

**INTERIM REPORT  
FOR THE SIX MONTHS  
ENDED 30 JUNE 2018**

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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 six month 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 six-month report contains financial statements of, and financial information relating to the Group. In particular, this six-month report contains our interim consolidated financial statements for the six months ended 30 June 2018. The financial statements appended to this six-month 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 six-month 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 six-month report may not conform exactly to the total figure given for that column or row.

#### **Currency Presentation**

Unless otherwise indicated, all references in this six month 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 six-month 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 six-month 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 six-month 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 six-month report.

## **Part I Additional information**

### **1. Overview**

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

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

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through two master distribution centres (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 24 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 60 countries.

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

### **2. Executive summary for the three and six month periods ended June 30<sup>th</sup>, 2018**

During Q2 2018 and H1 2018 the Company's results improved significantly as compared to the corresponding periods of 2017. The Company has managed to increase its revenues by 65,2% in Q2 2018 and 69.4% in H1 2018 which is considered to be a beyond expectations achievement. As a result, net profit after taxation in Q2 and H1 2018 was enormously increased as compared to the corresponding periods of 2017. Thus, having seen H1 2018 results, the Directors believe that in the remainder of the year the Company is expected to continue its strong performance and deliver the forecasted results.

#### **The principal events of the three-month period ended June 30<sup>th</sup>, 2018, were as follows:**

- In Q2 2018 revenues increased by 65.2% to U.S.\$ 462,884 from U.S.\$ 280,130 in Q2 2017.
- In Q2 2018 gross profit increased by 35.2% to U.S.\$ 20,417 from U.S.\$ 15,102 in Q2 2017.
- In Q2 2018 gross profit margin was at 4.41% as compared to 5.39% in Q2 2017.
- In Q2 2018 selling expenses increased by 64.3% to U.S.\$ 11,909 from U.S.\$ 7,247 in Q2 2017.
- In Q2 2018 administrative expenses increased by 19.6% to U.S.\$ 4,713 from U.S.\$ 3,942 in Q2 2017.
- In Q2 2018 EBITDA amounted to U.S.\$ 4,412 as compared to U.S.\$ 4,469 in Q2 2017.
- The Company finished Q2 2018 with a net profit after tax amounting to U.S.\$ 1,236, a 168.3% growth compared to U.S.\$ 461 in Q2 2017.

The following table presents revenues breakdown by regions in the three-month period ended June 30<sup>th</sup>, 2018 and 2017 respectively (in U.S.\$ thousand):

Region	Q2 2018	Q2 2017	Change %
Former Soviet Union	225,050	128,954	75%
Central and Eastern Europe	123,060	91,340	35%
Middle East and Africa	63,991	37,225	72%
Western Europe	40,445	20,489	97%
Other	10,338	2,122	387%
<b>Grand Total</b>	<b>462,884</b>	<b>280,130</b>	<b>65%</b>

The principal events of the six month period ended June 30<sup>th</sup>, 2018, were as follows:

- Revenues increased by 69.4% to U.S.\$ 966,187 from U.S.\$ 570,331 in H1 2017.
- Gross profit increased by 42,8% to U.S.\$ 43,182 from U.S.\$ 30,241 in H1 2017.
- Gross profit margin amounted to 4.47% as compared to 5.30% in H1 2017.
- Selling expenses increased by 62.6% to U.S.\$ 22,964 from U.S.\$ 14,120 in H1 2017.
- Administrative expenses increased by 34.8% to U.S.\$ 11,084 from U.S.\$ 8,221 in H1 2017.
- EBITDA amounted to U.S.\$ 10,377 as compared to U.S.\$ 8,985 in H1 2017.
- As a result the Company increased its net profit after tax by 191,7% to U.S.\$ 2,949 as compared to U.S.\$ 1,011 in H1 2017.

The following table presents revenues breakdown by regions in the six month periods ended June 30<sup>th</sup>, 2018 and 2017 respectively (in U.S.\$ thousand):

Region	H1 2018	H1 2017	Change %
Former Soviet Union	477,034	268,691	78%
Central and Eastern Europe	283,074	182,653	55%
Middle East and Africa	110,980	73,622	51%
Western Europe	75,620	41,624	82%
Other	19,479	3,742	421%
<b>Grand Total</b>	<b>966,187</b>	<b>570,331</b>	<b>69%</b>

### 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 six months ended 30 June 2018 and 2017, 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 31<sup>st</sup>, 2017, that is: 1 US\$ = 3,4813 PLN and 1 EUR = 4,1709 PLN and June 30<sup>th</sup>, 2018, that is: 1 US\$ = 3,7440 PLN and 1 EUR = 4,3616 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 January to 30 June 2018, that is: 1 US\$ = 3,5192 PLN and 1 EUR = 4,2395 PLN and 1 January to 30 June 2017, that is: 1 US\$ = 3,8964 PLN and 1 EUR = 4,2474 PLN.
- Individual items in the income statement and statement of cash flows for separate Q2 2018 and Q2 2017 – 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 April to 30 June 2018, that is: 1 US\$ = 3,6503 PLN and 1 EUR = 4,3005 PLN and 1 April to 30 June 2017, that is: 1 US\$ = 3,7704 PLN and 1 EUR = 4,2057 PLN.

