

**INTERIM MANAGEMENT REPORT
FOR THE THREE MONTHS
ENDED 31 MARCH 2020**

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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 2020. 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 revenue is comprised of sales of IT products under our private labels: Prestigio, Canyon and Perenio.

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through two master distribution centres (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 27 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 56 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 2020

In the three months ended March 31, 2020, we have managed to increase year-on-year not only our revenues but also the net profit despite an ongoing pandemic worldwide.

This was the result of the broad geographical coverage, broad product portfolio and flexibility in taking prompt actions, which we have often proved in difficult situations.

Such advantages in the pandemic era have allowed us to continue sales in regions where the COVID-19 was late to arrive and offer IT products and solutions, which are necessary both for consumers and corporate clients. In Q1 2020, we have experienced a significant demand for products from specific segments, such as laptops, monitors and network products which are essential to work remotely, but also of home entertainment. The need of consumers for systems related to creating, sending and sharing information remained very high in Q1 2020.

In the three months ended March 31, 2020, based on the strong financial position of the Company, the Board of Directors has decided to recommend the Annual General Meeting of Shareholders the payment of a final dividend of USD 0.075 per share. This means a payment of another USD 4,162,500 out of the 2019 net profit after tax apart from the interim dividend paid in December last year.

We have completed the first quarter of 2020 and we consider it to have been a successful one and consistent with our expectations.

The principal events of the three months ended 31 March 2020 were as follows (in US\$ thousand):

- Revenues in Q1 2020 increased by 19.9% to US\$ 500,506 from US\$ 417,332 in Q1 2019.
- Gross profit in Q1 2020 increased by 20.4% to US\$ 25,411 from US\$ 21,108 in Q1 2019.
- Gross profit margin in Q1 2020 improved to 5.08% from 5.06% in Q1 2019.
- Selling expenses in Q1 2020 increased by 4.5% to US\$ 11,053 from US\$ 10,573 Q1 2019.
- Administrative expenses in Q1 2020 increased by 34.7% to US\$ 7,990 from US\$ 5,931 in Q1 2019.

- EBITDA in Q1 2020 was significantly higher year-on-year and reached US\$ 7,377 in comparison to US\$ 5,409 in Q1 2019, a strong improvement of 36.4%.
- Because of strong growth in revenues and gross profit and controlled expenses, in Q1 2020 the Company has much improved its net profit after taxation by 32.4% to U.S. \$ 2,242 as compared to U.S.\$ 1,693 in Q1 2019. 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 2020 and Q1 2019 (in US\$ thousand):

Region	Q1 2020	Q1 2019	YoY change
Former Soviet Union	265,547	205,152	29.4%
Central and Eastern Europe	143,801	110,538	30.1%
Middle East and Africa	50,166	56,822	-11.7%
Western Europe	31,351	34,869	-10.1%
Other	9,641	9,951	-3.1%
Total	500,506	417,332	19.9%

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, 2020 and 2019, have been converted into Euro and PLN, based on the exchange rates provided by the National Bank of Poland:

	As at 31 March 2020	Three months ended 31 March 2020 average	As at 31 March 2019	Three months ended 31 March 2019 average
USD/PLN	4.1466	3.9907	3.8365	3.7830
EUR/PLN	4.5523	4.3963	4.3013	4.2978

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 2020			Three months ended 31 March 2019		
	<u>USD</u>	<u>PLN</u>	<u>EUR</u>	<u>USD</u>	<u>PLN</u>	<u>EUR</u>
Revenue	505,506	1,997,353	454,329	417,332	1,578,753	367,337
Cost of sales	(475,095)	(1,895,946)	(431,263)	(396,224)	(1,498,902)	(348,758)
Gross profit	25,411	101,407	23,067	21,108	79,851	18,579
Selling expenses	(11,053)	(44,109)	(10,033)	(10,573)	(39,997)	(9,306)
Administrative expenses	(7,990)	(31,885)	(7,253)	(5,932)	(22,441)	(5,221)
Profit from operations	6,368	25,413	5,780	4,603	17,413	4,052
Financial income	733	2,925	665	1,388	5,251	1,222
Financial expenses	(4,380)	(17,479)	(3,976)	(4,013)	(15,181)	(3,532)

Share of profit/(loss) of equity-accounted investees	0	0	0	(6)	(23)	(5)
Other gains and losses	243	970	221	215	813	189
Profit before taxation	2,964	11,828	2,691	2,187	8,273	1,925
Taxation	(723)	(2,885)	(656)	(494)	(1,869)	(435)
Profit after taxation	2,241	8,943	2,034	1,693	6,405	1,490

Attributable to:

Non-controlling interests	(32)	(128)	(29)	7	26	6
Owners of the Company	2,273	9,071	2,063	1,686	6,378	1,484
	2,241	8,943	2,034	1,693	6,405	1,490

	<u>USD cents</u>	<u>PLN grosz</u>	<u>EUR cents</u>	<u>USD cents</u>	<u>PLN grosz</u>	<u>EUR cents</u>
Basic and diluted earnings per share from continuing operations	4.10	16.36	3.72	3.04	11.50	2.68

<i>(in thousands)</i>	Three months ended 31 March 2020			Three months ended 31 March 2019		
	<u>USD</u>	<u>PLN</u>	<u>EUR</u>	<u>USD</u>	<u>PLN</u>	<u>EUR</u>
Net cash movement from operating activities	(72,598)	(289,714)	(65,900)	(63,638)	(240,740)	(56,014)
Net cash movement from investing activities	(944)	(3,767)	(857)	(561)	(2,122)	(494)
Net cash movement from financing activities	(1,392)	(5,555)	(1,264)	(733)	(2,773)	(645)
Net movement in cash and cash equivalents	(74,934)	(299,037)	(68,021)	(64,931)	(245,632)	(57,152)
Cash at the beginning of the period	78,306	312,493	71,081	58,109	219,824	51,148
Cash at the end of the period	3,372	13,457	3,061	(6,822)	(25,807)	(6,005)

<i>(in thousands)</i>	As at 31 March 2020			As at 31 March 2019		
	<u>USD</u>	<u>PLN</u>	<u>EUR</u>	<u>USD</u>	<u>PLN</u>	<u>EUR</u>
Current assets	488,957	2,027,509	445,381	409,587	1,571,381	365,327
Non-current assets	33,317	138,152	30,348	33,430	128,254	29,818
Total assets	522,274	2,165,661	475,729	443,017	1,699,635	395,144
Current liabilities	410,112	1,700,570	373,563	338,244	1,297,673	301,693
Non-current liabilities	4,420	18,328	4,026	4,128	15,837	3,682
Total liabilities	414,532	1,718,898	377,589	342,372	1,313,510	305,375
Equity	107,742	446,763	98,140	100,645	386,125	89,769

4. Organization of ASBIS Group

The following table presents our corporate structure as at March 31st, 2020:

Company	Consolidation Method
ASBISC Enterprises PLC	Mother
Asbis Ukraine Limited (Kiev, Ukraine)	Full (100%)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100%)
Asbis Poland Sp. z o.o. (Warsaw, Poland)	Full (100%)

Asbis Romania S.R.L (Bucharest, Romania)	Full (100%)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100%)
Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100%)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100%)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100%)
Asbis CZ, spol.s.r.o (Prague, Czech Republic)	Full (100%)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100%)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100%)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100%)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100%)
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%)
"ASBIS BALTICS" SIA (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, Slovakia)	Full (100%)
E-vision Production Unitary Enterprise (Minsk, Belarus)	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%)
ASBC LLC (Tbilisi, Georgia)	Full (100%)
ALC Avectis (Minsk, Belarus)	Full (100%)
OOO Avectis (former Aksiomtech) (Moscow, Russia)	Full (100%)
Private Educational Institution "Center of excellence in Education for executives and specialists in Information Technology" (Minsk, Belarus)	Full (100%)
OOO Must (Moscow, Russia)	Full (100%)

5. Changes in the structure of the Group

During the three months ended March 31st, 2020 there were no changes in the Group's structure.

