ASBISc Enterprises Plc

INTERIM REPORT
FOR THE THREE AND NINE MONTHS
ENDED 30 SEPTEMBER 2019

Limassol, 6 November 2019

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

We have prepared this report as required by Paragraph 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 30 September 2019. The financial statements appended to this this quarterly report, are presented in U.S. dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34.

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

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

Currency Presentation

Unless otherwise indicated, all references in this quarterly report to "U.S. $" or "U.S. dollars" are to the lawful currency of the United States; all references to "€" or the "Euro" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98; and all references to "PLN" or "Polish Zloty" are to the lawful currency of the Republic of Poland.

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

FORWARD-LOOKING STATEMENTS

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

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

Part I Additional information

1. Overview

ASBISc Enterprises Plc is one of the leading distributors of Information Technology ("IT") products in Europe, Middle East and Africa ("EMEA") Emerging Markets: Central and Eastern Europe, the Baltic States, the Former Soviet Union, the Middle East and Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. Our main focus is on the following countries: Slovakia, Poland, Czech Republic, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, Middle East countries (i.e. United Arab Emirates, Iraq, Qatar and other Gulf states), Russia, Belarus, Kazakhstan, 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- and nine-month periods ended September 30th, 2019

In the three-month period ended September 30, 2019, we continued focusing on the implementation of our strategic areas, i.e. the development of a product portfolio which encompasses all major segments of the industry as well as strengthening of ASBIS competences in sectors that are promising, i.e. solutions and IT services for corporate clients.

In the course of the nine-month period ended September 30, 2019, we maintained 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) and controlled our SG&A costs. We are satisfied with the sales performance of the Group for Q3 2019 despite lower revenues compared to last year, which was a record-breaking in the whole history of ASBIS. Our results have met our expectations and are in line with the financial forecast for 2019.

The principal events of the three-month period ended September 30th, 2019, were as follows (in U.S. $ thousand):

- Revenues in Q3 2019 declined by 13.1% to U.S. $ 462,674 from U.S. $ $ 532,331 in Q3 2018.
- Gross profit in Q3 2019 increased by 6.3% to U.S. $ 27,197 from U.S. $ 25,576 in Q3 2018.
- Gross profit margin in Q3 2019 much improved and reached 5.88% as compared to 4.80% in Q3 2018.
- Selling expenses in Q3 2019 decreased by 8.6% to U.S. $ 10,516 from U.S. $ 11,503 in Q3 2018.
- Administrative expenses in Q3 2019 increased by 29.4% to U.S. $ 7,374 from U.S. $ 5,699 in Q3 2018.

- EBITDA in Q3 2019 was significantly higher year-on-year and reached U.S. $ 10,451 as compared to U.S. $ 9,018 in Q3 2018, an improvement of 15.9%.

- The Group finished Q3 2019 with a net profit after tax amounting to U.S. $ 4,602, a strong 10.3% growth as compared to U.S.$ 4,173 in Q3 2018.

The following table presents revenues breakdown by regions in the three-month period ended September 30th, 2019 and 2018 respectively (in U.S. $ thousand):

Region	Q3 2019	Q3 2018	Change %
Former Soviet Union	241,581	269,887	-10.5%
Central and Eastern Europe	125,812	146,558	-14.2%
Middle East and Africa	60,049	48,799	23.1%
Western Europe	22,577	51,615	-56.3%
Other	12,655	15,472	-18.2%
Grand Total	**462,674**	**532,331**	**-13.1%**

The principal events of the nine-month period ended September 30th, 2019, were as follows (in U.S. $ thousand):

- Revenues in Q1-Q3 2019 dropped by 16.5% to U.S. $ 1,250,915 from U.S. $ 1,498,517 in the corresponding period of 2018.

- Gross profit in Q1-Q3 2019 slightly improved by 0.9% to U.S. $ 69,358 from U.S. $ 68,759 in the corresponding period of 2018.

- Selling expenses in Q1-Q3 2019 declined by 11.2% to U.S. $ 30,609 from U.S. $ 34,467 in the corresponding period of 2018.

- Administrative expenses in Q1-Q3 2019 grew by 16.6% to U.S. $ 19,568 from U.S. $16,783 in the corresponding period of 2018.

- EBITDA in Q1-Q3 2019 amounted to U.S. $ 22,244, as compared to U.S. $ 19,395 in the corresponding period of 2018, a strong improvement of 14.7%.

- As a result, in Q1-Q3 2019 the Group's net profit after taxation amounted to U.S. $ 7,209, as compared to U.S. $ 7,122 in the corresponding period of 2018. This result is considered to be quite satisfactory for the Group, in line with our expectations and the financial forecast for 2019.

The following table presents revenues breakdown by regions in the nine month periods ended September 30th, 2019 and 2018 respectively (in U.S.$ thousand):

Region	Q1-Q3 2019	Q1-Q3 2018	Change %
Former Soviet Union	641,561	776,921	-17.4%
Central and Eastern Europe	333,640	399,632	-16.5%
Middle East and Africa	162,400	159,779	1.6%
Western Europe	86,206	127,234	-32.2%
Other	27,108	34,951	-22.4%
Grand Total	**1,250,915**	**1,498,517**	**-16.5%**

3. Summary historical financial data

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

For your convenience, certain U.S. $ amounts as of and for the three and nine months ended 30 September 2019 and 2018, have been converted into Euro and PLN as follows:

- Individual items of the statement of financial position – based at average exchange rates quoted by the National Bank of Poland for a given balance sheet date December 31st, 2018, that is: 1 US$ = 3.7597 PLN and 1 EUR = 4.3000 PLN and September 30th, 2019, that is: 1 US$ = 4.000 PLN and 1 EUR = 4.3736 PLN.

- Individual items in the income statement and statement of cash flows – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a given period 1 July to 30 September 2019, that is: 1 US$ = 3.9407 PLN and 1 EUR = 4.3497 PLN and 1 July to 30 September 2018, that is: 1 US$ = 3.6681 PLN and 1 EUR = 4.2815 PLN.

- Individual items in the income statement and statement of cash flows for separate Q3 2019 and Q3 2018 – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a given period 1 January to 30 September 2019, that is: 1 US$ = 3.8426 PLN and 1 EUR = 4.3086 PLN and 1 January to 30 September 2018, that is: 1 US$ = 3.5688 PLN and 1 EUR = 4.2535 PLN.

	Period from 1 July to 30 September 2019			Period from 1 July to 30 September 2018		
	USD	PLN	EUR	USD	PLN	EUR
Revenue	**462,674**	**1,823,259**	**419,169**	**532,331**	**1,952,643**	**456,062**
Cost of sales	(435,477)	(1,716,084)	(394,529)	(506,754)	(1,858,824)	(434,149)
Gross profit	**27,197**	**107,175**	**24,640**	**25,576**	**93,815**	**21,912**
Selling expenses	(10,516)	(41,440)	(9,527)	(11,503)	(42,194)	(9,855)
Administrative expenses	(7,374)	(29,059)	(6,681)	(5,699)	(20,905)	(4,882)
Profit from operations	**9,307**	**36,676**	**8,432**	**8,375**	**30,720**	**7,175**
Financial expenses	(3,947)	(15,554)	(3,576)	(4,372)	(16,037)	(3,746)
Financial income	1,033	4,071	936	1,402	5,143	1,201
Other gains and losses	(325)	(1,281)	(294)	(4)	(15)	(3)
Negative goodwill and goodwill written off, net	111	437	101	0	0	0
Share of (loss)/ profit from associates	(15)	(59)	(14)	(22)	(81)	(19)
Profit before taxation	**6,164**	**24,290**	**5,584**	**5,379**	**19,731**	**4,608**
Taxation	(1,562)	(6,155)	(1,415)	(1,206)	(4,424)	(1,033)
Profit after taxation	**4,602**	**18,135**	**4,169**	**4,173**	**15,307**	**3,575**
Attributable to:						
Non-controlling interest	(11)	(43)	(10)	(19)	(70)	(16)
Equity holders of the parent	**4,614**	**18,182**	**4,180**	**4,192**	**15,377**	**3,591**

	Period from 1 July to 30 September 2019			Period from 1 July to 30 September 2018		
	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)	PLN (grosz)	EUR (cents)
Basic and diluted earnings per share from continuing operations	8.31	32.75	7.53	7.55	27.69	6.47