	Period from 1 January to 30 June 2018			Period from 1 January to 30 June 2017		
	USD	PLN	EUR	USD	PLN	EUR
<b>Revenue</b>	<b>966,187</b>	<b>3,400,221</b>	<b>802,043</b>	<b>570,331</b>	<b>2,222,239</b>	<b>523,200</b>
Cost of sales	(923,005)	(3,248,255)	(766,197)	(540,090)	(2,104,407)	(495,458)
<b>Gross profit</b>	<b>43,182</b>	<b>151,967</b>	<b>35,846</b>	<b>30,241</b>	<b>117,832</b>	<b>27,742</b>
Selling expenses	(22,964)	(80,815)	(19,063)	(14,120)	(55,016)	(12,953)
Administrative expenses	(11,084)	(39,007)	(9,201)	(8,222)	(32,034)	(7,542)
<b>Profit from operations</b>	<b>9,133</b>	<b>32,141</b>	<b>7,581</b>	<b>7,900</b>	<b>30,782</b>	<b>7,247</b>
Financial expenses	(7,811)	(27,489)	(6,484)	(6,656)	(25,936)	(6,106)
Financial income	2,252	7,925	1,869	483	1,880	443
Other gains and losses	155	545	129	(443)	(1,725)	(406)
<b>Profit before taxation</b>	<b>3,730</b>	<b>13,127</b>	<b>3,096</b>	<b>1,284</b>	<b>5,001</b>	<b>1,177</b>
Taxation	(781)	(2,749)	(648)	(272)	(1,061)	(250)
<b>Profit after taxation</b>	<b>2,949</b>	<b>10,378</b>	<b>2,448</b>	<b>1,011</b>	<b>3,940</b>	<b>928</b>
<b>Attributable to:</b>						
Non-controlling interest	7	25	6	(11)	(42)	(10)
<b>Equity holders of the parent</b>	<b>2,942</b>	<b>10,354</b>	<b>2,442</b>	<b>1,022</b>	<b>3,981</b>	<b>937</b>

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)	PLN (grosz)	EUR (cents)
Basic and diluted earnings per share from continuing operations	5.30	18.65	4.40	1.84	7.17	1.69

	USD	PLN	EUR	USD	PLN	EUR
Net cash outflows from operating activities	(53,677)	(188,901)	(44,558)	(18,865)	(73,505)	(17,306)
Net cash outflows from investing activities	(1,330)	(4,681)	(1,104)	(820)	(3,197)	(753)
Net cash inflows/(outflows) from financing activities	5,009	17,628	4,158	5,789	22,556	5,311
<b>Net decrease in cash and cash equivalents</b>	<b>(49,997)</b>	<b>(175,950)</b>	<b>(41,503)</b>	<b>(13,896)</b>	<b>(54,146)</b>	<b>(12,748)</b>
<b>Cash at the beginning of the period</b>	<b>45,933</b>	<b>161,648</b>	<b>38,130</b>	<b>6,537</b>	<b>25,470</b>	<b>5,997</b>
<b>Cash at the end of the period</b>	<b>(4,064)</b>	<b>(14,302)</b>	<b>(3,374)</b>	<b>(7,360)</b>	<b>(28,675)</b>	<b>(6,751)</b>

	As at 30 June 2018			As at 31 December 2017		
	USD	PLN	EUR	USD	PLN	EUR
Current assets	406,227	1,520,914	348,705	495,568	1,725,221	413,633
Non-current assets	28,312	106,000	24,303	28,356	98,716	23,668
<b>Total assets</b>	<b>434,539</b>	<b>1,626,914</b>	<b>373,009</b>	<b>523,923</b>	<b>1,823,933</b>	<b>437,300</b>
Liabilities	341,218	1,277,520	292,902	429,455	1,495,062	358,451
Equity	93,321	349,394	80,107	94,468	328,871	78,949

	Period from 1 April to 30 June 2018			Period from 1 April to 30 June 2017		
	USD	PLN	EUR	USD	PLN	EUR
<b>Revenue</b>	<b>462,884</b>	<b>1,689,650</b>	<b>392,896</b>	<b>280,130</b>	<b>1,056,202</b>	<b>251,136</b>
Cost of sales	(442,467)	(1,615,123)	(375,566)	(265,028)	(999,262)	(237,597)
<b>Gross profit</b>	<b>20,417</b>	<b>74,527</b>	<b>17,330</b>	<b>15,102</b>	<b>56,940</b>	<b>13,539</b>
Selling expenses	(11,909)	(43,471)	(10,108)	(7,247)	(27,323)	(4,497)
Administrative expenses	(4,713)	(17,204)	(4,000)	(3,942)	(14,862)	(3,534)
<b>Profit from operations</b>	<b>3,794</b>	<b>13,849</b>	<b>3,220</b>	<b>3,914</b>	<b>14,755</b>	<b>3,508</b>
Financial expenses	(3,757)	(13,714)	(3,189)	(3,086)	(11,636)	(2,767)
Financial income	1,342	4,899	1,139	296	1,114	265
Other gains and losses	127	464	108	(511)	(1,927)	(458)
<b>Profit before taxation</b>	<b>1,506</b>	<b>5,497</b>	<b>1,278</b>	<b>612</b>	<b>2,307</b>	<b>549</b>
Taxation	(270)	(986)	(229)	(151)	(570)	(136)
<b>Profit after taxation</b>	<b>1,236</b>	<b>4,512</b>	<b>1,049</b>	<b>461</b>	<b>1,736</b>	<b>413</b>
<b>Attributable to:</b>						
Non-controlling interests	16	58	14	(13)	(51)	(12)
<b>Equity holders of the parent</b>	<b>1,219</b>	<b>4,450</b>	<b>1,035</b>	<b>474</b>	<b>1,787</b>	<b>425</b>

