquired 75% shares of the company named LLC Vizuatika (Minsk, Belarus) for the price of 38 BYR (USD 17.). E-vision holds 75% in this subsidiary, being equal to share capital of 50 BYR (USD 23). We acquired this entity for provision of consulting and implementation services.
- On March 28th, 2019, ASBC - a subsidiary company of ASBIS acquired 75% shares of the company named LLC Vizuators (Minsk, Belarus) for the price of 45 BYR (USD 21). ASBC holds 75% in this subsidiary, being equal to share capital of 60 BYR (USD 28). We acquired this entity for sale of software licenses.

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

On March 27<sup>th</sup>, 2019 the Company announced its official financial forecast for 2019. Having seen Q1 2019 results, we fully sustain our forecast that assumes revenues between US\$ 1.7 billion and 1.9 billion and net profit after tax between US\$ 8.5 and US\$ 10 million.

## 7. Information on dividend payment

During the three-month period ended March 31<sup>st</sup>, 2019 no dividend was paid.

However, on May 8<sup>th</sup>, 2019 the Annual General Meeting of Shareholders, in line with the recommendation of the Company's Board of Directors, decided to pay out a dividend from the Company's profit for 2018 with the amount of USD 0.05 per share, a total amount of USD 2,775,000. The dividend date was set for May 21<sup>st</sup>, 2019 and the dividend pay-out date for June 4<sup>th</sup>, 2019.

Thus, the total dividend from the Company's profit for 2018 (including the interim dividend pay-out on December 20<sup>th</sup>, 2018) will amount to USD 0.10 per share, which results in a total payment of USD 5,550,000.

## 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	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%
<b>Total</b>	<b>55,500,000</b>	<b>100%</b>	<b>55,500,000</b>	<b>100%</b>

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

There were no changes in the number of shares possessed by major shareholders during the period between March 28<sup>th</sup>, 2019 (the date of the publication of the Annual Report for 2018) and the date of this report.

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

During the period between March 28<sup>th</sup>, 2019 (the date of the publication of the Annual Report for 2018) and May 9<sup>th</sup>, 2019 (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:

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%
Tasos A. Panteli	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 31<sup>st</sup>, 2019 there was one change in the members of the Company's Board of Directors.

Mr Chris Pavlou - Non-Executive Director of the Company, has resigned from his position, effective from March 26<sup>th</sup>, 2019.

After the period ended on March 31<sup>st</sup>, 2019, Mr Tasos A. Panteli has been appointed to the Board of Directors as a Non-Executive Director on April 18<sup>th</sup>, 2019.

## **11. Significant administrative and court proceedings against the Company**

Neither the Company nor any of the members of our Group are involved in any significant proceedings before a court, competent body or a body of public administration concerning payables or debt of the Company or its subsidiaries.

## **12. Related Party Transactions**

During the three months ended March 31<sup>st</sup>, 2019 neither the Company nor any of the members of our Group have concluded any material related party transaction, other than with market conditions.

## **13. Information on guarantees granted to third parties**

The total corporate guarantees the Company has issued, as at March 31<sup>st</sup>, 2019 (mainly to support its subsidiaries' local financing), amounted to USD 185,886. The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at March 31<sup>st</sup>, 2019 was USD 41,202 – as per note number 16 to the financial statements.

## **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 31<sup>st</sup>, 2019, the Company's results of operations have been affected and are expected to continue to be affected by a number of factors. These factors are presented in brief below:

### **The in-country crisis 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. In 2019 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 Koruna, 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.

### ***Competition and price pressure***

1. 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 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.

### ***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.

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 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 obsolescence 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 non- insured (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 last year.

In 2019 the Company's strategy is to concentrate more on profitability than on revenues.

However, there are many uncertainties about the world economy following turmoils 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 own brands, Perenio - which includes 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 achieve 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 and in the course of the three months of 2019.

This risk has negatively affected our results in the past when certain ODMs have not honoured 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 the elimination of the risk of warranty losses.

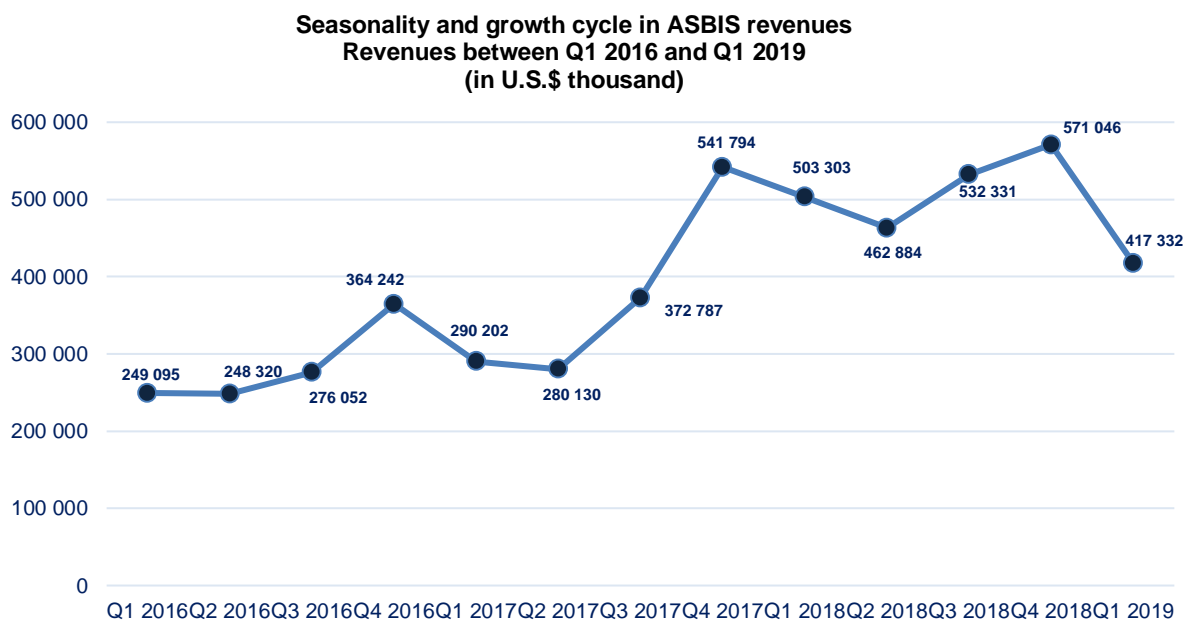
#### ***High cost of debt***

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 the course of the three months of 2019, we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost.