	USD	PLN	EUR	USD	PLN	EUR
Net cash outflows from operating activities	2,279	8,981	2,065	49,853	182,866	42,710
Net cash outflows from investing activities	(2,132)	(8,402)	(1,932)	(1,706)	(6,258)	(1,462)
Net cash inflows/(outflows) from financing activities	4,138	16,307	3,749	(2,248)	(8,246)	(1,926)
Net decrease in cash and cash equivalents	**4,285**	**16,886**	**3,882**	**45,898**	**168,358**	**39,322**
Cash at the beginning of the period	**29,919**	**117,902**	**27,106**	**(4,064)**	**(14,907)**	**(3,482)**
Cash at the end of the period	**34,204**	**134,788**	**30,988**	**41,834**	**153,451**	**35,840**

	As at 30 September 2019			As at 31 December 2018		
	USD	PLN	EUR	USD	PLN	EUR
Current assets	503,096	2,012,384	460,121	474,614	1,784,406	414,978
Non-current assets	33,660	134,640	30,785	29,187	109,734	25,520
Total assets	**536,756**	**2,147,024**	**490,905**	**503,801**	**1,894,141**	**440,498**
Liabilities	433,910	1,735,640	396,845	404,568	1,521,054	353,734
Equity	102,846	411,384	94,061	99,233	373,086	86,764

	Period from 1 January to 30 September 2019			Period from 1 January to 30 September 2018		
	USD	**PLN**	**EUR**	**USD**	**PLN**	**EUR**
Revenue	**1,250,915**	**4,806,780**	**1,115,627**	**1,498,517**	**5,347,974**	**1,257,318**
Cost of sales	(1,181,557)	(4,540,264)	(1,053,771)	(1,429,759)	(5,102,587)	(1,199,627)
Gross profit	**69,358**	**266,516**	**61,857**	**68,759**	**245,390**	**57,692**
Selling expenses	(30,609)	(117,618)	(27,299)	(34,467)	(123,007)	(28,919)
Administrative expenses	(19,568)	(75,192)	(17,452)	(16,783)	(59,896)	(14,082)
Profit from operations	**19,181**	**73,705**	**17,107**	**17,508**	**62,483**	**14,690**
Financial expenses	(12,554)	(48,240)	(11,196)	(12,183)	(43,479)	(10,222)
Financial income	2,571	9,879	2,293	3,654	13,041	3,066
Other gains and losses	(5)	(19)	(4)	151	539	127
Negative goodwill and goodwill written off, net	111	427	99	0	0	0
Share of (loss)/profit from associates	(17)	(65)	(15)	(22)	(79)	(18)
Profit before taxation	**9,286**	**35,682**	**8,282**	**9,108**	**32,505**	**7,642**
Taxation	(2,077)	(7,981)	(1,852)	(1,987)	(7,091)	(1,667)
Profit after taxation	**7,209**	**27,701**	**6,429**	**7,121**	**25,414**	**5,975**
Attributable to:						
Non-controlling interests	(22)	(85)	(20)	(12)	(43)	(10)
Equity holders of the parent	**7,231**	**27,786**	**6,449**	**7,134**	**25,460**	**5,986**

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)	PLN (grosz)	EUR (cents)
Basic and diluted earnings per share from continuing operations	13.03	50.07	11.62	12.85	45.86	10.78

	USD	**PLN**	**EUR**	**USD**	**PLN**	**EUR**
Net cash inflows/(outflows) from operating activities	(21,919)	(84,226)	(19,548)	(3,824)	(13,647)	(3,208)
Net cash outflows from investing activities	(2,865)	(11,009)	(2,555)	(3,036)	(10,835)	(2,547)
Net cash inflows/(outflows) from financing activities	879	3,378	784	2,761	9,854	2,317
Net decrease in cash and cash equivalents	**(23,905)**	**(91,858)**	**(21,320)**	**(4,099)**	**(14,629)**	**(3,439)**
Cash at the beginning of the period	**58,109**	**223,290**	**51,824**	**45,933**	**163,928**	**38,540**
Cash at the end of the period	**34,204**	**131,433**	**30,505**	**41,834**	**149,299**	**35,100**

4. Organization of ASBIS Group

The following table presents our corporate structure as at 30 September 2019:

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 s.r.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 (Tblisi, Georgia)	Full (100%)
ALC Avectis (Minsk, Belarus)	Full (100%)
OOO Aksiomtech (Moscow, Russia)	Full (100%)
OOO IT Training, (Minsk, Belarus)	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 Company

During the three months ended September 30th, 2019 there have been the following changes in the structure of the Company and the Group:

- On July 12th, 2019 ASBIS CLOUD Ltd (Moscow, Russia) has been merged with Asbis Moscow, given all assets, liabilities and equity to Asbis Moscow and finally has been liquidated.
- On July 12th, 2019, the Issuer has acquired 75% shares of the company ALC Avectis (Minsk, Belarus). The Issuer holds 100% in this subsidiary, being equal to share capital of BYN 10,823 (USD 5,391). We acquired this entity to provide IT solutions and systems integrations.

- On July 12th, 2019, the Issuer has acquired 100% shares of the company OOO Aksiomtech (Moscow, Russia). The Issuer holds 100% in this subsidiary, being equal to share capital of RUB 50,000 (USD 777). We acquired this entity to provide IT solutions and systems integrations.
- On July 31st, 2019, the Issuer has acquired 60% shares of the company ASBC LLC (Tblisi, Georgia). The Issuer holds 100% in this subsidiary, being equal to share capital of GEL 536,644 (USD 181,593). We acquired this entity to expand the retail business with Apple stores.
- On August 7th, 2019, the Issuer has acquired 100% shares of the company OOO IT Training (Minsk, Belarus). The Issuer holds 100% in this subsidiary, being equal to share capital of BYN 100 (USD 48). We acquired this entity to provide educational and training services.
- On August 7th, 2019, the Issuer has acquired 100% shares of the company Private Educational Institution "Center of excellence in Education for executives and specialists in Information Technology" (Minsk, Belarus). The Issuer holds 100% in this subsidiary, being equal to share capital of BYN 1 (USD 1). We acquired this entity to provide educational and training services.
- On August 30th, 2019, the Issuer has acquired 100% shares of the company OOO Must (Moscow, Russia). The Issuer holds 100% in this subsidiary, being equal to share capital of RUB 700,000 (USD 10,897). We acquired this entity to distribute IT products.

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

On March 27th, 2019 the Company announced its official financial forecast for 2019. Having seen the results for Q3 2019, we are confident that we shall be able to deliver the announced financial 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

Following the Board of Directors' recommendation and the Annual General Meeting of Shareholders resolution, a dividend of U.S. $ 0.05 per share has been paid out on June 4th, 2019. The Dividend record date was May 21st, 2019.

Thus, the total dividend from the Company's profit for 2018 (including the interim dividend pay-out on December 20th, 2018) amounted to USD 0.10 per share, which resulted 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 the publication of the interim report

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

Name	Number of shares	% of share capital	Number of votes	% of votes
KS Holdings Ltd*	20,443,127	36,83%	20,443,127	36,83%
ASBISc Enterprises Plc (buy-back program)	239,389	0,43%	239,389	0,43%
Free-float	34,817,484	62,73%	34,817,484	62,73%
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 August 8th, 2019 (the date of the publication of the interim report for H1 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 15th of July 2019. According to the resolution, the Board of Directors was 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 223,000 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 239,389 of own shares.

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

During the three months ended September 30th, 2019 and in the period between August 8th, 2019 (the date of the publication of the Interim Report for H1 2019) and November 6th, 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. The information included in the table below is based on information received from members of our Management Board**:**

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 ASBIS shares as a 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 September 30th, 2019 there were no changes in the members of the Company's 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

In the three- and nine-month periods ended September 30th, 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 September 30th, 2019 to support its subsidiaries' local financing, amounted to U.S. $ 167,860. The total bank guarantees, and letters of credit raised by the Group (mainly to Group suppliers) as at September 30th, 2019 was U.S. $ 41,086 – 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 have 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 and nine month periods ended September 30th, 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 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 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 is characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers. This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs.

In an oversupply situation, other distributors may elect to proceed with price reductions in order to dispose of their existing inventories, forcing the Company to lower its prices to stay competitive. The Company's ability to manage its inventory and protect its business against price erosion is critical to its success.

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

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 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 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 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 center solutions and pro-services across the CEE, FSU and the MEA regions.