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

The Company has not announced its official financial forecast for 2020.

7. Information on dividend payment

During the three-month period ended March 31st, 2020 no dividend was paid.

However, on May 6th, 2020 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 2019 profits for the amount of USD 0.075 per share, a total amount of USD 4,162,500. The dividend record date was set for May 21st, 2020 and the dividend pay-out date for June 4th, 2020.

Thus, the grand total for dividends from the Company's 2019 profits (including the interim dividend pay-out on December 19th, 2019) amounted to USD 0.135 per share, which means a grand total payment of USD 7,492,500 from 2019 net profit after tax – the highest dividend in the Company's history.

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 according 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)	325,389	0.59%	325,389	0.59%
Free float	34,731,484	62.58%	34,731,484	62.58%
Total	55,500,000	100%	55,500,000	100%

*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 30th, 2020 (the date of the publication of the Annual Report for 2019) and the date of this report.

Information on buy-back program realization:

On August 13th, 2019, the Company started to execute the buy-back program which was approved by the Extraordinary General Meeting of Shareholders held on July 15th, 2019. According to the resolution, the Board of Directors has been authorized to buy-back up to 500,000 shares for a maximum of USD 300,000.

Till the date of publication of this report, the Company purchased under the current buy-back program 309,000 of own shares. Thus, together with the own shares purchased in the past years at the amount of 16,389, the Company holds in total 325,389 of own shares.

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

During the period between March 30th, 2020 (the date of the publication of the Annual Report for 2019) and May 7th, 2020 (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.

The members of the Board of Directors do not have any rights to the Company's shares.

10. Changes in the members of managing bodies

During the three-month period ended March 31st 2020 there were no changes in the members of the Company's Board of Directors.

After the period ended on March 31st, 2020, the Company's Annual General Meeting of Shareholders held on May 6th, 2020, has re-elected Mr Siarhei Kostevitch and Mr Marios Christou to the Board of Directors.

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 31st, 2020 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 31st, 2020 to support its subsidiaries' local financing, amounted to USD 170,546. The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at March 31st, 2020 was USD 41,264 – 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 31st, 2020, 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 pandemic situation with COVID- 19 and how the world will return back from this situation

The current situation could be the most difficult situation that the global economies have ever faced. The shutdown of the economies across the globe has led into an un-precedent situation which creates a significant uncertainty on how the global landscape would evolve when the markets will reopen, The operations of the Group will be significantly affected from this situation. There might be significant changes in consumer behaviour which might lead to decreased demand. It is of extreme importance for the Company to be able to weather this situation and take all necessary steps to avoid any serious impact from the overall situation.

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 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 2020 approximately 50% 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

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

1. International IT and CE distributors with presence in all major markets we operate
2. Regional IT and CE distributors who cover mostly a region but are quite strong
3. Strong local distributors who focus mostly on a single market but 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 favorable.

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.

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 or even write-offs.

In an oversupply situation, other distributors may elect to proceed with price reductions 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.

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 the majority of its revenue.

Despite all efforts to secure our revenues, certain countries remained non-insured (Ukraine and Belarus) therefore it is very important for us to ensure that we find other sources of securities which help us minimizing our credit risk. The Board of Directors decided to enhance risk management procedures. These do not guarantee that all issues will be avoided, however, 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 profitability and sales last year.

However, there are many uncertainties about the world economy following turmoil in different countries, the volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. A recent example is the outbreak of the Covid-19 worldwide. 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 another own brand, Perenio - which includes the sales of smart-home, smart-security sensors and other products.

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 cannot predict if consumers decide to return significant amounts of products. This situation has much improved in previous years and in the course of the first three months of 2020.

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

In the course of Q1 2020, we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost.

Environmental and Climate Changes

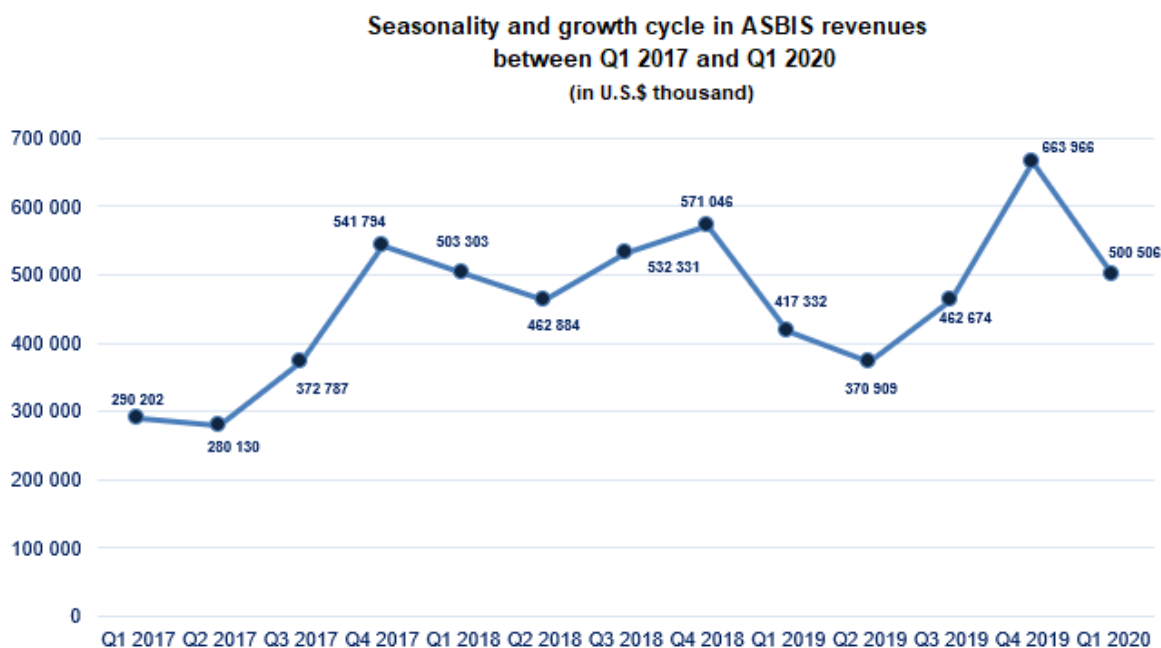
In terms of transition risks that arise from the transition to a low-carbon and climate-resilient economy, we may face the following risks: policy and legal risks (there may be laws or policies put in place that may require a more environmentally cautious approach to raw materials and land use), technology risks (changes in technology used to produce IT equipment) – these both may lead to growing prices in terms of IT equipment and solutions. We may also face market risk with consumers switching to more energy-efficient appliances or making more savvy purchases to limit their own impact on the environment. We will monitor these trends and introduce the latest hardware for our customers. We may also face reputational risks with difficulties in attracting customers, business partners and employees if we do not take strong enough actions against climate changes. In terms of physical risks resulting from climate changes, we may face both acute and chronic risks. Acute physical risks may arise from weather-related events in the form of floods, fires or droughts that may damage factories in certain regions, cause factories to limit or temporarily stop their production or disrupt our supply chain in other ways. These may result in temporary limitations in our product offering or rising prices of hardware and components. Chronic physical risks i.e. risks that may result from long-term changes in the climate, may also affect ASBIS.