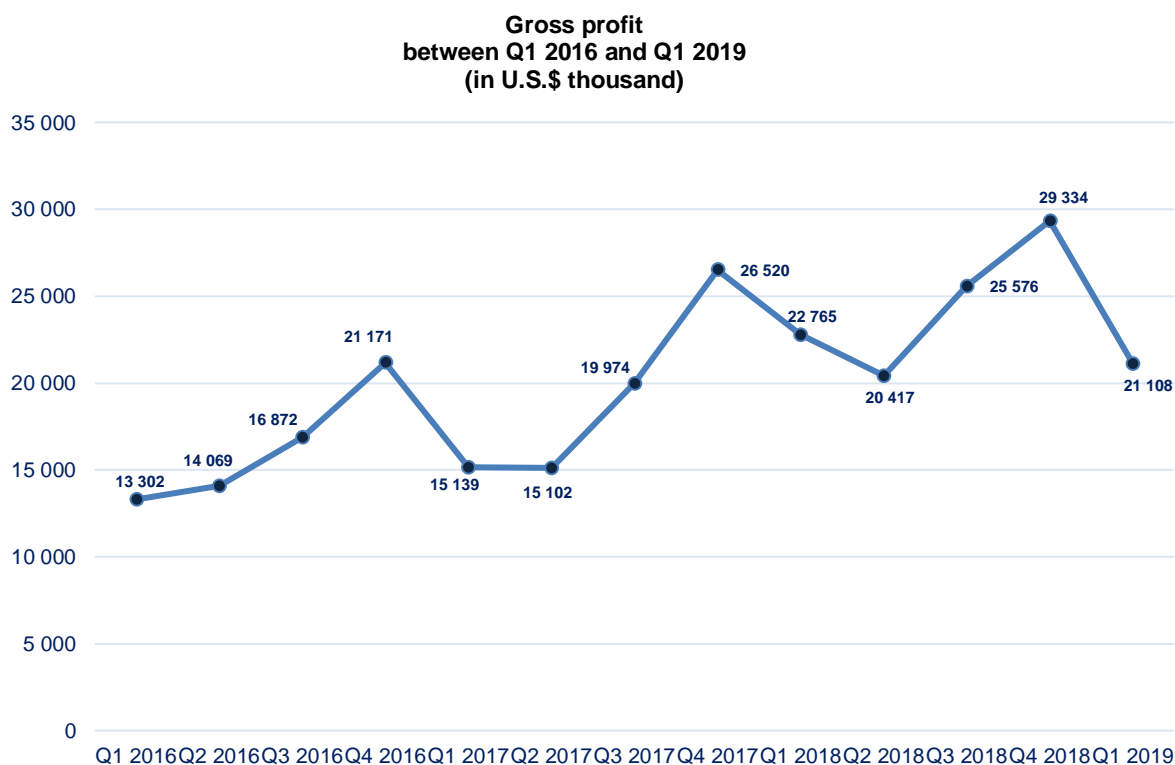
## Results of Operations

Three-month period ended 31 March 2019 compared to the three-month period ended 31 March 2018 (in US\$ thousand)

- **Revenues:** In Q1 2019 revenues decreased by 17.1% to US\$ 417,332 from US\$ 503,303 in Q1 2018.



- **Gross profit:** In Q1 2019 gross profit decreased by 7.3% to US\$ 21,108 from US\$ 22,765 in Q1 2018.



- **Gross profit margin:**

In Q1 2019 gross profit margin increased to 5.06% from 4.52% in Q1 2018.

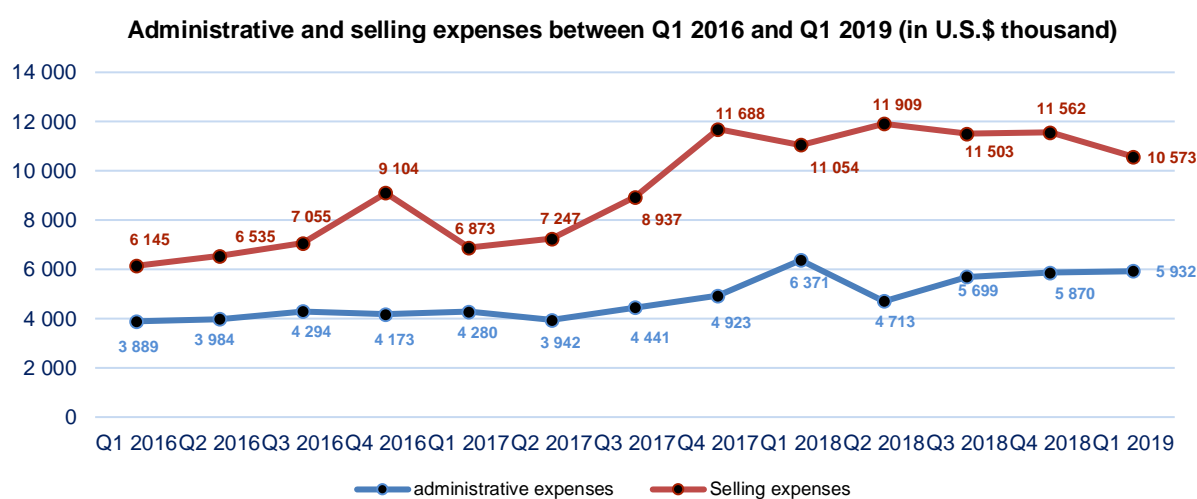
The increase in the gross profit margin is the result of the current Company's strategy to focus more on the development of own-brand products portfolio with higher margins than pure reselling. We have continued a positive trend regarding the gross profit margin since the second half of 2018.

- **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, provisions for doubtful debts and other provisions. Selling expenses usually grow together (but not in-line) with growing sales and, most importantly, gross profit.

Selling expenses in Q1 2019 decreased by 4.4% to US\$ 10,573 from US\$ 11,054 in Q1 2018.

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

Administrative expenses in Q1 2019 decreased by 6.9% to US\$ 5,932 from US\$ 6,371 in Q1 2018.



- **EBITDA:** In Q1 2019 EBITDA was positive and decreased by 9.3% to US\$ 5,409 from US\$ 5,966 in Q1 2018.
- **Net profit:** Net profit after taxation in Q1 2019 reached US\$ 1,693 as compared to US\$ 1,712 in Q1 2018. This result is considered to be very satisfactory for the Group, confirming once again the strengths of the Group and its ability to deliver strong results.

### Sales by regions and countries

Traditionally and throughout the Company's operations, the F.S.U. and the CEE regions contribute to the majority of our revenues. This has not changed in Q1 2019. In Q1 2019 sales in the F.S.U. decreased by 18.6%, whereas in the CEE dropped by 30.9%. Following all the above-mentioned changes, the share of the F.S.U. in our total revenues fell slightly to 49.16% in Q1 2019 from 50.07% in Q1 2018.

Country-by-country analysis reveals a better understanding of the above-mentioned results. A decrease in the F.S.U. is a result of a trend in Russia (+ 3.9% in Q1 2019), Ukraine (- 17.3% in Q1 2019), Kazakhstan (- 44.2% in Q1 2019) and Belarus (- 14.9% in Q1 2019) as compared to Q1 2018. The decrease of Ukraine and Kazakhstan was expected since during the 2018 these two countries have led the growth rates of the company by more than 90% growth in certain months and quarters.