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 2018 and in the course of the nine months of 2019.

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

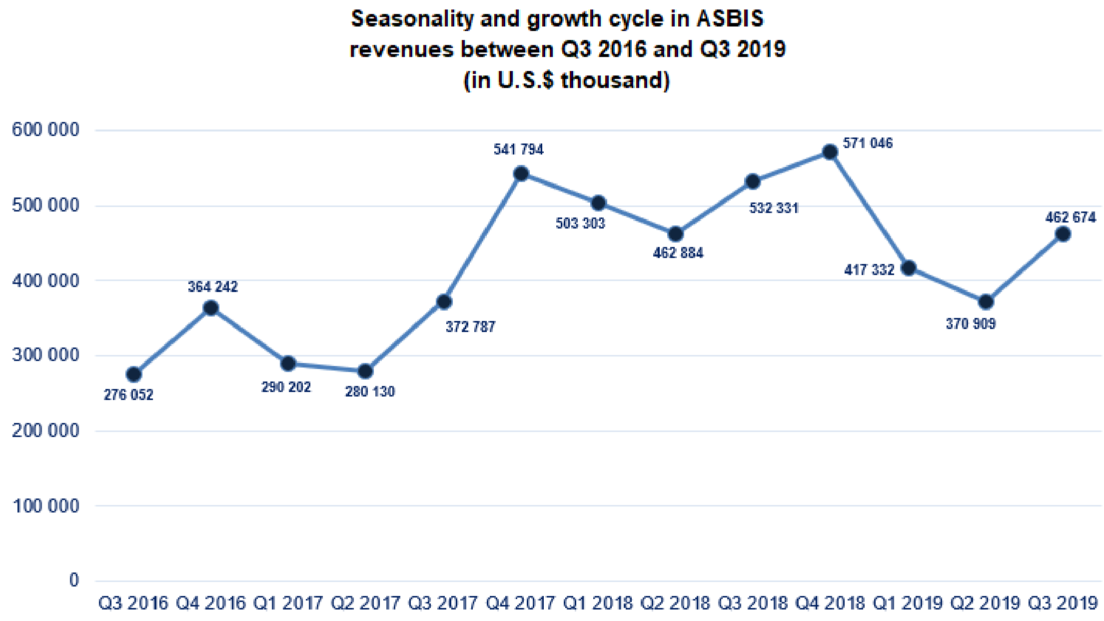
The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is expensive. The Company has already negotiated improved terms with some of its supply-chain 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 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 Q3 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 (in U.S. $ thousand)

Three and nine month periods ended 30 September 2019 compared to the three and nine month periods ended 30 September 2018

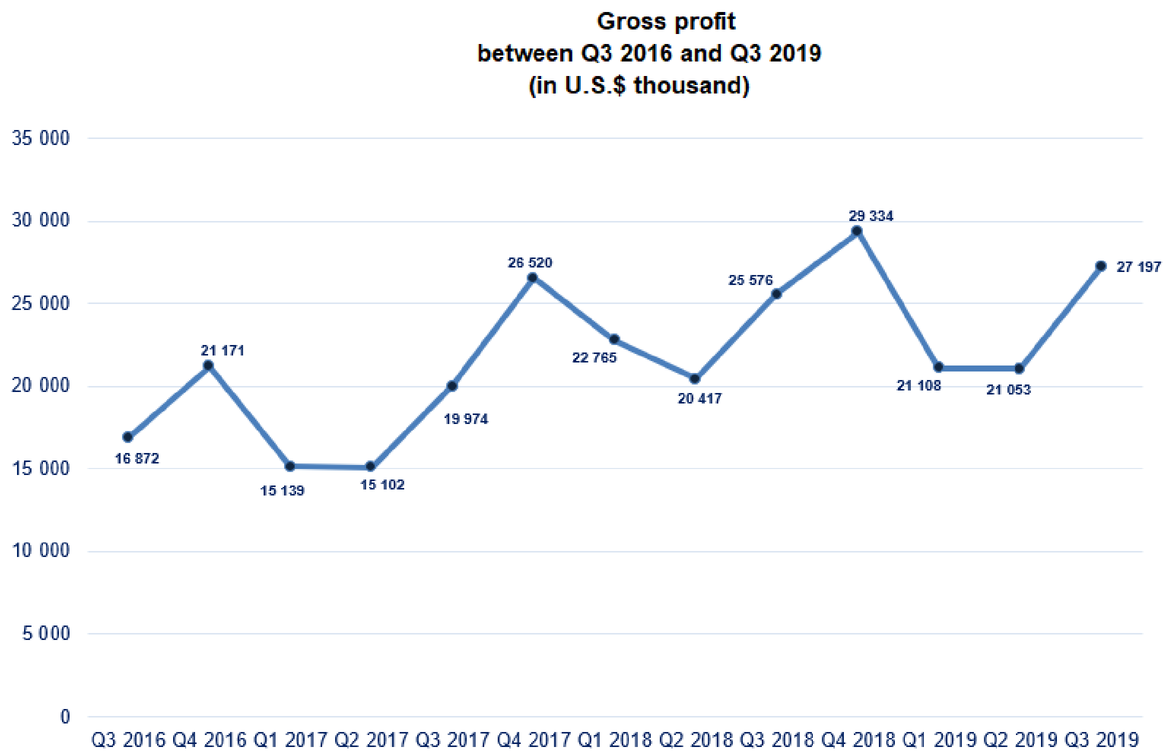
Revenues: Revenues in Q3 2019 and 9M 2019 decreased as compared to the corresponding periods of 2018 and we did expect this downward trend mainly due to the fact that 2018 was a record-breaking in the entire history of ASBIS and not repetitive this year.

- Revenues in Q3 2019 dropped by 13.1% to U.S. $ 462,674 from U.S. $ 532,331 in Q3 2018.
- Revenues in Q1-Q3 2019 declined by 16.5% to U.S. $ 1,250,915 from U.S. $ 1,498,517 in the corresponding period of 2018.



Gross profit: Gross profit increased both in Q3 2019 and 9M 2019 as compared to the corresponding periods of 2018.

- Gross profit in Q3 2019 increased by 6.3% to U.S. $ 27,197 from U.S. $ 25,576 in Q3 2018.
- Gross profit in Q1-Q3 2019 slightly grew and amounted to U.S. $ 69,358 from U.S. $ 68,759 in the corresponding period of 2018.



Gross profit margin was strongly boosted both in Q3 2019 and for the 9M of 2019 as compared to the corresponding periods of 2018.

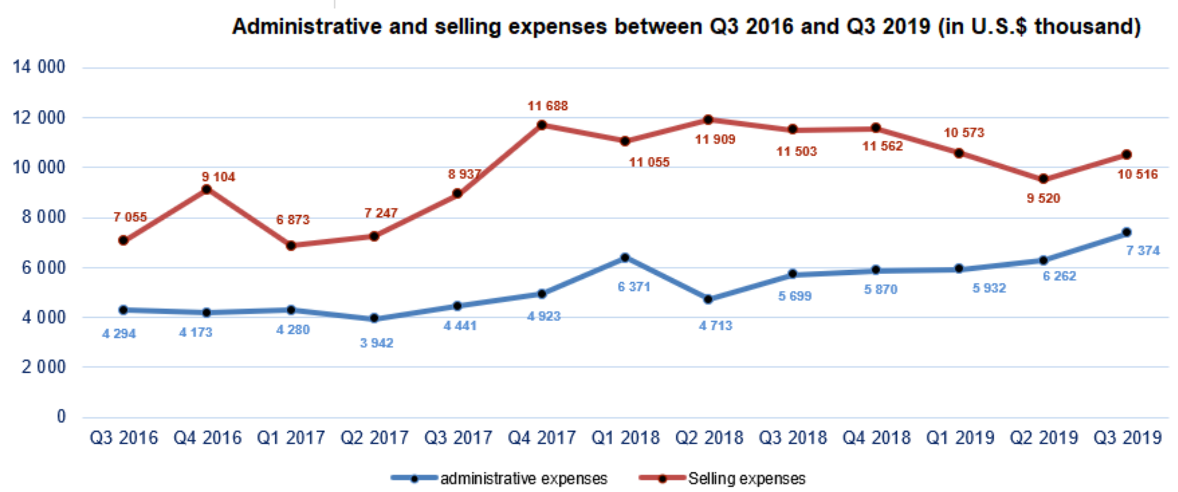
- Gross profit margin in Q3 2019 significantly increased to 5.88% from 4.80% in Q3 2018.
- Gross profit margin in Q1-Q3 2019 considerably increased to 5.54% from 4.59% in the corresponding period of 2018.