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)	PLN (grosz)	EUR (cents)
Basic and diluted earnings per share from continuing operations	2.20	7.30	1.70	0.85	3.22	0.77

	USD	PLN	EUR	USD	PLN	EUR
Net cash inflows/(outflows) from operating activities	(7,753)	(28,301)	(6,581)	10,814	40,775	9,695
Net cash outflows from investing activities	(617)	(2,252)	(524)	(446)	(1,680)	(400)
Net cash inflows/(outflows) from financing activities	2,756	10,060	2,339	6,220	23,453	5,577

#### 4. Organization of ASBIS Group

The following table presents our corporate structure as at 30 June 2018:

Company	Consolidation Method
<b>ASBISC Enterprises PLC</b>	<b>Mother company</b>
Asbis Ukraine Limited (Kiev, Ukraine )	Full (100% subsidiary)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100% subsidiary)
Asbis Poland Sp. z o.o. (Warsaw, Poland)	Full (100% subsidiary)
Asbis Romania S.R.L (Bucharest, Romania)	Full (100% subsidiary)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100% subsidiary)
Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100% subsidiary)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100% subsidiary)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100% subsidiary)
Asbis CZ, spol.s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100% subsidiary)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100% subsidiary)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100% subsidiary)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100% subsidiary)
Asbis Limited (Charlestown, Ireland)	Full (100% subsidiary)
FPUE Automatic Systems of Business Control (Minsk, Belarus)	Full (100% subsidiary)
E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus)	Full (100% subsidiary)
OOO ‘ Asbis’-Moscow (Moscow, Russia)	Full (100% subsidiary)
Asbis Morocco Limited (Casablanca, Morocco)	Full (100% subsidiary)
EUROMALL CZ s.r.o. (formerly ISA Hardware s.r.o.) (Prague, Czech Republic)	Full (100% subsidiary)
S.C. EUROMALL 2008 S.R.L (formerly ISA Hardware International S.R.L) (Bucharest, Romania)	Full (100% subsidiary)
ISA Hardware s.r.o Slovakia (Bratislava, Slovakia)	Full (100% subsidiary)
Prestigio Plaza Sp. z o.o in liquidation (Warsaw, Poland)	Full (100% subsidiary)
Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)	Full (100% subsidiary)
Perenio IoT spol. s.r.o. (Prague, Czech Republic)	Full (100% subsidiary)
Asbis Kypros Ltd (Limassol, Cyprus)	Full (100% subsidiary)
Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)	Full (100% subsidiary)
SIA “ASBIS LV” (Riga, Latvia)	Full (100% subsidiary)
Asbis d.o.o. (former Megatrend d.o.o.) (Sarajevo, Bosnia Herzegovina)	Full (90% ownership)
ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)	Full (100% subsidiary)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100% subsidiary)
Euro-Mall SRO (Bratislava, Slovakia)	Full (100% subsidiary)
Prestigio China Corp. (former AOSBIS TECHNOLOGY (SHENZHEN) CORP.) (Shenzhen,China)	Full (100% subsidiary)
ASBIS DE GMBH, (Munchen, Germany)	Full (100% subsidiary)
EUROMALL BULGARIA EOOD (Sofia, Bulgaria)	Full (100% subsidiary)
Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)	Full (100% subsidiary)
SHARK Computers a.s. (merged with SHARK ONLINE a.s.) (Bratislava, Slovakia)	Full (100% subsidiary)
E-vision Production Unitary Enterprise (Minsk, Belarus)	Full (100% subsidiary)
ASBIS CLOUD Ltd (Moscow, Russia)	Full (100% subsidiary)
ASBIS SERVIC Ltd (Kiev, Ukraine)	Full (100% subsidiary)
I ON Ltd (Kiev, Ukraine)	Full (100% subsidiary)
ASBC MMC LLC (Baku, Azerbaijan)	Full (65.85% subsidiary)

## 5. Changes in the structure of the Company

During the six months ended June 30<sup>th</sup>, 2018 ASBIS ESTONIA AS and PRESTIGIO PLAZA NL BV have both been liquidated, being dormant companies. A subsidiary company named Prestigio Europe spol. s.r.o. (Prague, Czech Republic) changed its name to Perenio IoT spol. s.r.o.

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

On March 29<sup>th</sup>, 2018 the Company announced its official financial forecast for 2018. Having seen H1 2018 results, we fully sustain our forecasts that assume revenues between US\$ 1,80 billion and 1,90 billion and net profit after tax between US\$ 9 and US\$ 10 million. Should the Company's management consider it necessary, and given the continuation of the strong trend in H1 2018, we might come out to the market with an updated forecast.