At the same time, the decline in the CEE in Q1 2019 is the result of the decrease in Slovakia (-4.4% in Q1 2019), in the Czech Republic (-36.2% in Q1 2019) and in Romania (-38.7% in Q1 2019) as compared to Q1 2018.

All above-described decreases were expected since they were based on very high numbers in Q1 2018 (revenue of VGA cards connected with blockchain technology, big datacenter project business and strong smartphone market).

The MEA region – the result of which is mainly determined by revenues in the UAE - has grown at a pace of 20.9%, as compared to Q1 2018.

In Q1 2019 sales in Western Europe remained stable, as compared to Q1 2018.

The table below provides a geographical breakdown of sales in the three month periods ended March 31<sup>st</sup>, 2019 and 2018.

	Q1 2019		Q1 2018	
	US\$ thousand	% of total revenues	US\$ thousand	% of total revenues
Former Soviet Union	205,152	49.16%	251,984	50.07%
Central and Eastern Europe	110,538	26.49%	160,014	31.79%
Middle East and Africa	56,822	13.62%	46,989	9.34%
Western Europe	34,869	8.36%	35,174	6.99%
Other	9,951	2.38%	9,142	1.82%
<b>Total</b>	<b>417,332</b>	<b>100%</b>	<b>503,303</b>	<b>100%</b>

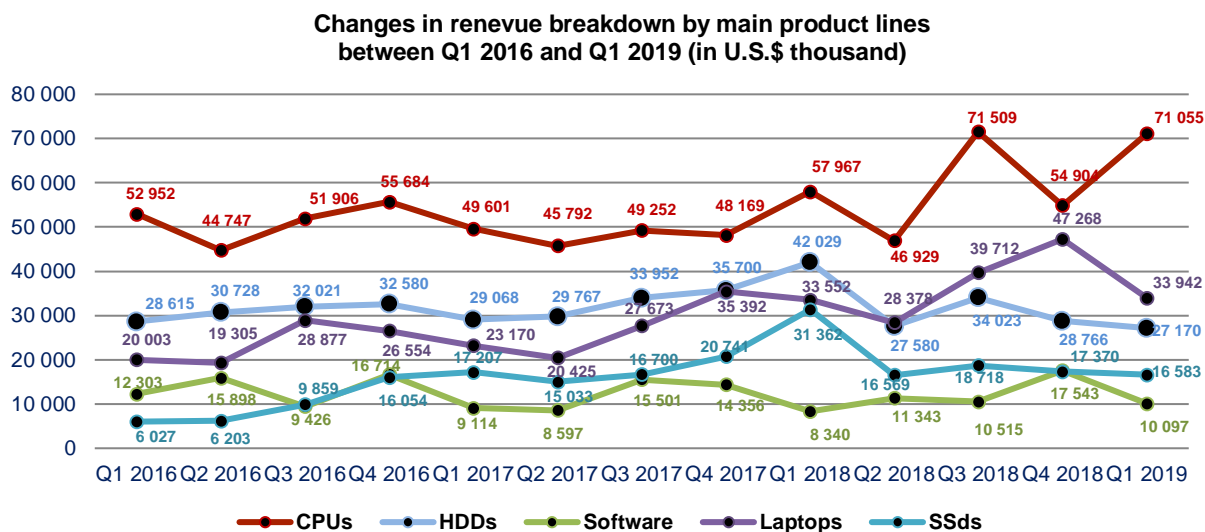
Revenue breakdown – Top 10 countries in Q1 2019 and Q1 2018 (in US\$ thousand)

	Q1 2019		Q1 2018	
	Country	Sales	Country	Sales
1.	Russia	83,794	Russia	80,681
2.	Ukraine	54,835	Ukraine	66,299
3.	United Arab Emirates	42,351	Kazakhstan	55,022
4.	Slovakia	37,736	Slovakia	39,491
5.	Kazakhstan	30,722	United Arab Emirates	40,399
6.	Belarus	24,401	Belarus	28,661
7.	Czech Republic	15,886	Czech Republic	24,883
8.	The Netherlands	13,260	The Netherlands	21,357
9.	Romania	12,523	Romania	20,424
10.	Poland	9,430	Bulgaria	12,379
11.	Other	92,394	Other	113,707
	<b>TOTAL</b>	<b>417,332</b>	<b>TOTAL</b>	<b>503,303</b>

### Sales by product lines

ASBIS remains the distributor of first choice for many worldwide suppliers. During the three months ended March 31<sup>st</sup>, 2019 we have not focused on increasing sales revenues but on increasing profitability. Thus the lower revenues in certain product lines.

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

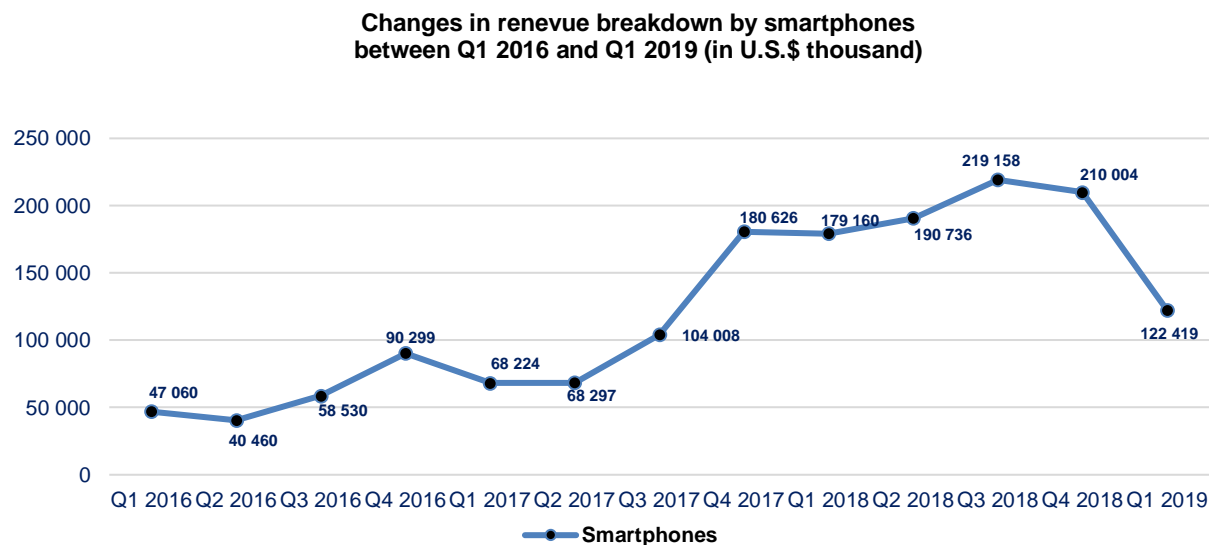


In Q1 2019, sales were mainly driven by smartphones, CPUs, accessories & multimedia and laptops.