Growing temperatures worldwide may cause a need for more temperature-resilient hardware and appliances and may also result in more hardware malfunctions that may increase warranty claims.

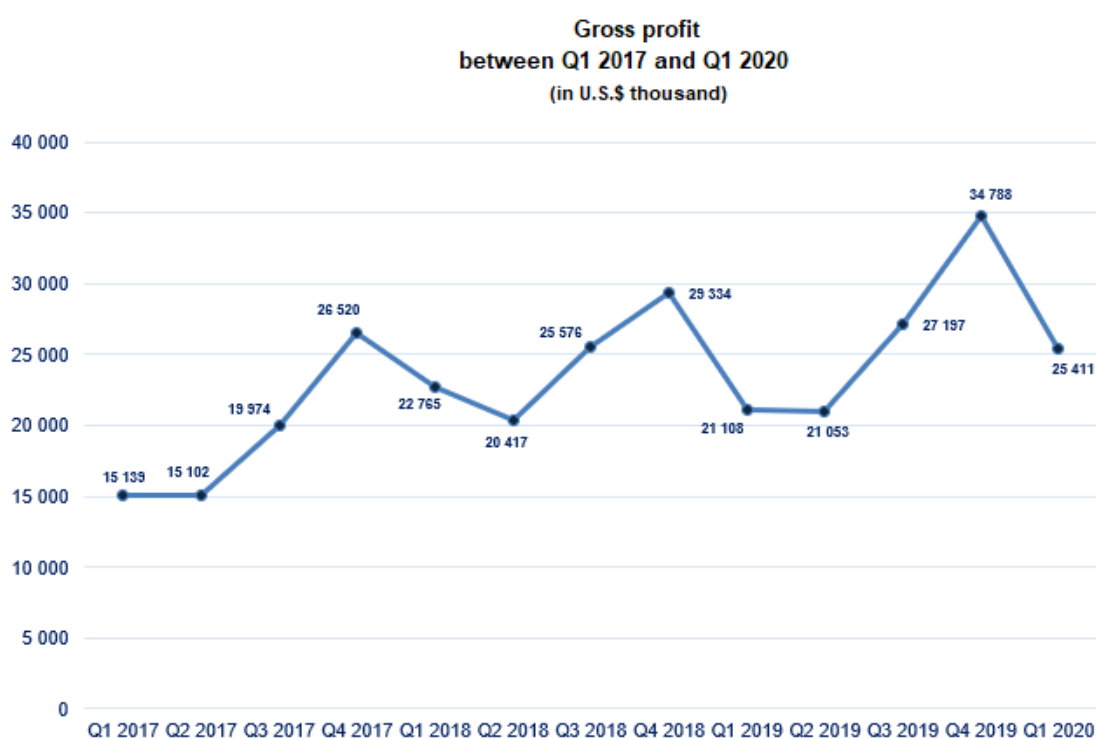
Results of Operations

Three-month period ended 31 March 2020 compared to the three-month period ended 31 March 2019 (in US\$ thousand)

- **Revenues:** In Q1 2020 revenues grew by 19.9% to US\$ 500,506 from US\$ 417,332 in Q1 2019.



- **Gross profit:** In Q1 2020 gross profit increased by 20.4% to US\$ 25,411 from US\$ 21,108 in Q1 2019.



- **Gross profit margin:**

In Q1 2020 gross profit margin improved and reached 5.08% as compared to 5.06% in Q1 2019.

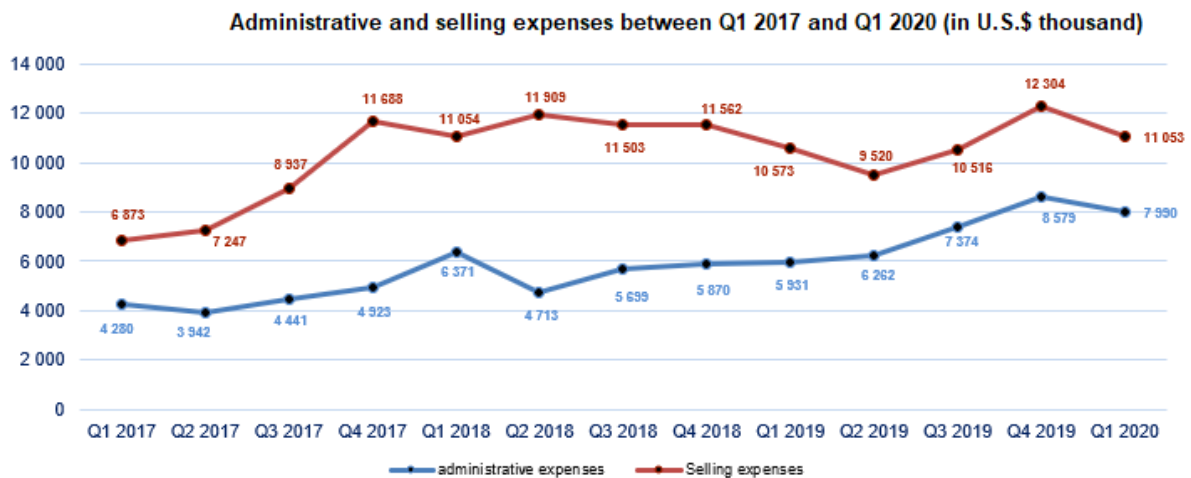
The improvement of the gross profit margin is the result of the current Company's strategy to focus more on the development of its product portfolio by adding new product lines and IT solutions with higher gross profit margins.

- **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 2020 increased by 4.5% to US\$ 11,053 from US\$ 10,573 in Q1 2019.

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

Administrative expenses in Q1 2020 increased by 34.7% to US\$ 7,990 from US\$ 5,931 in Q1 2019.



- **EBITDA:** In Q1 2020 EBITDA was positive and increased by 36.4% to US\$ 7,377 from US\$ 5,409 in Q1 2019.
- **Net profit:** Net profit after taxation in Q1 2020 reached US\$ 2,242 as compared to US\$ 1,693 in Q1 2019. This result is considered to be very good for the Group and meets our expectations.

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 2020. In Q1 2020 sales in both the F.S.U. and the CEE regions increased strongly by 29.4% and 30.1% respectively. Following all the above-mentioned changes, the share of the F.S.U in total revenues increased to 53.06% in Q1 2020 from 49.16% in Q1 2019.

Country-by-country analysis confirms the excellent growth rates the Group was able to achieve in all major countries of operations. Growth in F.S.U. has arisen from an improvement in Russia (+15.3% in Q1 2020), Ukraine (+23.7% in Q1 2020), Kazakhstan (+56.8% in Q1 2020) and Belarus (+44.8% in Q1 2020) as compared to Q1 2019.

At the same time, the 28.6% increase in Slovakia was combined with a 21.2% growth in the Czech Republic, a 107.9% growth in Poland, a 22% growth in Romania and have led the CEE to 30.1% growth in Q1 2020 as compared to Q1 2019.

The MEA region which result is mainly determined by revenues in the UAE has dropped at a pace of 11.7% as compared to Q1 2019.

Sales in Western Europe in Q1 2020 also decreased by 10.1% as compared to Q1 2019.