## 7. Information on dividend payment

In the six month period ended 30 June 2018 following the Board of Directors' recommendation and the Annual General Meeting of Shareholders resolution, a dividend of U.S.\$ 0.06 per share has been paid out on June 12<sup>th</sup>, 2018. The Dividend record date was May 17<sup>th</sup>, 2018.

## 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
Siarhei Kostevitch	20,443,127	36,83%	20,443,127	36,83%
<i>indirectly through KS Holdings Ltd</i>	20,401,361	36,76%	20,401,361	36,76%
<i>directly</i>	41,766	0,08%	41,766	0,08%
Noble Funds TFI	2,866,299	5,16%	2,866,299	5,16%
ASBISc Enterprises Plc (buy-back program)	13,389	0,02%	13,389	0,02%
Free-float	32,177,185	57,98%	32,177,185	57,98%
<b>TOTAL</b>	<b>55,500,000</b>	<b>100%</b>	<b>55 500 000</b>	<b>100%</b>

Below we present the changes in the number of shares possessed by major shareholders during the period between May 9<sup>th</sup> 2018 (the date of the publication of the Interim Report for Q1 2018) and date of this report:

On May 15<sup>th</sup>, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that total share of these Funds moved above the threshold of 5% of the total voting rights of the Company. According to the notification, the increase above the 5% threshold in the Company followed transactions conducted in the regulated market on May 14<sup>th</sup>, 2018. According to the notification, before the abovementioned change of share the Funds had 2,756,299 Company's shares that were equal to 4,97% in the Company's share capital and had 2,756,299 votes from these shares,

that were equal to 4,97% of total number of votes. According to the notification, as of May 15th 2018 the Funds held 2,866,299 of the Company's shares, equal to 5,16% in the Company's share capital and had 2,866,299 votes from these shares, equal to 5,16% of total number of votes.

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

During the period between May 9<sup>th</sup>, 2018 (the date of the publication of the Interim Report for Q1 2018) and August 8<sup>th</sup>, 2018 (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%
Chris Pavlou	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

The Company's Annual General Meeting of Shareholders held on May 8<sup>th</sup>, 2018 has re-elected Marios Christou, Yuri Ulasovich and Siarhei Kostevitch. to the Board of Directors. There were no other changes in the members of the Company's Board of Directors during H1 2018.

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

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

## 12. Related party transactions

During the six months ended June 30<sup>th</sup>, 2018 neither the Company nor any of the members of our Group have concluded any material related party transaction, other than market conditions.

## 13. Information on guarantees granted to third parties

The total corporate guarantees the Company has issued, as at June 30th 2018 to support its subsidiaries' local financing, amounted to U.S.\$ 161,006. The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at June 30th, 2018 was U.S. \$ 24,950 – as per note number 16 to the financial statements.

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

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

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

In the three and six month period ended June 30<sup>th</sup>, 2018, 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 specific market to secure our results.

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

### ***Currency fluctuations***

The Company's reporting currency is the U.S. dollar. About 40% of the Company's revenues are denominated in U.S. dollars, while the balance is denominated in Euro, Ruble and other currencies, some of which are pegged to the Euro. Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company is exposed to foreign exchange risk that remains a crucial risk factor that might affect the Group's results in the future. Although the problem still persists and will persist as the Euro and other Eastern European currencies fluctuate in a steep manner against the U.S. dollar, the Group has adopted hedging strategies to tackle this problem and this has been successful despite large volatility of some currencies. Especially, and given the fact that our FSU business is growing, the risk of devaluation of currencies of countries like Kazakhstan, Belarus and Ukraine, might cause significant losses to the group. The management believes that hedging is very important in our industry and we shall continue enhancing it going forward, by adopting to new market realities and finding solutions to hedge all exotic currencies in the region

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

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

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

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

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

### ***Low gross profit margins***

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

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

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

### ***Inventory obsolescence and price erosion***

The Company is often required to buy components and finished products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components 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 a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 65% 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 Group Directors, have 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.

However, there are many uncertainties about the world economy following turmoils in different countries, volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. However, with the experience we have gained, the management strongly believe that the Company is much more flexible and better prepared to weather any obstacles that may arise due to worldwide financial environment.

### ***Seasonality***

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

### ***Development of own brand business***

The Company's strategy is to focus more on profitability than on revenues, thus we continue to develop the own brand business that allows for higher gross profit margins. This includes the development of 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 a third own brand- Perenio, which is expected to start delivering results after Q3 2018.

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

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

### ***Warranty claims from own brand products***

The own brand business requires us to put extra efforts to avoid any problems with quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced in the recent past, though this situation has much improved in the course of H1 2018.

This risk has negatively affected our results in the past when certain ODMs have not honored their contractual obligations on products with epidemic failure. The Group is undertaking all possible steps towards ensuring proper compensation of past expenses. In the same time, in an effort to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which however, does not guarantee 100% elimination of the risk of warranty losses.