Sales from CPUs and Software increased in Q1 2019 by 22.6% and 21.1% respectively, as compared to Q1 2018. Sales of HDDs and SSDs dropped by 35.4% and 47.1% respectively, as compared to Q1 2018. The business of laptops remained stable (+1.2% in Q1 2019).

Among other product lines, the Company has noticed a positive result in Q1 2019 in accessories & multimedia (+37.5%) and networking products (+5.1%).

The chart below indicates the trends in smartphones sale



In Q1 2019 sales of smartphones, which contribute to the majority of our revenues decreased by 31.7%, as compared to Q1 2018. This was as a result of market saturation and expectations that worldwide sales of smartphones would decrease. All major manufacturers of smartphones are reporting a decline in revenues for 2019.



The table below sets a breakdown of revenues, by product lines, for Q1 2019 and Q1 2018 (in US\$ thousand):

	Q1 2019		Q1 2018	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Smartphones	122,419	29.33%	179,161	35.60%
Central processing units (CPUs)	71,055	17.03%	57,966	11.52%
Accessories & multimedia	41,880	10.04%	30,466	6.05%
PC-mobile (laptops)	33,942	8.13%	33,552	6.67%
Hard disk drives (HDDs)	27,170	6.51%	42,029	8.35%
Solid state drives (SSDs)	16,583	3.97%	31,362	6.23%
Servers and server blocks	16,517	3.96%	16,611	3.30%
PC tablets	13,462	3.23%	18,738	3.72%
Networking products	11,540	2.77%	10,978	2.18%
Software	10,097	2.42%	8,340	1.66%
Other	52,667	12.62%	74,100	14.72%
<b>Total revenue</b>	<b>417,332</b>	<b>100%</b>	<b>503,303</b>	<b>100%</b>

## Liquidity and Capital Resources

The Company has in the past funded its liquidity requirements, including ongoing operating expenses, capital expenditures, and investments, for the most part, through operating cash flows, debt financing and equity financing. In Q1 2019 cash from operations was negative - which is typical for this period of the year. The management of the Company aims to have a positive cash flow from operations for 2019.

The following table presents a summary of cash flows for the three months ended March 31<sup>st</sup>, 2019 and 2018:

<i>(in thousands)</i>	Three months ended 31 March 2019 <u>USD</u>	Three months ended 31 March 2018 <u>USD</u>
Net cash movement from operating activities	(58,933)	(45,924)
Net cash movement from investing activities	(561)	(713)
Net cash movement from financing activities	(5,437)	2,254
<b>Net movement in cash and cash equivalents</b>	<b>(64,931)</b>	<b>(44,383)</b>

### **Net cash outflows from operations**

Net cash outflows from operations amounted to US\$ 58,933 for the three months ended March 31<sup>st</sup>, 2019, compared to outflows of US\$ 45,924 in the corresponding period of 2018. This is mainly attributed to increased working capital utilization. The Company aims to turn cash flow from operating activities into positive for the year 2019.

### **Net cash outflows from investing activities**

Net cash outflows from investing activities were US\$ 561 for the three months ended March 31<sup>st</sup>, 2019, compared to outflows of US\$ 713 in the corresponding period of 2018.

### ***Net cash outflows from financing activities***

Net cash outflows from financing activities were US\$ 5,437 for the three months ended March 31<sup>st</sup>, 2019, compared to inflows of US\$ 2,254 in the corresponding period of 2018.

### ***Net decrease in cash and cash equivalents***

As a result of higher increased working capital utilization, cash and cash equivalents have decreased by US\$ 64,931, compared to a decrease of US\$ 44,383 in the corresponding period of 2018.

## **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 vulnerability in the political and economic environment. The volatile 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 the F.S.U. and other regions, we do believe to be able to further benefit from the work done during the tough times.

What is more important, we develop more markets in this region with new product lines and our revenues and profitability benefit from that. We will continue this strategy and focus more on our core regions and strengths, to maximize profits and take advantage of market changes.

### **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 and Ukraine are currently the markets that lead in terms of revenue. We need to ensure that we adapt quickly to any changes that may occur in these markets and reinforce our strategy to fully diversify our sales.

The F.S.U. and CEE regions are expected to continue having the leading share in our revenue breakdown. This follows the focus of the Group to its strong competencies and further development of the product portfolio at these marketplaces. In 2019, an increase in revenues will not be a primary target for the Group, since the focus will be mostly on profitability. Despite all measures taken by the Company, the possibility of a decrease in demand and sales in a particular country or region cannot be excluded in the future. Such a situation may limit overall growth.

It is of extreme importance for the Company to best 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 gain more market share from weaker competitors.

### **The Group's ability to increase gross profit margins**

The Group's ability to increase its gross profit margin is of very big importance. The increase observed in Q1 2019 as compared to the corresponding period of 2018 was a result of the current Company's strategy to focus more on both the development of own-brand and third-party products with higher margins.

The pace of growth in gross profit margins is hard to estimate, as the margins may remain under pressure, due to enhanced competition together with lower demand in several markets. It is quite important for the Group to manage its stock levels and refine its product portfolio to achieve optimum gross profit margins.

### **Currency volatilities**

The multi-currency environment that the Group operates in exposes its financial results to steep currency fluctuations. We have been successfully shielded by our hedging policy in the three-month period ended March 31<sup>st</sup>, 2019. Therefore, the hedging strategy should be followed and further improved without any exception in further periods.

### **Ability of the Group to control expenses**

Selling and administrative expenses in Q1 2019 decreased by 4.4% and 6.9% respectively, as compared to Q1 2018. The decrease in expenses is a result of lower gross profit and the ability of the Group to scale its expenses accordingly. We consider cost control to be a significant factor towards delivering improved results going forward and it is very important that the Group is undertaking all necessary steps towards in further reducing its 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. Such additions like Perenio, Atlantech and other VAD services are promising a new stream of income for the Group.

### **Ability to cover warranty claims from customers**

The own-brand business requires us to be very careful with quality as it may affect both consumer satisfaction and increase costs. 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 and this has covered us to a large extent.

Therefore, we have not faced any specific problems in this area in the three month period ended March 31st, 2019. However, we need to be constantly overlooking and analysing the situation to avoid any possible losses.