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

- Selling expenses in Q3 2019 decreased by 8.6% to U.S. $ 10,516 from U.S. $ 11,503 in Q3 2018.
- Selling expenses in Q1-Q3 2019 dropped by 11.2% to U.S. $ 30,609 from U.S. $ 34,467 in the corresponding period of 2018.

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

- Administrative expenses in Q3 2019 grew by 29.4% to U.S. $ 7,374 from U.S. $ 5,699 in Q3 2018.
- Administrative expenses in Q1-Q3 2019 grew by 16.6% to U.S. $ 19,568 from U.S. $16,783 in the corresponding period of 2018.



EBITDA:

- In Q3 2019 EBITDA was significantly higher compared to Q3 2018 and reached U.S. $ 10,451 as compared to U.S. $ 9,018 in Q3 2018 (an improvement of 15.9%).
- EBITDA in Q1-Q3 2019 amounted to U.S. $ 22,244, as compared to U.S. $ 19,395 in the corresponding period of 2018 (a strong improvement of 14.7%).

Net profit:

The Company closed both Q3 2019 and Q1-Q3 2019 with net profit for the Group which is quite satisfactory and meets our expectations.

- In Q3 2019, the Group's net profit after tax improved by 10.3% to U.S. $ 4,602, as compared to U.S. $ 4,173 in Q3 2018.
- In Q1-Q3 2019, the Group's net profit after taxation amounted to U.S. $ 7,209, as compared to U.S. $ 7,122 in the corresponding period of 2018.

Sales by regions and countries

The F.S.U. and the CEE regions traditionally contribute the majority of our revenues. This has not changed either for Q3 2019 or for the 9M 2019. In Q3 2019 and 9M 2019 sales in the F.S.U. decreased by 10.5% and by 17.4%, whereas in the CEE dropped by 14.2% and by 16.5% respectively. Following all the above-mentioned changes, the share of the F.S.U in our total revenues increased to 52.21% in Q3 2019 from 50.70% in Q3 2018 and dropped slightly to 51.29% in 9M 2019 from 51.85% in 9M 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 (-8% in Q3 2019 and -10% in 9M 2019), Ukraine (-8% in Q3 2019 and -9% in 9M 2019), Kazakhstan (-31% in Q3 2019 and -38% in 9M 2019) and Belarus (-4% in Q3 2019 and -5% in 9M 2019). The decrease of sales in the F.S.U. region was expected and followed the general slowdown in demand for smartphones across the globe.

At the same time, the drop in the CEE reflects the trend in Slovakia (-19% in Q3 2019 and -13% in 9M 2019) in the Czech Republic (+19% in Q3 2019 and -8% in 9M 2019) and in Romania (-18% in Q3 2019 and -21% in 9M 2019).

The MEA result is mainly determined by our revenues in UAE (remained unchanged in Q3 2019 and -7% in 9M 2019).

Sales in Western Europe dropped by 56.3% in Q3 2019 and by 32.2% in 9M 2019 as compared to the corresponding periods of 2018.

The tables below provide a geographical breakdown of sales for the three and nine month periods ended September 30th, 2019 and 2018 (in U.S. $ thousand).

	Q3 2019		Q3 2018	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Former Soviet Union	241,581	52.21%	269,887	50.70%
Central and Eastern Europe	125,812	27.19%	146,558	27.53%
Middle East and Africa	60,049	12.98%	48,799	9.17%
Western Europe	22,577	4.88%	51,615	9.70%
Other	12,655	2.74%	15,472	2.91%
Total	**462,674**	**100%**	**532,331**	**100%**

	Q1-Q3 2019		Q1-Q3 2018	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Former Soviet Union	641,561	51.29%	776,921	51.85%
Central and Eastern Europe	333,640	26.67%	399,632	26.67%
Middle East and Africa	162,400	12.98%	159,779	10.66%
Western Europe	86,206	6.89%	127,234	8.49%
Other	27,108	2.17%	34,951	2.33%
Total	**1,250,915**	**100%**	**1,498,517**	**100%**

Revenue breakdown – Top 10 countries in Q3 2019 and Q3 2018 (in U.S. $ thousand)

	Q3 2019		Q3 2018	
	Country	Sales	Country	Sales
1.	Russia	90,691	Russia	98,804
2.	Ukraine	68,116	Ukraine	73,736
3.	Slovakia	38,617	Kazakhstan	50,915
4.	United Arab Emirates	37,551	Slovakia	47,519
5.	Kazakhstan	35,228	United Arab Emirates	37,640
6.	Belarus	29,071	Belarus	30,384
7.	Czech Republic	22,404	The Netherlands	21,074
8.	Romania	13,940	Czech Republic	18,791
9.	Poland	10,887	Romania	16,898
10.	Bulgaria	8,239	Poland	14,905
11.	Other	107,930	Other	121,665
	TOTAL	**462,674**	TOTAL	**532,331**

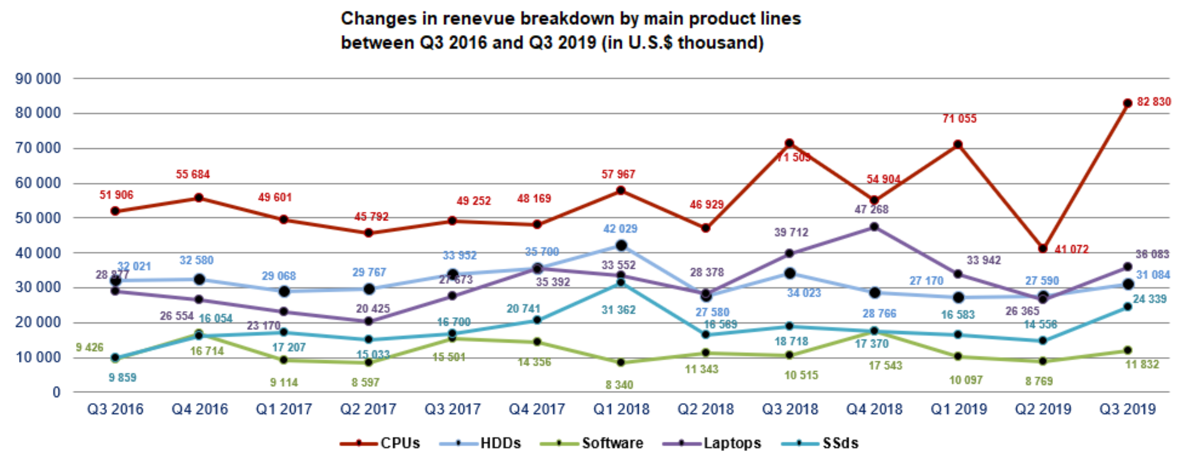
Revenue breakdown – Top 10 countries in Q1-Q3 2019 and Q1-Q3 2018 (in U.S. $ thousand)

	Q1-Q3 2019		Q1-Q3 2018	
	Country	Sales	Country	Sales
1.	Russia	247,251	Russia	273,960
2.	Ukraine	184,230	Ukraine	202,887
3.	United Arab Emirates	112,921	Kazakhstan	144,778
4.	Slovakia	111,266	Slovakia	128,537
5.	Kazakhstan	90,448	United Arab Emirates	122,046
6.	Belarus	77,659	The Netherlands	58,851
7.	Czech Republic	53,210	Belarus	82,154
8.	Romania	38,043	Czech Republic	58,014
9.	The Netherlands	28,567	Romania	48,072
10.	Poland	25,403	Hungary	26,987
11.	Other	281,917	Other	352,231
	TOTAL	**1,250,915**	TOTAL	**1,498,517**

Sales by product lines

ASBIS remains the distributor of first choice for many worldwide suppliers. During Q3 2019 and the 9M of 2019, we have continued our strategy on increasing profitability and developing our portfolio of own products. This has resulted in lower revenues for certain product lines.