The table below provides a geographical breakdown of sales in the three month periods ended March 31st, 2020 and 2019.

	Q1 2020		Q1 2019	
	US\$ thousand	% of total revenues	US\$ thousand	% of total revenues
Former Soviet Union	265,547	53.06%	205,152	49.16%
Central and Eastern Europe	143,801	28.73%	110,538	26.49%
Middle East and Africa	50,166	10.02%	56,822	13.62%
Western Europe	31,351	6.26%	34,869	8.36%
Other	9,641	1.93%	9,951	2.38%
Total	500,506	100%	417,332	100%

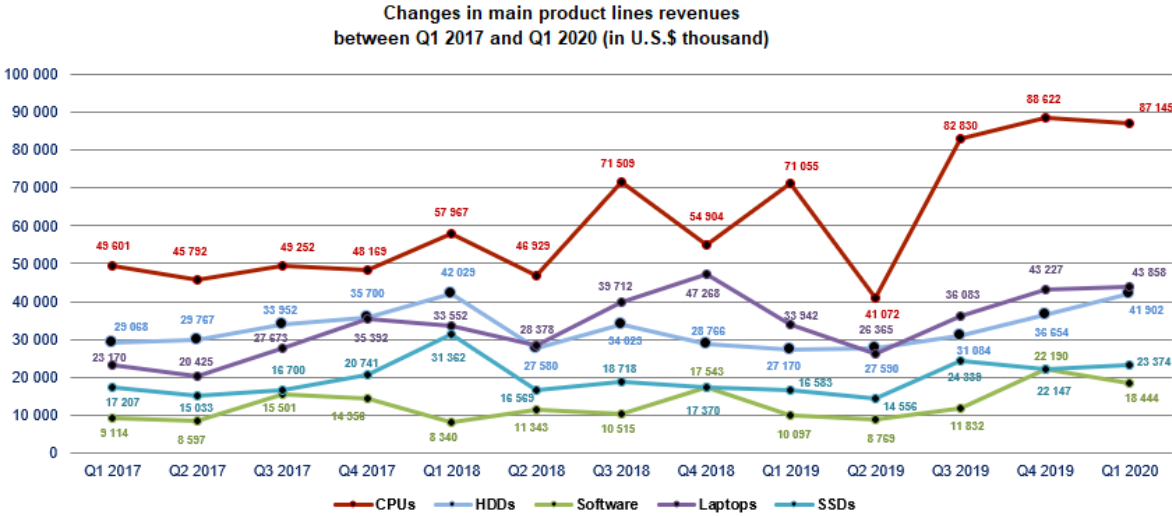
Revenue breakdown – Top 10 countries in Q1 2020 and Q1 2019 (in US\$ thousand)

	Q1 2020		Q1 2019	
	Country	Sales	Country	Sales
1.	Russia	96,595	Russia	83,794
2.	Ukraine	67,858	Ukraine	54,835
3.	Slovakia	48,519	United Arab Emirates	42,351
4.	Kazakhstan	48,163	Slovakia	37,736
5.	Belarus	35,340	Kazakhstan	30,722
6.	United Arab Emirates	32,614	Belarus	24,401
7.	Poland	19,603	Czech Republic	15,886
8.	Czech Republic	19,250	The Netherlands	13,260
9.	Romania	15,283	Romania	12,523
10.	The Netherlands	12,260	Poland	9,430
11.	Other	105,021	Other	92,394
	TOTAL	500,506	TOTAL	417,332

Sales by product lines

The first quarter of this year has shown that ASBIS had no issue in significantly raising its revenues despite the ongoing COVID-19 outbreak. During Q1 2020 all major product lines of the Group have significantly grown on a year-on-year basis.

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

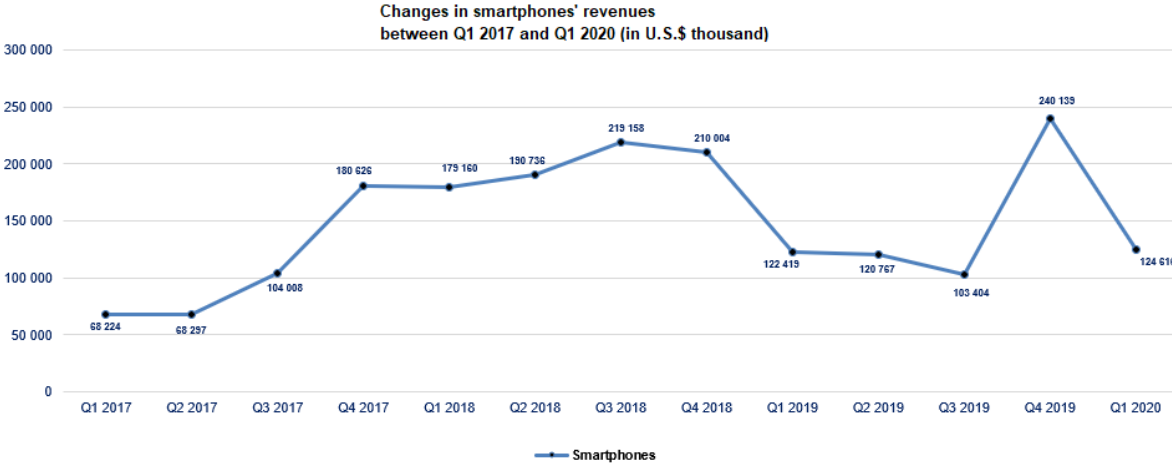


In Q1 2020 sales was driven by smartphones, CPUs, accessories & multimedia and laptops.

Sales from CPUs and Software increased in Q1 2020 by 22.6% and 82.7% respectively, as compared to Q1 2019. Sales of HDDs and SSDs grew by 54.2% and 41,0% respectively, as compared to Q1 2019. The business of laptops grew by 29.2% in Q1 2020, as compared to Q1 2019.

Among other product lines, the Company has noticed a positive result in Q1 2020 in servers and server blocks (+46.6%), memory modules (RAM) (+46.1%), networking product (+22.3%) and accessories & multimedia (+17.4%).

The chart below indicates the trends in smartphones sales:



In Q1 2020 sales of smartphones, the leader in our revenues, increased by 1.8% as compared to Q1 2019. This was the result of persistent demand for the newest Apple iPhone model launched at the end of 2019.

The table below sets a breakdown of revenues, by product lines, for Q1 2020 and Q1 2019 (in US\$ thousand):

	Q1 2020		Q1 2019	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Smartphones	124,616	24.90%	122,419	29.33%
Central processing units (CPUs)	87,145	17.41%	71,055	17.03%
Accessories & Multimedia	49,147	9.82%	41,880	10.04%
PC-mobile (laptops)	43,858	8.76%	33,942	8.13%
Hard disk drives (HDDs)	41,902	8.37%	27,170	6.51%
Servers and server blocks	24,212	4.84%	16,517	3.96%
SSDs	23,374	4.67%	16,583	3.97%
Software	18,444	3.69%	10,097	2.42%
Networking products	14,108	2.82%	11,540	2.77%
Memory modules (RAM)	13,658	2.73%	9,350	2.24%
Other	60,042	12.00%	56,779	13.61%
Total revenue	500,506	100%	417,332	100%

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 2020 cash from operations was negative - which is typical for this period of the year. 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, 2020 and 2019:

<i>(in thousands)</i>	Three months ended 31 March 2020 <u>USD</u>	Three months ended 31 March 2019 <u>USD</u>
Net cash movement from operating activities	(72,598)	(63,638)
Net cash movement from investing activities	(944)	(561)
Net cash movement from financing activities	(1,392)	(733)
Net movement in cash and cash equivalents	(74,934)	(64,931)

Net cash outflows from operations

Net cash outflows from operations amounted to US\$ 72,598 for the three months ended March 31st, 2020, compared to outflows of US\$ 63,638 in the corresponding period of 2019. The Company expects cash from operations to turn positive for the year 2020.