## **17. Information about important events that occurred after the period ended on March 31st, 2019 and before this report release**

According to our best knowledge, in the period between March 31<sup>st</sup>, 2019 and May 9<sup>th</sup>, 2019 no events have occurred that could affect either 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 31<sup>st</sup>, 2019**

<b>Contents</b>	<b>Page</b>
Condensed consolidated interim statement of profit or loss	1
Condensed consolidated interim statement of comprehensive income	2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial statements	6-20

**ASBISC ENTERPRISES PLC**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

# **ASBISC ENTERPRISES PLC**

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## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

### **CONTENTS**

### **PAGE**

Condensed consolidated interim statement of profit or loss	1
Condensed consolidated interim statement of comprehensive income	2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial statements	6 - 20

# ASBISC ENTERPRISES PLC

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## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

	Note	For the three months ended 31 March 2019 US\$	For the three months ended 31 March 2018 US\$
<b>Revenue</b>	4,23	417,332	503,303
Cost of sales		<u>(396,224)</u>	<u>(480,538)</u>
<b>Gross profit</b>		21,108	22,765
Selling expenses		(10,573)	(11,054)
Administrative expenses		<u>(5,932)</u>	<u>(6,371)</u>
<b>Profit from operations</b>		4,603	5,340
Financial income	7	1,388	911
Financial expenses	7	(4,013)	(4,055)
Other gains and losses	5	215	27
Share of loss of equity-accounted investees	5	<u>(6)</u>	<u>-</u>
<b>Profit before tax</b>	6	2,187	2,223
Taxation	8	<u>(494)</u>	<u>(511)</u>
<b>Profit for the period</b>		<u>1,693</u>	<u>1,712</u>
<b>Attributable to:</b>			
Equity holders of the parent		1,686	1,721
Non-controlling interests		<u>7</u>	<u>(9)</u>
		<u>1,693</u>	<u>1,712</u>
		US\$ cents	US\$ cents
<b>Earnings per share</b>			
Basic and diluted from continuing operations		<u>3.04</u>	<u>3.10</u>

## ASBISC ENTERPRISES PLC

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### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

	<b>For the three months ended 31 March 2019 US\$</b>	<b>For the three months ended 31 March 2018 US\$</b>
<b>Profit for the period</b>	<u>1,693</u>	<u>1,712</u>
<b>Other comprehensive income</b>		
Exchange difference on translating foreign operations	(291)	949
Reclassification adjustments relating to foreign operations liquidated in the period	<u>10</u>	<u>(120)</u>
<b>Other comprehensive (loss)/income for the period</b>	<u>(281)</u>	<u>829</u>
<b>Total comprehensive income for the period</b>	<u><u>1,414</u></u>	<u><u>2,541</u></u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	1,410	2,551
Non-controlling interests	<u>4</u>	<u>(10)</u>
	<u><u>1,414</u></u>	<u><u>2,541</u></u>



# ASBISC ENTERPRISES PLC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

(in thousands of US\$)

	Notes	As at 31 March 2019 US\$	As at 31 December 2018 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	29,298	25,250
Intangible assets	10	2,893	3,068
Equity-accounted investees	11	332	336
Goodwill	27	392	400
Deferred tax assets	20	515	133
<b>Total non-current assets</b>		<u>33,430</u>	<u>29,187</u>
<b>Current assets</b>			
Inventories	12	187,891	180,211
Trade receivables	13	147,817	174,580
Other current assets	14	19,593	16,859
Derivative financial asset	25	654	1,088
Current taxation	8	509	451
Cash at bank and in hand	26	53,123	101,425
<b>Total current assets</b>		<u>409,587</u>	<u>474,614</u>
<b>Total assets</b>		<u>443,017</u>	<u>503,801</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	11,100	11,100
Share premium		23,518	23,518
Retained earnings and other components of equity		65,749	64,340
Equity attributable to owners of the parent		100,367	98,958
Non-controlling interests		278	275
<b>Total equity</b>		<u>100,645</u>	<u>99,233</u>
<b>Non-current liabilities</b>			
Long term borrowings	17	3,134	87
Other long term liabilities	18	602	578
Deferred tax liabilities	20	392	34
<b>Total non-current liabilities</b>		<u>4,128</u>	<u>699</u>
<b>Current liabilities</b>			
Trade payables		151,337	208,145
Other current liabilities	21	42,277	46,938
Short term borrowings	16	142,087	146,566
Derivative financial liability	24	487	358
Current taxation	8	2,056	1,862
<b>Total current liabilities</b>		<u>338,244</u>	<u>403,869</u>
<b>Total liabilities</b>		<u>342,372</u>	<u>404,568</u>
<b>Total equity and liabilities</b>		<u>443,017</u>	<u>503,801</u>

The financial statements were approved by the Board of Directors on 8 May 2019.

.....  
Constantinos Tziamalis  
Director

.....  
Marios Christou  
Director

## ASBISC ENTERPRISES PLC

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

	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-controlli ng interests US\$	Total US\$
<b>Balance at 1 January 2018</b>	11,100	23,518	(14)	(10,199)	69,755	94,160	308	94,468
Loss for the period 1 January 2018 to 31 March 2018	-	-	-	-	1,723	1,723	(9)	1,714
Other comprehensive loss for the period 1 January 2018 to 31 March 2018	-	-	-	829	-	829	-	829
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(16)	(16)
<b>Balance at 31 March 2018</b>	11,100	23,518	(14)	(9,370)	71,478	96,712	283	96,995
(Loss)/profit for the period 1 April 2018 to 31 December 2018	-	-	-	-	10,315	10,315	9	10,324
Other comprehensive (loss)/profit for the period 1 April 2018 to 31 December 2018	-	-	-	(1,964)	-	(1,964)	(16)	(1,980)
Payment of final dividend	-	-	-	-	(6,105)	(6,105)	-	(6,105)
Share-based payments	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	11,100	23,518	(14)	(11,334)	75,688	98,958	276	99,233
Profit for the period 1 January 2019 to 31 March 2019	-	-	-	-	1,686	1,686	7	1,693
Other comprehensive profit for the period 1 January 2019 to 31 March 2019	-	-	-	(277)	-	(277)	(4)	(281)
Acquisition of shares from non-controlling interests (note 32)	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2019</b>	<u>11,100</u>	<u>23,518</u>	<u>(14)</u>	<u>(11,611)</u>	<u>77,374</u>	<u>100,367</u>	<u>279</u>	<u>100,645</u>