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

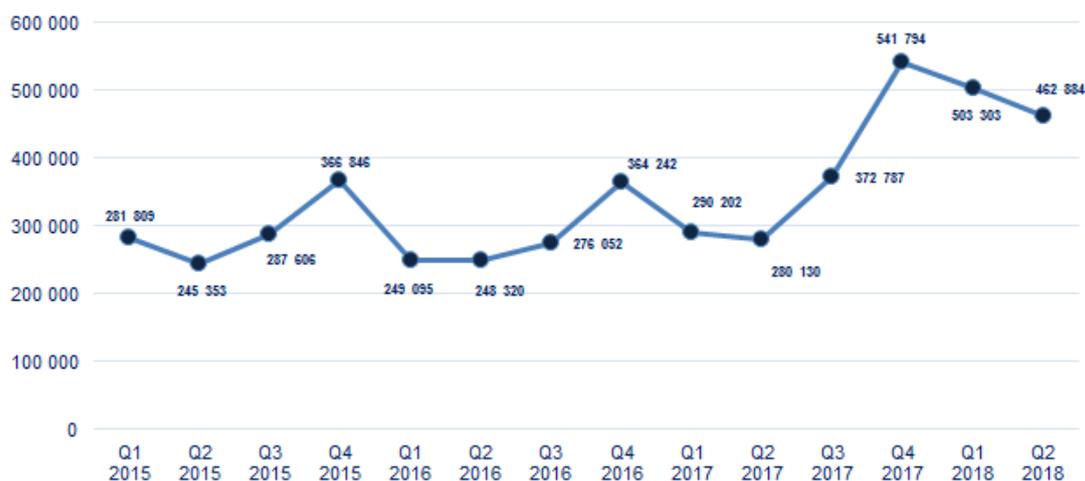
The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however in certain cases the cost of this financing is expensive. The Company has already negotiated improved terms with some of its supply-chain 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 H1 2018 we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost.

## Results of Operations

Three and six month periods ended 30 June 2018 compared to the three and six month periods ended 30 June 2017

- Revenues:** Our revenues in H1 2018 increased significantly as compared to H1 2017 and we expect this upward trend to continue in H2 2018.  
 In Q2 2018 revenues increased by 65.2% to U.S.\$ 462,884 from U.S.\$ 280,130 in Q2 2017.  
 In H1 2018 revenues increased by 69.4% to U.S.\$ 966,187 from U.S.\$ 570,331 in H1 2017.

Seasonality and growth cycle in ASBIS revenues  
 Revenues between Q1 2015 and Q2 2018  
 (in U.S.\$ thousand)



- Gross profit:** Gross profit has increased significantly both in Q2 2018 and H1 2018 compared to the corresponding periods of 2017.

In Q2 2018 gross profit increased by 35.2% to U.S.\$ 20,417 from U.S.\$ 15,102 in Q2 2017.

In H1 2018 gross profit increased by 42.8% to U.S.\$ 43,182 from U.S.\$ 30,241 in H1 2017.

Gross profit  
 between Q1 2015 and Q2 2018  
 (in U.S.\$ thousand)



- Gross profit margin** has stabilized at levels above 4.4%.

In Q2 2018 gross profit margin decreased slightly to 4.41% from 5.39% in Q2 2017.

In H1 2018 gross profit margin decreased slightly to 4.47% from 5.30% in H1 2017.

- **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.

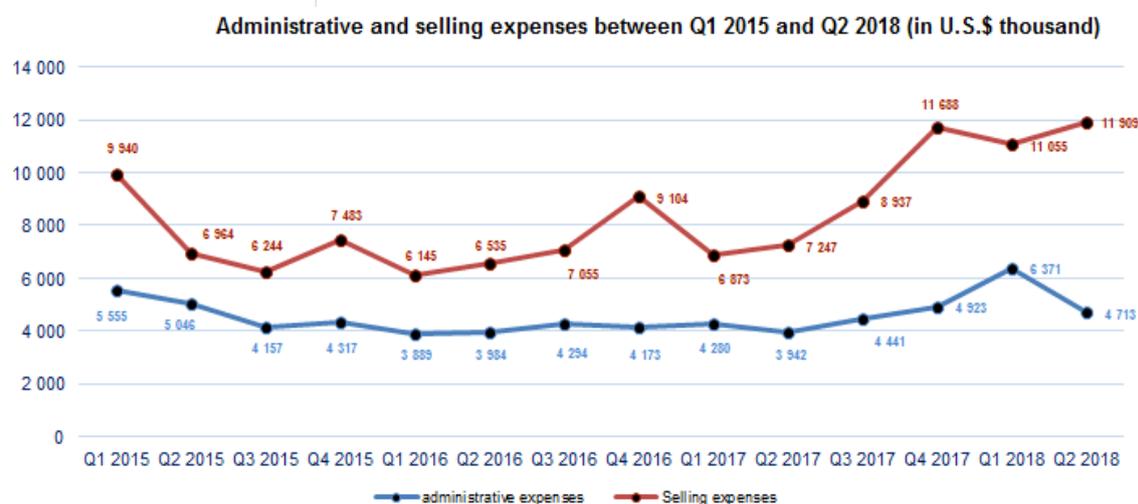
In Q2 2018 selling expenses increased by 64.3% to U.S.\$ 11,909 from U.S.\$ 7,247 in Q2 2017.