Net cash outflows from investing activities

Net cash outflows from investing activities were US\$ 944 for the three months ended March 31st, 2020, compared to outflows of US\$ 561 in the corresponding period of 2019.

Net cash outflows from financing activities

Net cash outflows from financing activities were US\$ 1,392 for the three months ended March 31st, 2020, compared to outflows of US\$ 733 in the corresponding period of 2019.

Net decrease in cash and cash equivalents

As a result of higher increased working capital utilization, cash and cash equivalents have decreased by US\$ 74,934, compared to a decrease of US\$ 64,931 in the corresponding period of 2019.

16. Factors which may affect our results in the future

Spreading of the Covid-19 Virus and continuation of the lockdown situation

During the recent weeks, the spreading of the newly found virus in China has negatively affected the economies across the globe. Recently more and more countries in Europe are being declared in a state of emergency and this has caused a significant disruption in the overall economic environment. Continuation of this current situation is expected to lead to a decrease in demand since the lockdowns imposed by several governments might lead to a decrease in consumer spending. Despite this, China is about to get over with this crisis, though the supply of some products from certain suppliers might be delayed.

The Company is monitoring the evolution of this virus very closely and has already undertaken certain measures to weather the situation and is ready to take more actions according to developments over this situation.

Political and economic stability in Europe and our regions and trade wars across the globe

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. During last year, there have been significant tensions between the largest economies and this might adversely affect our results.

What is more important, we develop more markets in our regions with new product lines and our revenues and profitability should 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. It is of high importance to follow all developments and swiftly adapt to any significant changes arising.

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 few other countries. Russia and Ukraine are currently the markets that lead in terms of revenue. 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 2020 the primary target for Group remains unchanged, it is profitability.

Despite all measures undertaken by the Company in the pandemic era, the possibility of a decrease in demand and sales in a particular country or region remains quite high. Such a situation may limit overall growth.

However, the impact of the COVID-19 on our business will depend on the period of the lockdown in individual countries and the evolution of consumer behavior. In some countries of our activity, governments have already announced a relaxation of restrictive measures, and economies have begun to open slowly but steadily.

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 an increased 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 a huge importance. The increase observed in Q1 2020 as compared to the corresponding period of 2019 was a result of the current Company's strategy to focus mostly on high margin products.

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 we trade in. 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 Q1 2020. Therefore, the hedging strategy should be followed and further improved without any exception in the course of 2020 and going forward.

Ability of the Group to control expenses

Selling and administrative expenses increased in Q1 2020 by 4.5% and by 34.7% respectively as compared to Q1 2019. This was a result of increased revenues, gross profit and investments made in human capital in all regions of our operations. 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 to further reduce 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 and other VAD products give a new stream of income with improved gross margin 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.

As a result, we have not faced any specific problems in this area in Q1 2020. However, we need to be constantly overlooking and analyzing the situation to avoid any possible losses.

17. Information about important events that occurred after the period ended on March 31st, 2020 and before this report release

According to our best knowledge, in the period between March 31st, 2020 and May 7th, 2020 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 31st, 2020

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ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2020

ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

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ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

	Note	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Revenue	4,23	500,506	417,332
Cost of sales		<u>(475,095)</u>	<u>(396,224)</u>
Gross profit		25,411	21,108
Selling expenses		(11,053)	(10,573)
Administrative expenses		<u>(7,990)</u>	<u>(5,932)</u>
Profit from operations		6,368	4,603
Financial income	7	733	1,388
Financial expenses	7	<u>(4,380)</u>	<u>(4,013)</u>
Net finance costs		(3,647)	(2,625)
Other gains and losses	5	243	215
Share of loss of equity-accounted investees		<u>-</u>	<u>(6)</u>
Profit before tax	6	2,964	2,187
Taxation	8	<u>(723)</u>	<u>(494)</u>
Profit for the period		<u>2,241</u>	<u>1,693</u>
Attributable to:			
Equity holders of the parent		2,273	1,686
Non-controlling interests		<u>(32)</u>	<u>7</u>
		<u>2,241</u>	<u>1,693</u>
		US\$ cents	US\$ cents
Earnings per share			
Basic and diluted from continuing operations		<u>4.10</u>	<u>3.04</u>

ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Profit for the period	<u>2,241</u>	<u>1,693</u>
Other comprehensive income		
Exchange difference on translating foreign operations	(2,708)	(291)
Reclassification adjustments relating to foreign operations liquidated in the period	<u>-</u>	<u>10</u>
Other comprehensive loss for the period	<u>(2,708)</u>	<u>(281)</u>
Total comprehensive (loss)/income for the period	<u><u>(467)</u></u>	<u><u>1,414</u></u>
Total comprehensive (loss)/income attributable to:		
Equity holders of the parent	(437)	1,410
Non-controlling interests	<u>(30)</u>	<u>4</u>
	<u><u>(467)</u></u>	<u><u>1,414</u></u>

ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

(in thousands of US\$)

	Notes	As at 31 March 2020 US\$	As at 31 December 2019 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	9	29,398	29,680
Intangible assets	10	2,401	2,593
Equity-accounted investees	11	821	227
Goodwill	27	586	591
Deferred tax assets	20	111	227
Total non-current assets		<u>33,317</u>	<u>33,318</u>
Current assets			
Inventories	12	245,324	266,039
Trade receivables	13	169,422	212,168
Other current assets	14	17,449	16,035
Derivative financial assets	25	1,652	945
Current taxation	8	866	595
Cash at bank and in hand	26	54,244	103,687
Total current assets		<u>488,957</u>	<u>599,469</u>
Total assets		<u>522,274</u>	<u>632,787</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	11,100	11,100
Share premium		23,518	23,518
Retained earnings and other components of equity		72,887	73,323
Equity attributable to owners of the parent		107,505	107,941
Non-controlling interests		237	254
Total equity		<u>107,742</u>	<u>108,195</u>
Non-current liabilities			
Long term borrowings	17	3,345	3,338
Other long-term liabilities	18	659	635
Deferred tax liabilities	20	416	511
Total non-current liabilities		<u>4,420</u>	<u>4,484</u>
Current liabilities			
Trade payables		204,879	321,277
Trade payables factoring facilities	29	22,215	29,106
Other current liabilities	21	68,952	59,036
Short term borrowings	16	112,673	107,173
Derivative financial liabilities	24	58	2,082
Current taxation	8	1,335	1,434
Total current liabilities		<u>410,112</u>	<u>520,108</u>
Total liabilities		<u>414,532</u>	<u>524,592</u>
Total equity and liabilities		<u>522,274</u>	<u>632,787</u>

The financial statements were approved by the Board of Directors on 6 May 2020.