# ASBISC ENTERPRISES PLC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019 (in thousands of US\$)

	Note	For the three months ended 31 March 2019 US\$	For the three months ended 31 March 2018 US\$
<b>Profit for the period before tax and minority interest</b>		2,187	2,223
Adjustments for:			
Exchange difference arising on consolidation		(155)	385
Depreciation of property, plant and equipment and right-of-use assets	9	527	388
Amortization of intangible assets	10	279	238
Loss/(profit) from the sale of property, plant and equipment and intangible assets	5	5	(1)
Impairment losses on intangible assets and goodwill		14	-
Provision for bad debts and receivables written off		488	938
Bad debts recovered	5	(1)	(2)
Provision for slow moving and obsolete stock		318	339
Share of loss of equity-accounted investees		6	-
Interest received	7	(24)	(34)
Interest paid	7	1,116	998
<b>Operating profit before working capital changes</b>		4,760	5,472
Increase in inventories		(7,997)	(13,331)
Decrease in trade receivables		26,276	39,337
(Increase)/decrease in other current assets		(2,301)	27
Decrease in trade payables		(56,821)	(61,880)
Decrease in other current liabilities		(4,533)	(566)
Increase in other non-current liabilities		24	52
Decrease in factoring creditors		(16,844)	(13,622)
<b>Cash outflows from operations</b>		(57,436)	(44,511)
Interest paid	7	(1,116)	(998)
Taxation paid, net	8	(381)	(415)
<b>Net cash outflows from operating activities</b>		(58,933)	(45,924)
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	10	(102)	(373)
Purchase of property, plant and equipment	9	(488)	(381)
Proceeds from sale of property, plant and equipment and intangible assets		5	7
Interest received	7	24	34
<b>Net cash outflows from investing activities</b>		(561)	(713)
<b>Cash flows from financing activities</b>			
Proceeds/(repayments) of long term loans and non-current lease liabilities		8	(35)
Proceeds/(repayments) of short term borrowings and current lease liabilities		(5,445)	2,289
<b>Net cash (outflows)/inflows from financing activities</b>		(5,437)	2,254
<b>Net decrease in cash and cash equivalents</b>		(64,931)	(44,383)
<b>Cash and cash equivalents at beginning of the period</b>		58,109	45,933
<b>Cash and cash equivalents at end of the period</b>	26	(6,822)	1,550

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

*(in thousands of US\$)*

### 1. Incorporation and principal activities

ASBISC Enterprises Plc was incorporated in Cyprus on the 9th of November 1995 with limited liability. These condensed consolidated interim financial statements ("interim financial statements") as at and for the three months ended 31 March 2019 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 the 30<sup>th</sup> of 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 2018. 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 2018.

This is the first set of Group's financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in note 3.

These interim financial statements were authorized for issue by the Company's Board of Directors on 8<sup>th</sup> of May 2019.

#### (b) Use of the 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 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 which is described in the Note 3.

### 3. Significant accounting policies

Except as described below, the accounting policies adopted for the preparation of the condensed consolidated interim financial statements for the three months ended 31 March 2019 are consistent with those followed for the preparation of the annual financial statements for the year 2018. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 from 1 January 2018. A number of other new standards are effective from 1 January 2019 but they do not have to have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e., it is presented, as previously reported, under IAS 17 and related interpretations.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 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

	<b>For the three months ended 31 March 2019 US\$</b>	<b>For the three months ended 31 March 2018 US\$</b>
(Loss)/profit on disposal of property, plant and equipment	(5)	1
Other income	231	11
Bad debts recovered	1	2
Rental income	2	13
Impairment loss on goodwill	(14)	-
	<u>215</u>	<u>27</u>

### 6. Profit before tax

	<b>For the three months ended 31 March 2019 US\$</b>	<b>For the three months ended 31 March 2018 US\$</b>
Profit before tax is stated after charging :		
(a) Amortization of intangible assets (Note 10)	279	238
(b) Depreciation of property, plant and equipment and right-of-use assets (Note 9)	527	388
(c) Auditors' remuneration	92	95
(d) Directors' remuneration – executive (Note 28)	178	167
(e) Directors' remuneration – non-executive (Note 28)	<u>3</u>	<u>1</u>

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 7. Financial expense, net

	For the three months ended 31 March 2019 US\$	For the three months ended 31 March 2018 US\$
<b>Financial income</b>		
Interest income	24	34
Other financial income	1,154	877
Net exchange gain	210	-
	<u>1,388</u>	<u>911</u>
<b>Financial expense</b>		
Bank interest	1,116	998
Bank charges	676	505
Derivative charges	601	203
Factoring interest	1,224	1,459
Factoring charges	68	85
Other financial expenses	1	46
Interest on lease liabilities	80	-
Other interest	247	633
Net exchange loss	-	126
	<u>4,013</u>	<u>4,055</u>
Net	<u>(2,625)</u>	<u>(3,144)</u>

### 8. Tax

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
Payable) balance 1 January	1,409	26
Provision for the period/year	521	2,911
Exchange difference on retranslation	(3)	(93)
Amounts paid, net	(381)	(1,556)
Under provision of prior year periods	-	121
Net payable balance 31 March/31 December	<u>1,547</u>	<u>1,409</u>

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 8. Tax (continued)

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
Tax receivable	(509)	(451)
Tax payable	<u>2,056</u>	<u>1,862</u>
Net	<u>1,547</u>	<u>1,411</u>

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

	<b>For the three months ended 31 March 2019 US\$</b>	<b>For the three months ended 31 March 2018 US\$</b>
Provision for the period	521	509
Under provision of prior years	-	2
Deferred tax charge (Note 20)	<u>(27)</u>	<u>-</u>
Charge for the period	<u>494</u>	<u>511</u>

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.

## ASBISC ENTERPRISES PLC

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

#### 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\$
<b>Cost</b>							
<b>At 1 January 2018</b>	25,205	6,784	409	2,294	2,578	3,046	40,316
Additions	313	801	7	407	458	814	2,800
Disposals	(118)	(642)	-	(503)	(57)	(169)	(1,489)
Foreign exchange difference on retranslation	(580)	(197)	-	(74)	(87)	(102)	(1,040)
<b>At 31 December 2018</b>	24,820	6,746	416	2,124	2,892	3,589	40,587
Adjustment on transition to IFRS 16	3,758	-	-	652	-	-	4,410
Additions	36	180	2	55	12	12	297
Disposals	(12)	(12)	-	(9)	(1)	(4)	(38)
Foreign exchange difference on retranslation	(165)	(17)	-	(11)	11	(4)	(186)
<b>At 31 March 2019</b>	28,437	6,897	418	2,811	2,914	3,593	45,070
<b>Accumulated depreciation</b>							
<b>At 1 January 2018</b>	4,109	5,561	196	1,561	2,071	2,283	15,781
Charge for the year	390	574	44	250	69	235	1,562
Disposals	(118)	(642)	-	(503)	(57)	(169)	(1,489)
Foreign exchange difference on retranslation	(106)	(210)	4	(54)	(68)	(83)	(517)
<b>At 31 December 2018</b>	4,275	5,283	244	1,254	2,015	2,266	15,337
Charge for the period	243	155	9	66	9	45	527
Disposals	(2)	(12)	-	(9)	(1)	(4)	(28)
Foreign exchange difference on retranslation	8	(62)	-	(8)	8	(10)	(64)
<b>At 31 March 2019</b>	4,524	5,364	253	1,303	2,031	2,297	15,772
<b>Net book value</b>							
At 31 March 2019	23,913	1,533	165	1,508	883	1,296	29,298
At 31 December 2018	20,545	1,463	172	870	877	1,323	25,250