In H1 2018 selling expenses increased by 62.6% to U.S.\$ 22,964 from U.S.\$ 14,120 in H1 2017.

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

In Q2 2018 administrative expenses increased by 19.6% to U.S.\$ 4,713 from U.S.\$ 3,942 in Q2 2017

In H1 2018 administrative expenses increased by 34.8% to U.S.\$ 11,084 from U.S.\$ 8,222 in H1 2017.



- **EBITDA** in Q2 2018 EBITDA amounted to U.S.\$ 4,412 as compared to U.S.\$ 4,469 in Q2 2017. However, in H1 2018 EBITDA amounted to U.S.\$ 10,377 as compared to U.S.\$ 8,985 in H1 2017.

- **Net profit:** As a result of growth in revenues, increased gross profit and stable expenses, the Company closed both Q2 2018 and H1 2018 with strong growth in net profit.

In Q2 2018 net profit after tax amounted to U.S.\$ 1,236, a 168.3% growth compared to U.S.\$ 461 in Q2 2017.

In H1 2018 net profit after tax grew by 191.7% while it has amounted to U.S.\$ 2,949 as compared to U.S.\$ 1,011 in H1 2017.

### Sales by regions and countries

The F.S.U. and the CEE regions traditionally contribute the majority of revenues. This has not changed in Q2 and H1 2018. However, our focus on the F.S.U. region has allowed it to continue its very good performance and show an impressive 75% and 78% growth in Q2 2018 and H1 2018 respectively. Following that, the F.S.U. share in our total revenues grew to 49.37% in H1 2018 from 47.11% in H1 2017.

Our focus on F.S.U. region, did not affect sales in other regions where we have experienced equally strong growth rates. Sales in the Central and Eastern Europe region increased by an impressive 55% as well as MEA region (increase by 51%) in H1 2018 as compared to H1 2017. We have also significantly improved our sales in Western Europe (by 82%) in H1 2018 as compared to H1 2017.

Country-by-country analysis confirms the excellent growth rates the Group was able to achieve in all major countries of operations. Growth in F.S.U. has arisen from a continuous improvement in Russia (+58% in Q2 2018 and +55% in H1 2018), Ukraine (+110% in Q2 2018 and +117% in H1 2018), Kazakhstan (+34% in Q2 2018 and +66% in H1 2018) and Belarus (+69% in Q2 2018 and +86% in H1 2018).

At the same time, the increase in Slovakia (+35% in Q2 2018 and +29% in H1 2018) was combined with a 10% growth in Q2 2018 and a 25% growth in H1 2018 in the Czech Republic and a 34% increase in Romania in Q2 2018 and 28% increase in H1 2018. The MEA result is mainly determined by our revenues in UAE (+97% in Q2 2018 and +69% in H1 2018).

The tables below provide a geographical breakdown of sales for the three and six month periods ended June 30<sup>th</sup>, 2018 and 2017.

	Q2 2018		Q2 2017	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
<b>Former Soviet Union</b>	225,050	48.62%	128,954	46.03%
<b>Central and Eastern Europe</b>	123,060	26.59%	91,340	32.61%
<b>Middle East and Africa</b>	63,991	13.82%	37,225	13.29%
<b>Western Europe</b>	40,445	8.74%	20,489	7.31%
<b>Other</b>	10,338	2.23%	2,122	0.76%
<b>Total</b>	<b>462,884</b>	<b>100%</b>	<b>280,130</b>	<b>100%</b>

	H1 2018		H1 2017	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
<b>Former Soviet Union</b>	477,034	49.37%	268,691	47.11%
<b>Central and Eastern Europe</b>	283,074	29.30%	182,653	32.03%
<b>Middle East and Africa</b>	110,980	11.49%	73,622	12.91%
<b>Western Europe</b>	75,620	7.83%	41,624	7.30%
<b>Other</b>	19,479	2.02%	3,742	0.66%
<b>Total</b>	<b>966,187</b>	<b>100%</b>	<b>570,331</b>	<b>100%</b>

#### Revenue breakdown – Top 10 countries in Q2 2018 and Q2 2017 (in U.S. Dollar thousand)

	Q2 2018		Q2 2017	
	Country	Sales	Country	Sales
1.	<b>Russia</b>	84,474	<b>Russia</b>	53,433
2.	<b>Ukraine</b>	57,853	<b>Slovakia</b>	30,820
3.	<b>United Arab Emirates</b>	49,006	<b>Kazakhstan</b>	29,067
4.	<b>Slovakia</b>	41,527	<b>Ukraine</b>	27,532
5.	<b>Kazakhstan</b>	38,841	<b>United Arab Emirates</b>	24,864

6.	Belarus	23,109	Czech Republic	15,800
7.	Czech Republic	17,340	Belarus	13,705
8.	The Netherlands	16,420	Romania	10,983
9.	Romania	14,750	The Netherlands	10,893
10.	Hungary	10,138	Bulgaria	6,310
11.	Other	109,425	Other	56,723
	<b>TOTAL</b>	<b>462,884</b>	<b>TOTAL</b>	<b>280,130</b>