.....
Siarhei Kostevitch
Director

.....
Marios Christou
Director

ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2020

(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- controlling interests US\$	Total US\$
Balance at 1 January 2019	11,100	23,518	(14)	(11,334)	75,688	98,958	276	99,234
Profit for the period 1 January 2019 to 31 March 2019	-	-	-	-	1,686	1,686	7	1,693
Other comprehensive loss for the period 1 January 2019 to 31 March 2019	-	-	-	(277)	-	(277)	(4)	(281)
Balance at 31 March 2019	11,100	23,518	(14)	(11,611)	77,374	100,367	279	100,646
Profit/(loss) for the period 1 April 2019 to 31 December 2019	-	-	-	-	13,571	13,571	(24)	13,547
Other comprehensive profit/(loss) for the period 1 April 2019 to 31 December 2019	-	-	-	254	-	254	(1)	253
Payment of final dividend	-	-	-	-	(6,089)	(6,089)	-	(6,089)
Share based payments	-	-	(162)	-	-	(162)	-	(162)
Balance at 31 December 2019	11,100	23,518	(176)	(11,357)	84,856	107,941	254	108,195
Profit/(loss) for the period 1 January 2020 to 31 March 2020	-	-	-	-	2,274	2,274	(32)	2,242
Other comprehensive (loss)/profit for the period 1 January 2020 to 31 March 2020	-	-	-	(2,710)	-	(2,710)	2	(2,708)
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	14	14
Balance at 31 March 2020	11,100	23,518	(176)	(14,067)	87,130	107,505	237	107,742

ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020 (in thousands of US\$)

	Note	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Profit for the period before tax and minority interest		2,964	2,187
Adjustments for:			
Exchange difference arising on consolidation		(1,762)	(155)
Depreciation of property, plant and equipment and right-of-use assets	9	778	527
Amortization of intangible assets	10	230	279
(Profit)/loss from the sale of property, plant and equipment and intangible assets	5	(67)	5
Impairment losses on intangible assets and goodwill			14
Provision for bad debts and receivables written off		372	488
Bad debts recovered	5	(1)	(1)
Provision for slow moving and obsolete stock		(544)	318
Share of loss of equity-accounted investees		-	6
Interest received	7	(61)	(24)
Interest paid		1,024	1,116
Operating profit before working capital changes		2,933	4,760
Decrease/(increase) in inventories		21,259	(7,997)
Decrease in trade receivables		42,374	26,276
Increase in other current assets		(2,121)	(2,301)
Decrease in trade payables		(116,397)	(56,821)
Increase/(decrease) in other current liabilities		7,298	(4,533)
Decrease in trade payables factoring facilities		(6,891)	(4,704)
Increase in other non-current liabilities		24	24
Decrease in factoring creditors		(19,047)	(16,844)
Cash outflows from operations		(70,568)	(62,141)
Interest paid	7	(945)	(1,116)
Taxation paid, net	8	(1,085)	(381)
Net cash outflows from operating activities		(72,598)	(63,638)
Cash flows from investing activities			
Purchase of intangible assets	10	(74)	(102)
Purchase of property, plant and equipment		(1,018)	(488)
Proceeds from sale of property, plant and equipment and intangible assets		87	5
Interest received	7	61	24
Net cash outflows from investing activities		(944)	(561)
Cash flows from financing activities			
(Repayments)/proceeds of long-term loans and non-current lease liabilities		(322)	8
Repayments of short-term borrowings and current lease liabilities		(1,070)	(741)
Net cash outflows from financing activities		(1,392)	(733)
Net decrease in cash and cash equivalents		(74,934)	(64,931)
Cash and cash equivalents at beginning of the period		78,306	58,109
Cash and cash equivalents at end of the period	26	3,372	(6,822)

ASBISC ENTERPRISES PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

1. Incorporation and principal activities

Asbisc Enterprises Plc (the "Company or "the parent Company") was incorporated in Cyprus on 9 November 1995 with limited liability. The Group's and the Company's principal activity is the trading and distribution of computer hardware and software in a number of geographical regions as disclosed in note 24. 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 30th 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 2019. 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 2019.

These interim financial statements were authorized for issue by the Company's Board of Directors on 6th of May 2020.

(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 2019.

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 2020 are consistent with those followed for the preparation of the annual financial statements for the year 2019 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 2020. The adoption of new and revised standards and interpretations did not have any material effect on the group's condensed consolidated financial statements.

ASBISC ENTERPRISES PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(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

	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Profit/(loss) on disposal of property, plant and equipment	67	(5)
Other income	156	231
Bad debts recovered	1	1
Rental income	19	2
Impairment loss on goodwill	-	(14)
	<u>243</u>	<u>215</u>

6. Profit before tax

	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Profit before tax is stated after charging:		
(a) Amortization of intangible assets (Note 10)	230	279
(b) Depreciation of property, plant and equipment and right-of-use assets (Note 9)	778	527
(c) Auditors' remuneration	100	92
(d) Directors' remuneration – executive (Note 28)	229	178
(e) Directors' remuneration – non-executive (Note 28)	<u>7</u>	<u>3</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

7. Financial expense, net

	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Financial income		
Interest income	61	24
Other financial income	672	1,154
Net exchange gain	-	210
	<u>733</u>	<u>1,388</u>
Financial expense		
Bank interest	945	1,116
Bank charges	704	676
Derivative charges	283	601
Factoring interest	1,543	1,224
Factoring charges	86	68
Other financial expenses	2	1
Interest on lease liabilities	78	80
Other interest	441	247
Net exchange loss	298	-
	<u>4,380</u>	<u>4,013</u>
Net	<u>(3,647)</u>	<u>(2,625)</u>

8. Tax

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Payable balance 1 January	839	1,411
Provision for the period/year	704	3,708
Over provision of prior years	-	(400)
Exchange difference on retranslation	11	(16)
Amounts paid, net	<u>(1,085)</u>	<u>(3,863)</u>
Net payable balance 31 March/31 December	<u>469</u>	<u>839</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

8. Tax (continued)

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Tax receivable	(866)	(595)
Tax payable	<u>1,335</u>	<u>1,434</u>
Net	<u>469</u>	<u>839</u>

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

	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Provision for the period	704	521
Under provision of prior years	-	-
Deferred tax charge (Note 20)	<u>19</u>	<u>(27)</u>
Charge for the period	<u>723</u>	<u>494</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 2020

(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\$
Cost							
At 1 January 2019	24,820	6,746	416	2,124	2,892	3,589	40,587
Recognition of right-of-use asset on initial application of IFRS 16	3,771	-	-	722	-	-	4,493
Adjusted balance at 1 January 2019	28,591	6,746	416	2,846	2,892	3,589	45,080
Additions	863	762	139	247	39	277	2,327
Disposals	(235)	(397)	(31)	(98)	(73)	(119)	(953)
Foreign exchange difference on retranslation	469	139	-	114	(52)	92	762
At 31 December 2019	29,688	7,250	524	3,109	2,806	3,839	47,216
Additions	293	168	24	488	22	398	1,393
Disposals	(135)	(29)	(24)	(258)	(3)	(6)	(455)
Foreign exchange difference on retranslation	(570)	(251)	-	(139)	(59)	(665)	(1,684)
At 31 March 2020	29,276	7,138	524	3,200	2,766	3,566	46,470
Accumulated depreciation							
At 1 January 2019	4,275	5,283	244	1,254	2,015	2,266	15,337
Charge for the year	1,532	503	167	484	37	275	2,998
Disposals	(235)	(397)	(31)	(98)	(9)	(119)	(889)
Foreign exchange difference on retranslation	69	58	-	(5)	(22)	(10)	90
At 31 December 2019	5,641	5,447	380	1,635	2,021	2,412	17,536
Charge for the period	419	133	31	129	6	60	778
Disposals	(135)	(29)	(24)	(258)	(3)	(6)	(455)
Foreign exchange difference on retranslation	(220)	(126)	-	(47)	(13)	(380)	(786)
At 31 March 2020	5,705	5,425	387	1,459	2,005	2,091	17,072
Net book value							
At 31 March 2020	23,571	1,713	137	1,741	761	1,475	29,398
At 31 December 2019	24,047	1,803	144	1,474	785	1,427	29,680