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 March 2019

(in thousands of US\$)

### 9. Property, plant and equipment (continued)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	<b>As at 31 March 2019 US\$</b>
Land and buildings	3,624
Motor vehicles	580
Total right-of-use assets	<u>4,204</u>

### 10. Intangible assets

	<b>Computer software US\$</b>	<b>Patents and licenses US\$</b>	<b>Total US\$</b>
<b>Cost</b>			
<b>At 1 January 2018</b>	8,995	2,515	11,510
Additions	956	61	1,017
Disposals/ write-offs	(150)	(181)	(331)
Foreign exchange difference on retranslation	(55)	(12)	(67)
<b>At 31 December 2018</b>	<u>9,746</u>	<u>2,383</u>	<u>12,129</u>
Additions	102	-	102
Disposals/ write-offs	7	-	7
Foreign exchange difference on retranslation	(9)	6	(3)
<b>At 31 March 2019</b>	<u>9,845</u>	<u>2,390</u>	<u>12,235</u>
<b>Accumulated amortization</b>			
<b>At 1 January 2018</b>	6,590	1,756	8,346
Charge for the year	725	280	1,005
Disposals/ write-offs	(150)	(95)	(245)
Foreign exchange difference on retranslation	(41)	(4)	(45)
<b>At 31 December 2018</b>	<u>7,124</u>	<u>1,937</u>	<u>9,061</u>
Charge for the period	207	72	279
Disposals/ write-offs	7	-	7
Foreign exchange difference on retranslation	(6)	1	(5)
<b>At 31 March 2019</b>	<u>7,333</u>	<u>2,009</u>	<u>9,342</u>
<b>Net book value</b>			
At 31 March 2019	<u>2,512</u>	<u>380</u>	<u>2,893</u>
At 31 December 2018	<u>2,622</u>	<u>446</u>	<u>3,068</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 11. Equity-accounted investees

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
<b>Cost</b>		
At 1 January	366	-
Increase in share capital (i)	<u>-</u>	<u>366</u>
At 31 March/31 December	<u>366</u>	<u>366</u>
<b>Accumulated share of loss from equity-accounted investees</b>		
At 1 January	(30)	-
Share of loss from equity-accounted investees during the year	(6)	(30)
Exchange difference	<u>2</u>	<u>-</u>
At March/31 December	<u>(34)</u>	<u>(30)</u>
<b>Carrying amount of equity-accounted investees</b>	<u>332</u>	<u>336</u>

- (i) In April 2018, the Group acquired 40% shareholding of iSpace LLC, for the consideration of US\$ 80,000.  
(ii) In December 2018, the Group acquired 25% shareholding of LLC Avectis, for the consideration of US\$ 285,732.

### 12. Inventories

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
Goods in transit	36,722	16,059
Goods held for resale	154,650	167,334
Provision for slow moving and obsolete stock	<u>(3,481)</u>	<u>(3,182)</u>
	<u>187,891</u>	<u>180,211</u>

#### Movement in provision for slow moving and obsolete stock:

	For the three months ended 31 March 2019 US\$	For the year ended 31 December 2018 US\$
On 1 January	3,182	4,729
Provisions for the period/year	387	1,844
Provided stock written off	(69)	(3,327)
Exchange difference	<u>(19)</u>	<u>(64)</u>
On 31 March/31 December	<u>3,481</u>	<u>3,182</u>

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 13. Trade receivables

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
Trade receivables	151,847	178,125
Allowance for doubtful debts	<u>(4,030)</u>	<u>(3,545)</u>
	<u>147,817</u>	<u>174,580</u>

#### Movement in provision for doubtful debts:

	<b>For the three months ended 31 March 2018 US\$</b>	<b>For the year ended 31 December 2018 US\$</b>
On 1 January	3,545	6,236
Provisions for the period/year	668	4,666
Amount written-off as uncollectible	(180)	(6,922)
Bad debts recovered	(1)	(51)
Exchange difference	<u>(3)</u>	<u>(384)</u>
On 31 March/31 December	<u>4,030</u>	<u>3,545</u>

### 14. Other current assets

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
Deposits and advances to service providers	767	753
Employee floats	66	64
VAT and other taxes refundable	7,452	5,314
Other debtors and prepayments	<u>11,308</u>	<u>10,728</u>
	<u>19,593</u>	<u>16,859</u>

### 15. Share capital

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
<b>Authorized</b> 63,000,000 (2018: 63,000,000) shares of US\$ 0.20 each	<u>12,600,000</u>	<u>12,600,000</u>
<b>Issued and fully paid</b> 55,500,000 (2018: 55,500,000) ordinary shares of US\$ 0.20 each	<u>11,100,000</u>	<u>11,100,000</u>

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# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 16. Short term borrowings

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
Bank overdrafts (Note 26)	59,945	43,316
Current portion of long term loans	208	114
Bank short term loans	50,452	55,930
Current lease liabilities (Note 19)	<u>1,180</u>	<u>61</u>
Total short term debt	<u>111,785</u>	<u>99,421</u>
Factoring creditors	<u>30,302</u>	<u>47,145</u>
	<u>142,087</u>	<u>146,566</u>

### Summary of borrowings and overdraft arrangements

As at 31 March 2019 the Group enjoyed factoring facilities of US\$ 124,695 (31 December 2018 US\$ 117,369).

In addition, the Group as at 31 March 2019 had the following financing facilities with banks in the countries that the Company and its subsidiaries are operating:

- overdraft lines of US\$ 88,745 (31 December 2018: US\$ 89,745)
- short term loans/revolving facilities of US\$ 38,252 (31 December 2018: US\$ 40,803)
- bank guarantee and letters of credit lines of US\$ 41,202 (31 December 2018: US\$ 41,226)

The Group had for the year ending 31 March 2019 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 7.3% (for 2018: 8.1%).