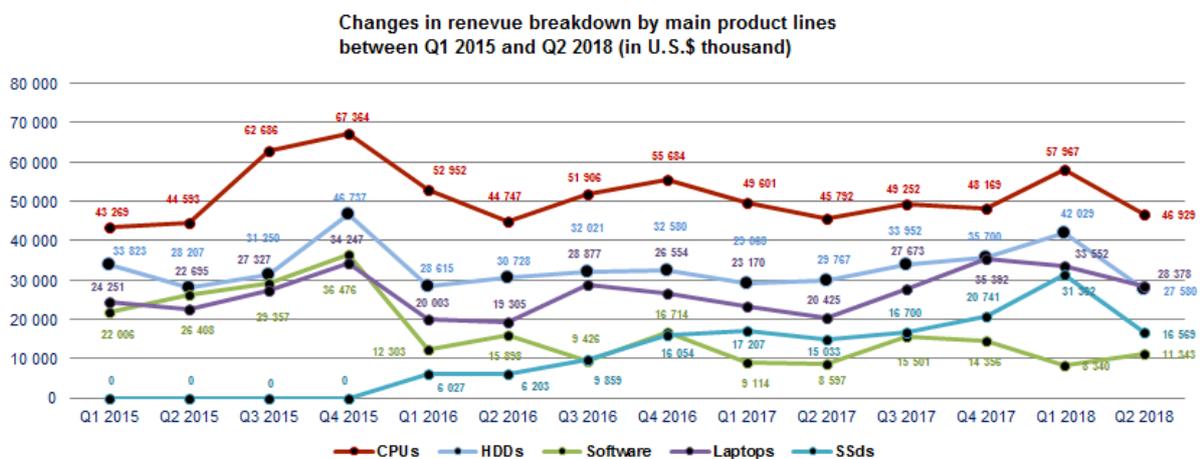
### Revenue breakdown – Top 10 countries in H1 2018 and H1 2017 (in U.S. Dollar thousand)

H1 2018			H1 2017	
	Country	Sales	Country	Sales
1.	Russia	175,156	Russia	113,106
2.	Ukraine	129,151	Slovakia	62,580
3.	United Arab Emirates	84,406	Ukraine	59,611
4.	Slovakia	81,018	Kazakhstan	56,615
5.	Kazakhstan	93,863	United Arab Emirates	49,981
6.	Belarus	51,770	Czech Republic	31,392
7.	Czech Republic	39,223	Belarus	27,838
8.	The Netherlands	37,777	Romania	24,324
9.	Romania	31,174	The Netherlands	21,640
10.	Hungary	19,233	Bulgaria	12,902
11.	Other	223,414	Other	110,343
	<b>TOTAL</b>	<b>966,187</b>	<b>TOTAL</b>	<b>570,331</b>

### Sales by product lines

Q2 2018 and H1 2018 results have proven that ASBIS Group has no issue in significantly raising its revenues when the markets are stable. During Q2 2018 and H1 2018, almost all major product lines of the Group have significantly grown as compared to Q2 2017 and H1 2017.

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



Growth in H1 2018 sales was driven by sales of smartphones, CPUs, HDD, laptops, SSDs and other smaller product lines, while sales of typical components were relatively stable year-on-year.

Revenues from CPUs increased by 2.48% in Q2 2018 and by 9.96% in H1 2018. Revenues from HDDs decreased by 7.35% in Q2 2018 and increased by 18.31% in H1 2018. In Q2 2018 revenues from software increased by 31.94% and 11.13% in Q2 and H1 of 2018. Revenues from laptops and SSDs increased respectively by 38.94% and 10.22% in Q2 2018 and by 42.06% and 48.67% in H1 2018.

Finally, smartphones, which is the key driver of sales growth, increased by 179.27% in Q2 2018 and by 170.94% in H1 2018.

From "Other" product lines, the Company has noticed a positive trend for H1 2018 in mainboards and VGA cards (+182.8%), accessories and multimedia (+88.4%) and memory modules (+62.6%).

The table below sets a breakdown of revenues, by product lines, for Q2 2018 and Q2 2017:

	Q2 2018		Q2 2017	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Smartphones	190,736	41.21%	68,297	24.38%
Central processing units (CPUs)	46,929	10.14%	45,792	16.35%
Hard disk drives (HDDs)	27,580	5.96%	29,767	10.63%
PC-mobile (laptops)	28,378	6.13%	20,425	7.29%
SSD	16,569	3.58%	15,033	5.37%
Tablets	15,999	3.46%	9,724	3.47%
Software	11,343	2.45%	8,597	3.07%
Other	125,350	27.08%	82,495	29.45%
<b>Total revenue</b>	<b>462,884</b>	<b>100%</b>	<b>280,130</b>	<b>100%</b>

	H1 2018		H1 2017	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Smartphones	369,896	38.28%	136,521	23.94%
Central processing units (CPUs)	104,896	10.86%	95,392	16.73%
Hard disk drives (HDDs)	69,609	7.20%	55,835	9.79%
PC-mobile (laptops)	61,930	6.41%	43,595	7.64%
SSD	47,931	4.96%	32,240	5.65%
Software	19,683	2.04%	17,710	3.11%
Tablets	34,737	3.60%	19,790	3.47%
Other	257,505	26.65%	169,248	29.68%
<b>Total revenue</b>	<b>966,187</b>	<b>100%</b>	<b>570,331</b>	<b>100%</b>

### Liquidity and Capital Resources

The Company has in the past funded its liquidity requirements, including ongoing operating expenses, capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. Cash flow in Q2 and H1 2018 has been impacted by revenue growth and a dividend payout. The management team will focus on generating a positive cash flow from operations for the full year, despite high growth in revenues.