ASBISC ENTERPRISES PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(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:

	As at 31 March 2020 US\$
Land and buildings	3,803
Motor vehicles	<u>529</u>
Total right-of-use assets	<u><u>4,332</u></u>

10. Intangible assets

	Computer software US\$	Patents and licenses US\$	Total US\$
Cost			
At 1 January 2019	9,746	2,383	12,129
Additions	514	1	515
Disposals/ write-offs	(112)	(1,100)	(1,212)
Foreign exchange difference on retranslation	(11)	(3)	(14)
At 31 December 2019	<u>10,137</u>	<u>1,281</u>	<u>11,418</u>
Additions	-	74	74
Disposals/ write-offs	(7)	(77)	(84)
Foreign exchange difference on retranslation	(17)	(23)	(40)
At 31 March 2020	<u><u>10,113</u></u>	<u><u>1,255</u></u>	<u><u>11,368</u></u>
Accumulated amortization			
At 1 January 2019	7,124	1,937	9,061
Charge for the year	802	231	1,033
Disposals/ write-offs	(112)	(1,043)	(1,155)
Foreign exchange difference on retranslation	(114)	-	(114)
At 31 December 2019	<u>7,700</u>	<u>1,125</u>	<u>8,825</u>
Charge for the period	216	14	230
Disposals/ write-offs	(7)	(77)	(84)
Foreign exchange difference on retranslation	11	(15)	(4)
At 31 March 2020	<u><u>7,920</u></u>	<u><u>1,047</u></u>	<u><u>8,967</u></u>
Net book value			
At 31 March 2020	<u><u>2,193</u></u>	<u><u>208</u></u>	<u><u>2,401</u></u>
At 31 December 2019	<u><u>2,437</u></u>	<u><u>136</u></u>	<u><u>2,593</u></u>

ASBISC ENTERPRISES PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

11. Equity-accounted investees

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Cost		
At 1 January	274	366
Additions (i), (ii)	594	227
Full acquisition of investment in associate (iii), (iv)	-	(319)
At 31 March/31 December	<u>868</u>	<u>274</u>
Accumulated share of loss from equity-accounted investees		
At 1 January	(47)	(30)
Share of loss from equity-accounted investees during the period/year	-	(25)
Exchange difference on retranslation	-	8
At 31 March/31 December	<u>(47)</u>	<u>(47)</u>
Carrying amount of equity-accounted investees	<u>821</u>	<u>227</u>

- (i) In January 2020, the Company acquired 40% shareholding in Clevetura LLC, for the consideration of US\$ 594.
- (ii) In April 2019, the Company acquired 50% shareholding in Redmond Europe Ltd, for the consideration of US\$ 227.
- (iii) In July 2019, the Company acquired the remaining 60% shareholding of ASBC LLC (Georgia) and the investment was derecognized from associate.
- (iv) In July 2019, the Company acquired the remaining 75% shareholding of ALC Avectis and the investment was derecognized from associate.

12. Inventories

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Goods in transit	14,993	50,309
Goods held for resale	233,486	219,459
Provision for slow moving and obsolete stock	(3,155)	(3,729)
	<u>245,324</u>	<u>266,039</u>

Movement in provision for slow moving and obsolete stock:

	For the three months ended 31 March 2020 US\$	For the year ended 31 December 2019 US\$
On 1 January	3,729	3,182
Provisions for the period/year	117	1,361
Provided stock written off	(661)	(807)
Exchange difference on retranslation	(30)	(7)
On 31 March/31 December	<u>3,155</u>	<u>3,729</u>

ASBISC ENTERPRISES PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

13. Trade receivables

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Trade receivables	171,338	213,825
Allowance for doubtful debts	<u>(1,916)</u>	<u>(1,657)</u>
	<u>169,422</u>	<u>212,168</u>

Movement in provision for doubtful debts:

	For the three months ended 31 March 2020 US\$	For the year ended 31 December 2019 US\$
On 1 January	1,657	3,545
Provisions for the period/year	387	904
Amount written-off as uncollectible	(15)	(2,739)
Bad debts recovered	(1)	(80)
Exchange difference on retranslation	<u>(112)</u>	<u>27</u>
On 31 March/31 December	<u>1,916</u>	<u>1,657</u>

14. Other current assets

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Employee floats	121	584
VAT and other taxes refundable	9,691	7,900
Other debtors and prepayments	6,972	6,818
Deposits and advances to service providers	<u>665</u>	<u>733</u>
	<u>17,449</u>	<u>16,035</u>

15. Share capital

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Authorized 63,000,000 (2019: 63,000,000) shares of US\$ 0.20 each	<u>12,600,000</u>	<u>12,600,000</u>
Issued and fully paid 55,500,000 (2019: 55,500,000) ordinary shares of US\$ 0.20 each	<u>11,100,000</u>	<u>11,100,000</u>

ASBISC ENTERPRISES PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

16. Short term borrowings

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Bank overdrafts (Note 26)	50,872	25,380
Current portion of long-term loans	167	176
Bank short-term loans	25,230	26,089
Short term obligations under finance leases (Note 19)	<u>1,252</u>	<u>1,329</u>
Total short-term debt	<u>77,521</u>	<u>52,974</u>
Factoring creditors	<u>35,152</u>	<u>54,199</u>
	<u>112,673</u>	<u>107,173</u>

Summary of borrowings and overdraft arrangements

As at 31 March 2020 the Group enjoyed factoring facilities of US\$ 92,340 (31 December 2019 US\$ 118,035).

In addition, the Group as at 31 March 2020 had the following financing facilities with banks in the countries that the Company and its subsidiaries are operating:

- overdraft lines of US\$ 98,944 (31 December 2019: US\$ 97,398)
- short term loans/revolving facilities of US\$ 37,197 (31 December 2019: US\$ 42,700)
- bank guarantee and letters of credit lines of US\$ 41,264 (31 December 2019: US\$ 41,266)

The Group had for the period ending 31 March 2020 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 8.0% (for 2019: 7.6%)

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\$ 26,921 (31 December 2019: US\$ 27,485)

ASBISC ENTERPRISES PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

17. Long term borrowings

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Bank loans	19	35
Long-term lease liabilities (Note 19)	<u>3,326</u>	<u>3,303</u>
	<u>3,345</u>	<u>3,338</u>

18. Other long-term liabilities

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Other long-term liabilities	<u>659</u>	<u>635</u>

19. Lease liabilities

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Current lease liabilities	1,252	1,329
Non-current lease liabilities	<u>3,326</u>	<u>3,303</u>
	<u>4,578</u>	<u>4,632</u>

20. Deferred tax

	For the three months ended 31 March 2020 US\$	For the year ended 31 December 2019 US\$
Debit balance on 1 January	284	(99)
Deferred tax charge for the period/year	19	417
Exchange difference on retranslation	<u>2</u>	<u>(34)</u>
At 31 March/31 December	<u>305</u>	<u>284</u>

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Deferred tax assets	(111)	(227)
Deferred tax liabilities	<u>416</u>	<u>511</u>
Net deferred tax assets	<u>305</u>	<u>284</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

21. Other current liabilities

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Salaries payable and related costs	2,496	2,406
VAT payable	5,096	6,332
Accruals and deferred income	43,513	31,408
Non-trade accounts payable	4,036	5,344
Provision for marketing	9,215	8,973
Provision for warranties	4,596	4,573
	<u>68,952</u>	<u>59,036</u>

22. Commitments and contingencies

As at 31 March 2020 the Group was committed in respect of purchases of inventories of a total cost value of US\$ 3,836 (31 December 2019: US\$ 12,684) which were in transit at 31 March 2020 and delivered in April 2020. 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 2020 the Group was contingently liable in respect of bank guarantees and letters of credit of US\$ 41,264 (31 December 2019: US\$ 41,266) which the Group has extended mainly to its suppliers.