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

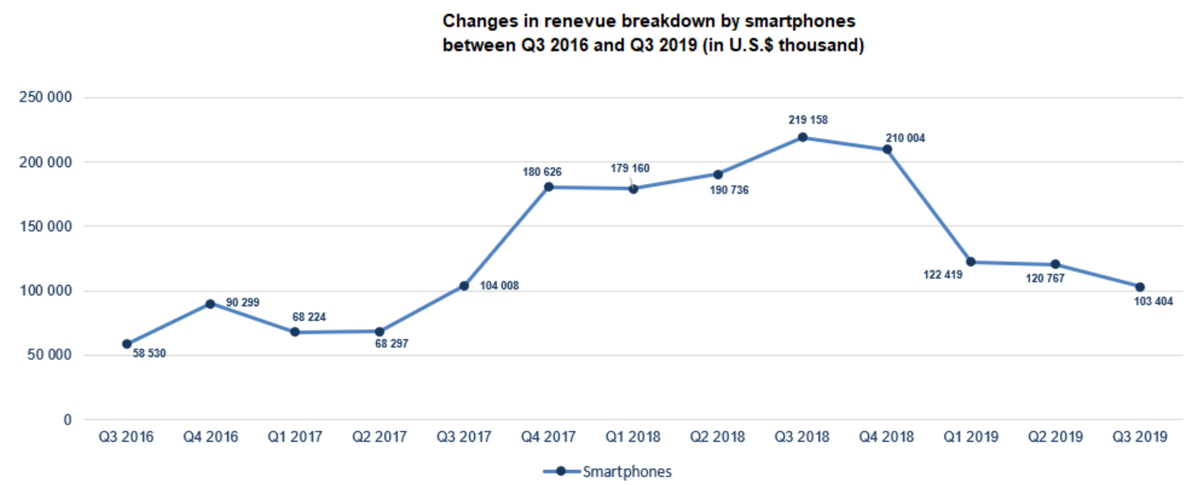


In Q3 2019 the main drivers for our sales were smartphones, CPUs, accessories & multimedia and laptops.

Revenues from CPUs increased by 15.8% in Q3 2019 and by 10.5% in 9M 2019. Revenues from HDDs dropped by 8.6% in Q3 2019 and by 17.2% in 9M 2019. In Q3 2019 revenues from software increased by 12.5% and by 1.7% in 9M 2019. Laptops business shrinked by 9.1% in Q3 2019 and by 5.2% in 9M 2019. Revenues from SSDs increased by 30% in Q3 2019 and dropped by 16.8% in 9M 2019.

From "Other" product lines, the Company has noticed a positive trend for Q3 2019 and 9M 2019 in accessories & multimedia (+55.5% and +50.5%), networking products (+41.6% and +11.8%) and in servers and server blocks (+14.1% and +13.0%).

The chart below indicates the trends in smartphones sale:



Sale of smartphones, which contributes to the majority of our revenues decreased in Q3 2019 by 52.8% and by 41.2% in 9M 2019, as compared to the corresponding periods of 2018.
This was as a result of market saturation and expectations that worldwide sales of smartphones would decrease. All smartphone suppliers are reporting a decline in revenues for 2019.

The table below sets a breakdown of revenues, by product lines, for Q3 2019 and Q3 2018 (in U.S. $ thousand):

	Q3 2019		Q3 2018	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Smartphones	103,404	22.35%	219,158	41.17%
Central processing units (CPUs)	82,830	17.90%	71,509	13.43%
Accessories & Multimedia	57,601	12.45%	37,045	6.96%
PC-mobile (laptops)	36,083	7.80%	39,712	7.46%
Hard disk drives (HDDs)	31,084	6.72%	34,023	6.39%
SSDs	24,339	5.26%	18,718	3.52%
Servers and server blocks	21,689	4.69%	19,007	3.57%
Networking products	16,252	3.51%	11,481	2.16%
Other	89,392	19.32%	81,678	15.34%
Total revenue	**462,674**	**100%**	**532,331**	**100%**

	Q1-Q3 2019		Q1-Q3 2018	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Smartphones	346,591	27.71%	589,055	39.31%
Central processing units (CPUs)	194,957	15.59%	176,405	11.77%
Accessories & Multimedia	140,085	11.20%	93,096	6.21%
PC-mobile (laptops)	96,390	7.71%	101,642	6.78%
Hard disk drives (HDDs)	85,844	6.86%	103,632	6.92%
Servers and server blocks	58,719	4.69%	51,944	3.47%
SSDs	55,478	4.43%	66,648	4.45%
Networking products	39,104	3.13%	34,966	2.33%
Other	233,747	18.69%	281,129	18.76%
Total revenue	**1,250,915**	**100%**	**1,498,517**	**100%**

Liquidity and Capital Resources

The Company has funded in the past its liquidity requirements, including ongoing operating expenses, capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. Cash flow for Q3 and for the 9 months of 2019 has been impacted by increased working capital utilization and dividend payout. 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 nine months ended September 30th, 2019 and 2018 (in U.S. $ thousand) :

	Nine months ended September 30th	
	2019	**2018**
Net cash outflows from operating activities	(21,919)	(3,824)
Net cash outflows from investing activities	(2,865)	(3,036)
Net cash inflows from financing activities	879	2,761
Net decrease in cash and cash equivalents	(23,905)	(4,099)

Net cash outflows from operations

Net cash outflows from operations amounted to U.S. $ 21,919 for the nine months ended September 30th, 2019, compared to outflows of U.S. $ 3,824 in the corresponding period of 2018. This is mainly attributed to increased working capital utilization. The Company aims cash from operations to turn positive for the year 2019.

Net cash outflows from investing activities

Net cash outflows from investing activities was U.S. $ 2,865 for the nine months ended September 30th, 2019, compared to U.S. $ 3,036 in the corresponding period of 2018.

Net cash inflows from financing activities

Net cash inflows from financing activities was U.S. $ 879 for the nine months ended September 30th, 2019, compared to inflows of U.S. $ 2,761 in the corresponding period of 2018.

Net decrease in cash and cash equivalents

As a result of a higher profitability and increased working capital utilization, cash and cash equivalents decreased by US$ 23,905 as compared to a decrease of US$ 4,099 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 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. 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 is not 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 an increased market share from weaker competitors.

<u>The Group's ability to increase gross profit margins</u>

The Group's ability to increase its gross profit margin is of a huge importance. The significant increase observed both in Q3 2019 and for the 9M of 2019 as compared to the corresponding periods of 2018 was a result of the current Company's strategy to focus mostly on high of margin revenues.

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.

<u>Currency volatilities</u>

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 nine-month period ended September 30th, 2019. Therefore, the hedging strategy should be followed and further improved without any exception in further periods.

<u>Ability of the Group to control expenses</u>

Selling and administrative expenses increased in total in Q3 2019 by 4.0% and dropped by 2.1% in 9M 2019 as compared to the corresponding periods of 2018. This was a result of decreased revenues, increased gross profit and investments made in human capital in all regions of our operations 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 to further reduce its expenses.

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

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 products give us a new stream of income with improved gross margin for the Group.

<u>Ability to cover warranty claims from customers</u>

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 9M 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 September 30th, 2019 and before this report release

According to our best knowledge, in the period between September 30th, 2019 and November 6th, 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 Condensed Consolidated Interim Financial Statements
for the period ended 30 September 2019

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

ASBISC ENTERPRISES PLC

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ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

	Note	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Revenue	4,23	462,674	532,330	1,250,915	1,498,517
Cost of sales		(435,477)	(506,754)	(1,181,557)	(1,429,759)
Gross profit		27,197	25,576	69,358	68,758
Selling expenses		(10,516)	(11,503)	(30,609)	(34,466)
Administrative expenses		(7,374)	(5,699)	(19,568)	(16,784)
Profit from operations		9,307	8,374	19,181	17,508
Financial income	7	1,033	1,402	2,571	3,654
Financial expenses	7	(3,947)	(4,372)	(12,554)	(12,183)
Other gains and losses	5	(325)	(4)	(5)	151
Share of loss of equity-accounted investees		(15)	(22)	(17)	(22)
Negative goodwill on acquisition of subsidiary		111	-	111	-
Profit before tax	6	6,164	5,378	9,287	9,108
Taxation	8	(1,562)	(1,205)	(2,077)	(1,986)
Profit for the period		4,602	4,173	7,210	7,122
Attributable to:					
Equity holders of the parent		4,614	4,192	7,232	7,134
Non-controlling interests		(12)	(19)	(22)	(12)
		4,602	4,173	7,210	7,122
		US$ cents	US$ cents	US$ cents	US$ cents
Earnings per share					
Basic and diluted from continuing operations		8.31	7.55	13.03	12.85