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\$ 26,366 (31 December 2018: US\$ 26,649)

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 17. Long term borrowings

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
Bank loans	56	45
Non-current lease liabilities (Note 19)	<u>3,078</u>	<u>42</u>
	<u>3,134</u>	<u>87</u>

### 18. Other long term liabilities

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
Pension provision	<u>602</u>	<u>578</u>

### 19. Lease liabilities

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
Current lease liabilities	1,180	61
Non-current lease liabilities	<u>3,078</u>	<u>42</u>
	<u>4,258</u>	<u>103</u>

### 20. Deferred tax

	<b>For the three months ended 31 March 2019 US\$</b>	<b>For the year ended 31 December 2018 US\$</b>
Debit balance on 1 January	(99)	(168)
Deferred tax charge for the period/year (Note 20)	(27)	60
Exchange difference on retranslation	<u>3</u>	<u>9</u>
At 31 March/31 December	<u>(123)</u>	<u>(99)</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 20. Deferred tax (continued)

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
Deferred tax assets	(515)	(133)
Deferred tax liabilities	392	34
Net deferred tax assets	<u>(123)</u>	<u>(99)</u>

### 21. Other current liabilities

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
Salaries payable and related costs	1,205	1,112
VAT payable	3,766	7,111
Accruals and deferred income	30,351	30,069
Non-trade accounts payable	2,485	3,989
Provision for warranties	4,470	4,657
	<u>42,277</u>	<u>46,938</u>

### 22. Commitments and contingencies

As at the 31st of March 2019 the Group was committed in respect of purchases of inventories of a total cost value of US\$ 15,992 (31 December 2018: US\$ 9,365) which were in transit at 31st of March 2019 and delivered in April 2019. 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 the 31st March 2019 the Group was contingently liable in respect of bank guarantees and letters of credit of US\$ 41,202 (31 December 2018: US\$ 41,226) which the Group has extended mainly to its suppliers.

As at the 31st March 2019 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 2019 US\$	For the three months ended 31 March 2018 US\$
Former Soviet Union	205,152	251,984
Central Eastern Europe	110,538	160,014
Middle East & Africa	56,822	46,989
Western Europe	34,869	35,174
Other	9,951	9,141
	<u>417,332</u>	<u>503,303</u>

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 23. Operating segments (continued)

#### 1.3 Segment results

	For the three months ended 31 March 2019 US\$	For the three months ended 31 March 2018 US\$
Former Soviet Union	2,957	3,104
Central Eastern Europe	1,322	1,739
Middle East & Africa	285	304
Western Europe	14	77
Other	25	116
<b>Profit from operations</b>	<b>4,603</b>	<b>5,340</b>
Net financial expenses	(2,625)	(3,144)
Other gains and losses	215	27
Share of loss from associates	(6)	-
<b>Profit before taxation</b>	<b>2,187</b>	<b>2,223</b>

#### 1.4 Segment capital expenditure (CAPEX)

	As at 31 March 2018 US\$	As at 31 December 2018 US\$
Former Soviet Union	6,837	5,914
Central Eastern Europe	12,925	11,794
Middle East & Africa	3,419	2,971
Unallocated	9,402	8,039
	<b>32,583</b>	<b>28,718</b>

#### 1.5 Segment depreciation and amortization

	For the three months ended 31 March 2019 US\$	For the three months ended 31 March 2018 US\$
Central Eastern Europe	171	186
Former Soviet Union	255	100
Middle East & Africa	50	49
Unallocated	330	291
	<b>806</b>	<b>626</b>

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# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 23. Operating segments (continued)

#### 1.6 Segment assets

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
Former Soviet Union	219,143	240,880
Central Eastern Europe	110,039	161,983
Middle East & Africa	33,047	31,248
Western Europe	37,247	32,262
Total	<u>399,476</u>	<u>466,373</u>
Assets allocated in capital expenditure (1.4)	32,522	28,718
Other unallocated assets	<u>11,019</u>	<u>8,710</u>
Consolidated assets	<u><u>443,017</u></u>	<u><u>503,801</u></u>

#### 24. Derivative financial liability

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
<u>Derivative financial liabilities carried at fair value through profit or loss</u>		
Foreign currency derivative contracts	<u>487</u>	<u>358</u>

#### 25. Derivative financial asset

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
<u>Derivative financial assets carried at fair value through profit or loss</u>		
Foreign currency derivative contracts	<u>654</u>	<u>1,088</u>

#### 26. Cash and cash equivalents

	As at 31 March 2019 US\$	As at 31 December 2018 US\$
Cash at bank and in hand	53,123	101,425
Bank overdrafts (Note 16)	<u>(59,945)</u>	<u>(43,316)</u>
	<u><u>(6,822)</u></u>	<u><u>58,109</u></u>

The cash at bank and in hand balance includes an amount of US\$ 26,366 (31 December 2018: US\$ 26,649) which represents pledged deposits against financial facilities granted and margin accounts for foreign exchange hedging.



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 27. Goodwill

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
At 1 January	400	419
Additions	14	360
Impairment loss (note ii)	(14)	(360)
Foreign exchange difference on retranslation	(8)	(19)
At 31 March/31 December (note i)	<u>392</u>	<u>400</u>

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

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo)	<u>392</u>	<u>400</u>
	<u>400</u>	<u>400</u>

(ii) The impairment loss on goodwill relates to the following cash generating unit and subsidiary:

	<b>As at 31 March 2019 US\$</b>	<b>As at 31 December 2018 US\$</b>
Vizuatika LLC	(13)	-
Vizuators LLC	(1)	-
iPoint Kazakhstan LLP	<u>-</u>	<u>(360)</u>
	<u>(14)</u>	<u>(360)</u>

### 28. Transactions and balances of key management

	<b>For the three months ended 31 March 2019 US\$</b>	<b>For the three months ended 31 March 2018 US\$</b>
Director's remuneration - executive (Note 6)	178	167
Director's remuneration - non-executive (Note 6)	<u>3</u>	<u>1</u>
	<u>181</u>	<u>168</u>

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(in thousands of US\$)

### 29. Business combinations

#### **Acquisitions of subsidiaries to 31 March 2019**

During the period, the group has acquired 75% of the share capital of Vizuatika LLC and Vizuator LLC.

<u>Name of entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>	<u>% owned</u>
Vizuatika LLC	Information Technology	28 March 2019	75%	75%
Vizuator LLC	Information Technology	28 March 2019	75%	75%

#### **Acquisitions of subsidiaries to 31 December 2018**

During the year, the Group has acquired the remaining 15% of the share capital of ASBIS Cloud Ltd, 100% of ASBC Kazakhstan LLP and 100% of Atlantech Ltd.

<u>Name of entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>	<u>% owned</u>
ASBIS Cloud Ltd	Information Technology	09 February 2018	15%	100%
ASBC Kazakhstan LLP	Information Technology	13 August 2018	100%	100%
Atlantech Ltd	Information Technology	26 December 2018	100%	100%

#### **Disposals of subsidiaries to 31 March 2019**

During the period the following Group's subsidiaries went into liquidation. No gain or loss arose on the event.

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
Asbis Limited	Information Technology	25 January 2019	100%

#### **Disposals of subsidiaries to 31 December 2018**

During the period the following Group's subsidiaries went into liquidation. No gain or loss arose on the event.

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
OU ASBIS Estonia	Information Technology	29 November 2017	100%
Prestigio Plaza NL BV	Information Technology	03 January 2018	100%
ASBIS UK	Information Technology	30 April 2018	100%
S.C. EUROMALL 2008 S.R.L	Information Technology	26 September 2018	100%
EUROMALL CZ s.r.o.	Information Technology	21 November 2018	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 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)).