As at the 31st March 2020 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 2020 US\$	For the three months ended 31 March 2019 US\$
Former Soviet Union	265,547	205,152
Central Eastern Europe	143,801	110,538
Middle East & Africa	50,166	56,822
Western Europe	31,351	34,869
Other	9,641	9,951
	<u>500,506</u>	<u>417,332</u>

ASBISC ENTERPRISES PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

23. Operating segments (continued)

1.3 Segment results

	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Former Soviet Union	3,857	2,957
Central Eastern Europe	2,025	1,322
Middle East & Africa	342	285
Western Europe	23	14
Other	123	25
Profit from operations	6,368	4,603
Net financial expenses	(3,647)	(2,625)
Other gains and losses	243	215
Share of loss from associates	-	(6)
Profit before taxation	2,964	2,187

1.4 Segment capital expenditure (CAPEX)

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Former Soviet Union	7,487	7,794
Central Eastern Europe	12,713	12,946
Middle East & Africa	3,347	3,318
Unallocated	8,838	8,806
	32,385	32,864

1.5 Segment depreciation and amortization

	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Former Soviet Union	326	255
Central Eastern Europe	271	171
Middle East & Africa	53	50
Unallocated	358	330
	1,008	806

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

23. Operating segments (continued)

1.6 Segment assets

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Former Soviet Union	259,468	366,466
Central Eastern Europe	106,898	91,037
Western Europe	60,658	74,246
Middle East & Africa	44,199	45,356
Total	<u>471,223</u>	<u>577,105</u>
Assets allocated in capital expenditure (1.4)	32,385	32,864
Other unallocated assets	<u>18,666</u>	<u>22,818</u>
Consolidated assets	<u><u>522,274</u></u>	<u><u>632,787</u></u>

24. Derivative financial liability

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
<u>Derivative financial liabilities carried at fair value through profit or loss</u>		
Foreign currency derivative contracts	<u>58</u>	<u>2,082</u>

25. Derivative financial asset

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
<u>Derivative financial assets carried at fair value through profit or loss</u>		
Foreign currency derivative contracts	<u>1,652</u>	<u>945</u>

26. Cash and cash equivalents

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Cash at bank and in hand	54,244	103,687
Bank overdrafts (Note 16)	<u>(50,872)</u>	<u>(25,380)</u>
	<u><u>3,372</u></u>	<u><u>78,307</u></u>

The cash at bank and in hand balance includes an amount of US\$ 26,921 (31 December 2019: US\$ 27,485) which represents pledged deposits against financial facilities granted and margin accounts for foreign exchange hedging.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

27. Goodwill

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
At 1 January	591	400
Additions	-	515
Impairment loss (note ii)	-	(315)
Foreign exchange difference on retranslation	(5)	(9)
At 31 March/31 December (note i)	<u>586</u>	<u>591</u>

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

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
OOO Must	201	201
ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo)	385	390
	<u>586</u>	<u>591</u>

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

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Vizuatika LLC	-	(13)
Vizuators LLC	-	(1)
OOO IT Training	-	(4)
OOO Aksiomtech	-	(123)
ASBC LLC	-	(174)
	<u>-</u>	<u>(315)</u>

28. Transactions and balances of key management

	For the three months ended 31 March 2020 US\$	For the three months ended 31 March 2019 US\$
Director's remuneration - executive (Note 6)	229	178
Director's remuneration - non-executive (Note 6)	7	3
	<u>236</u>	<u>181</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

29. Trade payables factoring facilities

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Trade payables factoring facilities	22,215	29,106

The Group participates in trade payables factoring facilities (or "supply chain financing facilities" -"SCFs") programs which enables the Group to obtain extended payment terms for pre-approved suppliers. The Group incurs additional interest towards the SCFs on the amounts due to suppliers. The Group may elect to have any of its SCFs pay its suppliers either on the discount date or on due date and then obtain extended payment terms from them.

The Group discloses the amounts factored by suppliers separately from trade payables because the nature and function of the financial liabilities is sufficiently different from a trade payable that a separate presentation is appropriate. The payments to the SCFs are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services.

As at 31 March 2020, the Group enjoyed trade payables factoring facilities of US\$ 44,000 (31 December 2019 US\$ 44,000).

30. Business combinations

1. Acquisitions

1.1 Acquisitions of subsidiaries to 31 March 2020

During the period, the Group has acquired 55% of the share capital of Real Scientists Ltd.

<u>Name of entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>	<u>% owned</u>
Real Scientists Ltd	Information Technology	16 March 2020	55%	55%

Acquisitions of subsidiaries to 31 December 2019

During the year, the Group has acquired 75% of the share capital of Vizuatika LLC and Vizutors LLC, the remaining 60% of the ASBC LLC and 100% of share capital of OOO Aksiomtech, OOO IT Training, OOO Must, ALC Avectis and Center of excellence in Education for executives and specialists in Information Technology.

<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%
Vizutors LLC	Information Technology	28 March 2019	75%	75%
ALC Avectis	Information Technology	12 July 2019	100%	100%
ASBC LLC	Information Technology	31 July 2019	60%	100%
OOO Avectis (former OOO Aksiomtech)	Information Technology	12 July 2019	100%	100%
OOO IT Training	Educational and training Services	7 August 2019	100%	100%
Center of excellence in Education for executives and specialists in Information Technology	Educational Institution	7 August 2019	100%	100%
OOO Must	Information Technology	30 August 2019	100%	100%

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(in thousands of US\$)

30. Business combinations (continued)

1.1.b. Acquired assets and liabilities

The net carrying value of underlying separately identifiable assets and liabilities transferred to the group at the date of acquisition was as follows:

	As at 31 March 2020 US\$	As at 31 December 2019 US\$
Tangible and intangible assets	-	504
Inventories	-	12,670
Receivables	-	13,289
Other non-current assets	-	31
Other receivables	-	3,333
Short-term loans	-	(3,080)
Payables	-	(2,721)
Other payables and accruals	-	(24,146)
Other non-current liabilities	-	(1)
Cash and cash equivalents	-	558
Net identifiable assets	-	437
Share of loss previously recognized as investment in associate	-	48
Group's interest in net assets acquired	-	489
Impairment of investment in associate on the acquisition	-	152
Total purchase consideration	-	(1,045)
Net loss	-	(404)
Negative goodwill credited in income statement	-	(111)
Impairment loss on Goodwill	-	141
Goodwill capitalized in statement of financial position	-	(374)

2. Disposals

Disposals of subsidiaries to 31 March 2020

During the period the Group had no disposals of subsidiaries.

Disposals of subsidiaries to 31 December 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%
ASBIS Cloud Ltd	Information Technology	12 July 2019	100%
OOO IT Training	Information Technology	27 November 2019	100%

31. 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)).