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Profit for the period	4,602	4,173	7,210	7,122
Other comprehensive loss				
Exchange difference on translating foreign operations	(827)	(86)	(711)	(718)
Reclassification adjustments relating to foreign operations liquidated in the period	-	(36)	10	(154)
Other comprehensive loss for the period	(827)	(122)	(701)	(872)
Total comprehensive income for the period	3,775	4,051	6,509	6,250
Total comprehensive income attributable to:				
Equity holders of the parent	3,795	4,071	6,541	6,276
Non-controlling interests	(20)	(20)	(32)	(26)
	3,775	4,051	6,509	6,250

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

(in thousands of US$)

	Note	As at 30 September 2019 US$	As at 31 December 2018 US$
ASSETS			
Non-current assets			
Property, plant and equipment	9	29,574	25,250
Intangible assets	10	2,559	3,068
Equity-accounted investees	11	235	336
Goodwill	27	756	400
Deferred tax assets	20	536	133
Total non-current assets		33,660	29,187
Current assets			
Inventories	12	210,484	180,211
Trade receivables	13	196,276	174,580
Other current assets	14	17,295	16,858
Derivative financial asset	25	700	1,088
Current taxation	8	496	451
Cash at bank and in hand	26	77,845	101,425
Total current assets		503,096	474,613
Total assets		536,756	503,800
EQUITY AND LIABILITIES			
Equity			
Share capital	15	11,100	11,100
Share premium		23,518	23,518
Retained earnings and other components of equity		67,986	64,340
Equity attributable to owners of the parent		102,604	98,958
Non-controlling interests		243	275
Total equity		102,847	99,233
Non-current liabilities			
Long-term borrowings	17	3,162	87
Other long-term liabilities	18	649	578
Deferred tax liabilities	20	349	34
Total non-current liabilities		4,160	699
Current liabilities			
Trade payables		217,957	208,144
Other current liabilities	21	54,136	46,938
Short-term borrowings	16	155,172	146,566
Derivative financial liability	24	784	358
Current taxation	8	1,700	1,862
Total current liabilities		429,749	403,868
Total liabilities		433,909	404,567
Total equity and liabilities		536,756	503,800

The financial statements were approved by the Board of Directors on 5 November 2019.

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Siarhei Kostevitch — **Director**

Marios Christou — **Director**

ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 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$**	**Non controlling interests US$**	**Total US$**
Balance at 1 January 2018	11,100	23,518	(14)	(10,199)	69,755	94,160	308	94,468
Profit/(loss) for the period 1 January 2018 to 30 September 2018	-	-	-	-	7,134	7,134	(12)	7,122
Other comprehensive loss for the period 1 January 2018 to 30 September 2018	-	-	-	(858)	-	(858)	(14)	(872)
Payment of final dividend	-	-	-	-	(3,330)	(3,330)	-	(3,330)
Acquisition of shares from non-controlling interests (note 29)	-	-	-	-	-	-	(16)	(16)
Balance at 30 September 2018	11,100	23,518	(14)	(11,057)	73,559	97,106	266	97,372
Profit for the period 1 October 2018 to 31 December 2018	-	-	-	-	4,904	4,904	11	4,915
Other comprehensive loss for the period 1 October 2018 to 31 December 2018	-	-	-	(277)	-	(277)	(2)	(279)
Payment of final dividend	-	-	-	-	(2,775)	(2,775)	-	(2,775)
Balance at 31 December 2018	11,100	23,518	(14)	(11,334)	75,688	98,958	275	99,233
Profit/(loss) for the period 1 January 2019 to 30 September 2019	-	-	-	-	7,232	7,232	(22)	7,210
Other comprehensive loss for the period 1 January 2019 to 30 September 2019	-	-	-	(691)	-	(691)	(10)	(701)
Payment of final dividend	-	-	-	-	(2,775)	(2,775)	-	(2,775)
Acquisition of treasury shares	-	-	(120)	-	-	(120)	-	(120)
Balance at 30 September 2019	11,100	23,518	(134)	(12,025)	80,145	102,604	243	102,847

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

	Note	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Profit for the period before tax and minority interest		6,164	5,378	9,287	9,108
Adjustments for:					
Exchange difference arising on consolidation		(988)	(40)	(1,052)	(504)
Depreciation of property, plant and equipment	9	792	385	2,169	1,137
Amortization of intangible assets	10	352	258	894	749
Impairment losses on intangible assets	5	127	-	141	-
Provision for slow moving and obsolete stock		437	333	329	(377)
Share of loss of equity-accounted investees		15	22	17	22
(Profit)/loss from the sale of property, plant and equipment and intangible assets	5	(20)	14	(18)	(10)
Provision for bad debts and receivables written off		(104)	689	40	761
Bad debts recovered	5	(1)	(1)	(3)	(50)
Impairment charge - investments in subsidiaries		-	12	-	12
Impairment of investments in associates		152	-	152	-
Interest received	7	(58)	(22)	(169)	(106)
Interest paid	7	1,134	1,049	3,487	3,089
Operating profit before working capital changes		8,002	8,077	15,274	13,831
Increase in inventories		(55,951)	(22,226)	(30,602)	(33,492)
(Increase)/decrease in trade receivables		(36,757)	(13,933)	(21,733)	38,676
Decrease/(increase) in other current assets		930	(1,073)	(47)	(150)
Increase/(decrease) in trade payables		52,004	43,396	9,812	(28,831)
Increase in other current liabilities		15,224	20,752	7,839	23,112
Increase in other non-current liabilities		26	18	71	136
Increase/(decrease) in factoring creditors		21,479	16,012	3,108	(13,148)
Cash inflows/(outflows) from operations		4,957	51,023	(16,278)	134
Interest paid	7	(1,134)	(1,049)	(3,487)	(3,089)
Taxation paid, net	8	(1,544)	(123)	(2,154)	(870)
Net cash inflows/(outflows) from operating activities		2,279	49,851	(21,919)	(3,825)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

	Note	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Cash flows from investing activities					
Purchase of intangible assets	10	(38)	(212)	(297)	(917)
Purchase of property, plant and equipment		(1,119)	(1,426)	(1,711)	(2,160)
Payment for purchase of investments in associates		-	(80)	-	(80)
Payment for purchase of investments in subsidiaries		(1,045)	-	(1,045)	-
Proceeds/(write-offs) from sale of property, plant and equipment and intangible assets		12	(10)	19	14
Interest received	7	58	22	169	106
Net cash outflows from investing activities		(2,132)	(1,706)	(2,865)	(3,037)
Cash flows from financing activities					
Acquisition of treasury shares		(120)	-	(120)	-
Payment of final dividend		-	-	(2,775)	(3,330)
Proceeds/(repayments) of long-term loans and long-term lease liabilities		612	10	(48)	(49)
Proceeds/(repayments) of short-term borrowings and short-term lease liabilities		3,646	(2,258)	3,822	6,141
Net cash inflows/(outflows) from financing activities		4,138	(2,248)	879	2,762
Net increase/(decrease) in cash and cash equivalents		4,285	45,897	(23,905)	(4,100)
Cash and cash equivalents at beginning of the period		29,919	(4,064)	58,109	45,933
Cash and cash equivalents at end of the period	26	34,204	41,833	34,204	41,833

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

1. Incorporation and principal activities

ASBISC Enterprises Plc was incorporated in Cyprus on 9 November 1995 with limited liability. These condensed consolidated interim financial statements ("interim financial statements") as at and for the nine months ended 30 September 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 30th October 2007.

2. Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements and they should be read in conjunction with the audited financial statements for the year ended 31 December 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 5th of November 2019.

(b) Use of judgments and estimates

Preparing the interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 which are described in the Note 3.

3. Changes in significant accounting policies

Except as described below, the accounting policies adopted for the preparation of the condensed consolidated interim financial statements for the nine months ended 30 September 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 2019. 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.

(in thousands of US$)

Changes in significant accounting policies (continued)

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leased under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group elected not to separate components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

The Group leases land and buildings and motor vehicles. As a lessee, the Group previously classified leases as operating or finance leased based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on balance sheet. The Group presents lease liabilities in 'long term borrowings' and 'short term borrowings' in the statements of financial position.

(i) Significant accounting policies

The Group recognizes a right-of use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

(ii) Transition date

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, the Group applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

C. Impact on financial statements

(i) Impact on transition

On transition to IFRS 16, the Group recognized additional right-of-use assets and additional lease liabilities. The impact on transition is summarized below.

	1 January 2019 US$
Right-of-use assets presented in property, plant and equipment (Note 9)	4,493
Lease liabilities	4,493

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

Changes in significant accounting policies (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 7.2%.

(ii) Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized US$ 4,493 of right-of-use assets and US$ 4,493 of lease liabilities as at 30 September 2019.

Also, in relation to those leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the nine months ended 30 September 2019, the Group recognized US$ 957 of depreciation charges and US$ 209 of interest costs from these leases.

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 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Profit/(loss) on disposal of property, plant and equipment	20	(14)	18	10
Other (loss)/income	(222)	(9)	100	44
Bad debts recovered	1	1	3	50
Rental income	3	16	15	47
Impairment loss on goodwill	(127)	-	(141)	-
	(325)	(4)	(5)	151

6. Profit before tax

	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Profit before tax is stated after charging:				
(a) Amortization of intangible assets (Note 10)	352	258	894	749
(b) Depreciation (Note 9)	792	386	2,169	1,137
(c) Auditors' remuneration	85	89	273	282
(d) Directors' remuneration – executive (Note 28)	155	248	475	552
(e) Directors' remuneration – non-executive (Note 28)	7	1	16	2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

7. Financial expense, net

	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Financial income				
Interest income	58	22	169	106
Other financial income	744	1,024	1,884	2,961
Net exchange gain	231	356	518	587
	1,033	1,402	2,571	3,654
Financial expense				
Bank interest	1,134	1,049	3,487	3,089
Bank charges	305	541	1,842	1,475
Derivative charges	426	217	1,396	572
Interest on lease liabilities	75	-	209	-
Factoring interest	1,436	1,748	3,589	4,592
Factoring charges	78	42	214	198
Other financial expenses	5	(5)	20	197
Other interest	488	780	1,797	2,060
	3,947	4,372	12,554	12,183
Net	(2,914)	(2,970)	(9,983)	(8,529)

8. Tax

	As at 30 September 2019 US$	As at 31 December 2018 US$
Payable balance 1 January	1,411	28
Provision for the period/year	1,949	2,911
Under provision of prior periods/year	-	121
Exchange difference on retranslation	(2)	(93)
Amounts paid, net	(2,154)	(1,556)
Net payable balance 30 September/31 December	1,204	1,411

	As at 30 September 2019 US$	As at 31 December 2018 US$
Tax receivable	(496)	(451)
Tax payable	1,700	1,862
Net	1,204	1,411

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

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

	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Provision for the period	1,435	1,200	1,949	2,077
Under provision of prior years	-	5	-	9
Deferred tax charge (Note 20)	127	-	128	(100)
Charge for the period	1,562	1,205	2,077	1,986

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 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$
Cost							
At 1 January 2018	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)
At 31 December 2018	24,820	6,746	416	2,124	2,892	3,589	40,587
Adjustment on transition to IFRS 16	3,771	-	-	722	-	-	4,493
Additions	680	543	104	146	36	183	1,692
Disposals	(124)	(306)	-	(74)	(5)	(6)	(515)
Foreign exchange difference on retranslation	56	57	-	59	(48)	48	172
At 30 September 2019	29,203	7,040	520	2,977	2,875	3,814	46,429
Accumulated depreciation							
At 1 January 2018	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)
At 31 December 2018	4,275	5,283	244	1,254	2,015	2,266	15,337
Charge for the period	1,084	376	129	352	34	194	2,169
Disposals	(124)	(306)	-	(74)	(5)	(6)	(515)
Foreign exchange difference on retranslation	(15)	(1)	(4)	(30)	(47)	(39)	(136)
At 30 September 2019	5,220	5,352	369	1,502	1,997	2,415	16,855
Net book value							
At 30 September 2019	23,983	1,688	151	1,475	878	1,399	29,574
At 31 December 2018	20,545	1,463	172	870	877	1,323	25,250

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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:

	As at 30 September 2019 US$
Land and buildings	3,889
Motor vehicles	585
Total right-of-use assets	4,474

10. Intangible assets

	Computer software US$	**Patents and licenses US$**	**Total US$**
Cost			
At 1 January 2018	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)
At 31 December 2018	9,746	2,383	12,129
Additions	296	1	297
Disposals/ write-offs	(2)	(2)	(4)
Foreign exchange difference on retranslation	(26)	(12)	(38)
At 30 September 2019	10,014	2,370	12,384
Accumulated amortization			
At 1 January 2018	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)
At 31 December 2018	7,124	1,937	9,061
Charge for the period	594	300	894
Disposals/ write-offs	(2)	(1)	(3)
Foreign exchange difference on retranslation	(120)	(7)	(127)
At 30 September 2019	7,596	2,229	9,825
Net book value			
At 30 September 2019	2,418	141	2,559
At 31 December 2018	2,622	446	3,068

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

11. Equity-accounted investees

	As at 30 September 2019 US$	As at 31 December 2018 US$
Cost		
At 1 January	366	-
Additions (i), (ii), (iii)	227	366
Full acquisition of investment in associate (iv), (v)	(319)	-
At 30 September/31 December	274	366
Accumulated share of loss from equity-accounted investees		
At 1 January	(30)	-
Share of loss from equity-accounted investees during the period/year	(17)	-
Exchange difference	9	(30)
At 30 September/31 December	(38)	(30)
Carrying amount of equity-accounted investees	235	336

(i) In April 2019, the Group acquired 50% shareholding of Redmond Europe Ltd, for the consideration of US$ 227.
(ii) In April 2018, the Group acquired 40% shareholding of iSpace LLC, for the consideration of US$ 80.
(iii) In December 2018, the Group acquired 25% shareholding of ALC Avectis, for the consideration of US$ 286.
(iv) In July 2019, the Group acquired the remaining 60% shareholding of iSpace LLC, for the consideration of US$ 260.
(v) In July 2019, the Group acquired the remaining 75% shareholding of ALC Avectis, for the consideration of US$ 288.

12. Inventories

	As at 30 September 2019 US$	As at 31 December 2018 US$
Goods in transit	32,057	16,059
Goods held for resale	181,897	167,334
Provision for slow moving and obsolete stock	(3,470)	(3,182)
	210,484	180,211

Movement in provision for slow moving and obsolete stock

	As at 30 September 2019 US$	As at 31 December 2018 US$
On 1 January	3,182	4,729
Provisions for the period/year	771	1,844
Provided stock written-off	(442)	(3,327)
Exchange difference	(41)	(64)
On 30 September/31 December	3,470	3,182

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

13. Trade receivables

	As at 30 September 2019 US$	As at 31 December 2018 US$
Trade receivables	199,833	178,125
Allowance for doubtful debts	(3,557)	(3,545)
	196,276	174,580

Movement in provision for doubtful debts:

	As at 30 September 2019 US$	As at 31 December 2018 US$
On 1 January	3,545	6,236
Provisions for the period/year	970	4,666
Amount written-off as uncollectible	(930)	(6,922)
Bad debts recovered	(3)	(51)
Exchange difference	(25)	(384)
On 30 September/31 December	3,557	3,545

14. Other current assets

	As at 30 September 2019 US$	As at 31 December 2018 US$
Deposits and advances to service providers	749	753
Employee floats	153	64
VAT and other taxes refundable	8,079	5,314
Other debtors and prepayments	8,314	10,727
	17,295	16,858

15. Share capital

	As at 30 September 2019 US$	As at 31 December 2018 US$
Authorized		
63,000,000 (2018: 63,000,000) shares of US$ 0.20 each	12,600,000	12,600,000
Issued and fully paid		
55,500,000 (2018: 55,500,000) ordinary shares of US$ 0.20 each	11,100,000	11,100,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019
(in thousands of US$)

16. Short-term borrowings

	As at 30 September 2019 US$	As at 31 December 2018 US$
Bank overdrafts (Note 26)	43,641	43,316
Current portion of long-term loans	219	114
Bank short-term loans	59,604	55,930
Current lease liabilities (Note 19)	1,455	61
Total short-term debt	104,919	99,421
Factoring creditors	50,253	47,145
	155,172	146,566

Summary of borrowings and overdraft arrangements

As at 30 September 2019 the Group enjoyed factoring facilities of US$ 114,482 (31 December 2018 US$ 117,369).

In addition, the Group as at 30 September 2019 had the following financing facilities with banks in the countries that the Company and its subsidiaries are operating:

- overdraft lines of US$ 93,153 (31 December 2018: US$ 89,745)
- short-term loans/revolving facilities of US$ 50,093 (31 December 2018: US$ 40,803)
- bank guarantee and letters of credit lines of US$ 41,086 (31 December 2018: US$ 41,226)

The Group had for the period ending 30 September 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 7.2% (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$ 27,369 (31 December 2018: US$ 26,649)

17. Long-term borrowings

	As at 30 September 2019 US$	As at 31 December 2018 US$
Bank loans	40	45
Long-term lease liabilities (Note 19)	3,122	42
	3,162	87

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

18. Other long-term liabilities

	As at 30 September 2019 US$	As at 31 December 2018 US$
Pension provision	649	578

19. Lease liabilities

	As at 30 September 2019 US$	As at 31 December 2018 US$
Current lease liabilities (Note 16)	1,455	61
Non-current lease liabilities (Note 17)	3,122	42
	4,577	103

20. Deferred tax

	AS at 30 September 2019 US$	As at 31 December 2018 US$
Debit balance on 1 January	(99)	(168)
Deferred tax (credit)/charge for the period/year (Note 8)	(128)	60
Exchange difference on retranslation	40	9
At 30 September/31 December	(188)	(99)

	As at 30 September 2019 US$	As at 31 December 2018 US$
Deferred tax assets	(536)	(133)
Deferred tax liabilities	349	34
Net deferred tax assets	(187)	(99)

21. Other current liabilities

	As at 30 September 2019 US$	As at 31 December 2018 US$
Salaries payable and related costs	2,027	1,112
VAT payable	4,005	7,111
Accruals and deferred income	39,257	30,069
Non-trade accounts payable	4,516	3,989
Provision for warranties	4,331	4,657
	54,136	46,938

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

22. Commitments and contingencies

As at 30 September 2019 the Group was committed in respect of purchases of inventories of a total cost value of US$ 11,376 (31 December 2018: US$ 9,365) which were in transit at 30 September 2019 and delivered in October 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 30 September 2019 the Group was contingently liable in respect of bank guarantees and letters of credit of US$ 41,086 (31 December 2018: US$ 41,226) which the Group has mainly extended to its suppliers. The liabilities towards the Group's suppliers covered by these guarantees are reflected in the financial statements under trade payables.
As at the 30th September 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 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Former Soviet Union	241,581	299,887	641,561	776,921
Central Eastern Europe	125,812	116,558	333,640	399,632
Middle East & Africa	60,049	48,799	162,400	159,779
Western Europe	22,577	51,614	86,206	127,234
Other	12,655	15,472	27,108	34,951
	462,674	532,330	1,250,915	1,498,517

1.3 Segment results

	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Former Soviet Union	4,830	4,211	11,057	9,385
Central Eastern Europe	2,276	2,140	4,998	4,899
Western Europe	894	738	981	975
Middle East & Africa	1,244	942	2,005	1,619
Other	63	343	140	630
Profit from operations	9,307	8,374	19,181	17,508
Net financial expenses	(2,914)	(2,970)	(9,983)	(8,529)
Share of loss form equity-accounted investees	(15)	(22)	(17)	(22)
Negative goodwill and goodwill written off, net	111	-	111	-
Other gains and losses	(325)	(4)	(5)	151
Profit before taxation	6,164	5,378	9,287	9,108

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

1.4 Segment capital expenditure (CAPEX)

	As at 30 September 2019 US$	As at 31 December 2018 US$
Central Eastern Europe	12,665	11,794
Former Soviet Union	7,612	5,914
Middle East & Africa	3,366	2,971
Unallocated	8,886	8,039
	32,889	28,718

1.5 Segment depreciation and amortization

	For the three months ended 30 September 2019 US$	For the three months ended 30 September 2018 US$	For the nine months ended 30 September 2019 US$	For the nine months ended 30 September 2018 US$
Former Soviet Union	303	136	845	344
Central Eastern Europe	374	147	766	482
Middle East & Africa	51	47	153	143
Unallocated	141	313	1,024	918
	870	643	2,789	1,887

1.6 Segment assets

	As at 30 September 2019 US$	As at 31 December 2018 US$
Former Soviet Union	311,691	240,880
Central Eastern Europe	89,115	161,983
Middle East & Africa	40,604	31,248
Western Europe	47,505	32,262
Total	488,915	466,373
Assets allocated in capital expenditure (1.4)	32,889	28,718
Other unallocated assets	14,952	8,709
Consolidated assets	536,756	503,800

For the purposes of monitoring segment performance and allocating resources between segments only assets were allocated to the reportable segments. As the Group liabilities are mainly used jointly by the reportable segments, these were not allocated to each segment.

1.7 Geographical information

Since the Group's operating segments are based on geographical location and this information has been provided above (1.2 – 1.6) no further analysis is included.

(in thousands of US$)

24. Derivative financial liability

	As at 30 September 2019 US$	As at 31 December 2018 US$
Derivative financial liabilities carried at fair value through profit or loss		
Foreign currency derivative contracts	784	358

25. Derivative financial asset

	As at 30 September 2019 US$	As at 31 December 2018 US$
Derivative financial assets carried at fair value through profit or loss		
Foreign currency derivative contracts	700	1,088

26. Cash and cash equivalents

	As at 30 September 2019 US$	As at 31 December 2018 US$
Cash at bank and in hand	77,845	101,425
Bank overdrafts (Note 16)	(43,641)	(43,316)
	34,204	58,109

The cash at bank and in hand balance includes an amount of US$ 27,369 (31 December 2018: US$ 26,649) which represents pledged deposits against financial facilities granted and margin accounts for foreign exchange hedging.

27. Goodwill

	As at 30 September 2019 US$	As at 31 December 2018 US$
At 1 January	400	419
Additions	515	360
Impairment loss (note ii)	(141)	(360)
Foreign exchange difference on retranslation	(18)	(19)
At 30 September/31 December (note i)	756	400

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

(i) The capitalized goodwill arose from the business combination of the following subsidiary:

	As at 30 September 2019 US$	**As at 31 December 2018 US$**
OOO Must	201	-
ASBC LLC	174	-
ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo)	382	400
	756	400

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

	As at 30 September 2019 US$	**As at 31 December 2018 US$**
Vizuatika LLC	(13)	-
Vizuators LLC	(1)	-
OOO IT Training	(4)	-
OOO Aksiomtech	(123)	-
iPoint Kazakhstan LLP	-	(360)
	(141)	(360)

28. Transactions and balances of key management

	For the three months ended 30 September 2019 US$	**For the three months ended 30 September 2018 US$**	**For the nine months ended 30 September 2019 US$**	**For the nine months ended 30 September 2018 US$**
Director's remuneration - executive (Note 6)	155	248	475	552
Director's remuneration - non-executive (Note 6)	7	1	16	2
	162	249	491	554

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(in thousands of US$)

29. Business combinations

1. Acquisitions

1.1.a. Acquisitions of subsidiaries to 30 September 2019

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

Name of entity	Type of operations	Date acquired	% acquired	% owned
Vizuatika LLC	Information Technology	28 March 2019	75%	75%
Vizuators LLC	Information Technology	28 March 2019	75%	75%
ALC Avectis	Information Technology	12 July 2019	75%	100%
ASBC LLC	Information Technology	31 July 2019	60%	100%
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%

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 30 September 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 (Note 27)	(141)
Goodwill capitalized in statement of financial position (Note 27)	**(374)**

(in thousands of US$)

1.2. 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.

Name of entity	Type of operations	Date acquired	% acquired	% owned
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%

2. Disposals

2.1. Disposals of subsidiaries to 30 September 2019

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

Name of disposed entity	Type of operations	Date liquidated	% liquidated
Asbis Limited	Information Technology	25 January 2019	100%
ASBIS Cloud Ltd	Information Technology	12 July 2019	100%

2.1. 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.

Name of disposed entity	Type of operations	Date liquidated	% liquidated
OU ASBIS Estonia	Information Technology	29 November 2018	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%

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 company's/group's financial instruments approximate their fair value at the reporting date. Financial assets and financial liabilities carried at fair value through profit or loss represent foreign currency derivative contracts categorized as a Level 2 (inputs other than quoted prices included within level 1) that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).