The following table presents a summary of cash flows for the six months ended June 30<sup>th</sup>, 2018 and 2017:

	<b>Six months ended June 30<sup>th</sup></b>	
	<b>2018</b>	<b>2017</b>
	<b>U.S. \$</b>	
Net cash outflows from operating activities	(53,677)	(18,865)
Net cash outflows from investing activities	(1,330)	(820)
Net cash inflows/(outflows) from financing activities	5,009	5,789
<b>Net decrease in cash and cash equivalents</b>	<b>(49,997)</b>	<b>(13,896)</b>

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

Net cash outflows from operations amounted to U.S. \$ 53,677 for the six months ended June 30<sup>th</sup>, 2018, as compared to outflows of U.S. \$ 18,865 in the corresponding period of 2017. This is mainly attributed to much increased revenues, partly compensated by improved working capital utilization. The Company expects cash from operations to turn positive for the year 2018.

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

Net cash outflows from investing activities was U.S. \$ 1,330 for the six months ended June 30<sup>th</sup>, 2018, as compared to outflows of U.S. \$ 820 in the corresponding period of 2017. These outflows mainly relate to on-going investments for fixed assets (such as computers, furniture etc.).

#### ***Net cash inflows from financing activities***

Net cash inflows from financing activities was U.S. \$ 5,009 for the six months ended June 30<sup>th</sup>, 2018, as compared to inflows of U.S.\$ 5,789 for the corresponding period of 2017.

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

As a result of higher revenues and improved working capital utilization, cash and cash equivalents have decreased by US\$ 49,997, as compared to a decrease of US\$ 13,896 in the corresponding period of 2017.

### **16.Factors which may affect our results in the future**

#### **Political and economic stability in Europe and our regions**

The markets the Group operates into, have traditionally shown a vulnerability in political and economic environment. The weak economies in the F.S.U. region and certain politically driven events in all markets, are considered by the management as a crucial external factor, which might adversely affect our results, in the short term.

Having seen the recent improvement in F.S.U. and other regions, we do believe to be able to further benefit from the work done during the tough times. What is more important, we develop more markets of this region with new product lines and our revenues and profitability benefit from that. We will continue this strategy and focus more on our core regions and strengths, to maximize profits and take advantage of market changes.

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

The diversified geographic coverage of the Group's revenues ensures that we do mitigate the risk of lower sales in a particular country with the possibility of higher sales in a number of other countries.

Russia, Ukraine and Kazakhstan 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 revenues breakdown. This follows the focus of the Group to its strong competencies and further development of the product portfolio at these market places. We do expect the positive trend in revenues in these regions to continue throughout the remainder of the 2018.

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

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

The Group's ability to increase its gross profit margin is of a very big importance. The decrease observed in H1 2018 as compared to the corresponding period of 2017 was a result of the high margins in comparable periods of the previous year, the efforts to gain additional market share in certain territories and some large volume transactions but with low margin to certain customers in H1 2018. 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 a number of markets. It is of extreme importance for the Group to manage its stock level and refine its product portfolio in order to achieve optimum gross profit margins.

The Directors believe that the Group will be able to sustain and increase its gross profit margins for the remainder of 2018.

### **Currency volatilities**

The multi-currency environment that the Group operates in exposes its financial results to steep currency fluctuations. We have been successfully shielded by our hedging policy in the course of H1 2018. Therefore, the hedging strategy should be followed and further improved without any exception for H2 2018 .

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

Selling expenses in Q2 and H1 2018 increased as compared to Q2 and H1 2017 as a result of increased revenues and gross profit and investments made in human capital in all regions of our operations. This is expected to allow us to benefit in the next quarters of 2018 from stronger market position. Increased expenses in H1 2018 were expected and budgeted for, however further increase will follow due to expected increase in profitability.

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

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

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

The own brand business requires us to be very careful with quality as it may affect both consumer satisfaction and our expenses. Since we do not manufacture the devices ourselves, we have built increased warranty provisions and signed separate agreements with our suppliers to cover us against warranty losses of such products. We have much improved our procedures and this has covered us to

a large extend . Therefore, we have not faced any specific problems in this area in H1 2018.However, we need to be constantly overlooking and analyzing the situation to avoid any possible loses.

**17. Information about important events that occurred after the period ended on June 30<sup>th</sup>, 2018 and before this report release**

According to our best knowledge, in the period between June 30<sup>th</sup>, 2018 and August 8<sup>th</sup>, 2018 no events have occurred that could either affect the Company's operations or its financial stability.

## Part II Financial Information

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

### Report and Condensed Consolidated Interim Financial Statements for the period ended 30 June 2018

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**ASBISC ENTERPRISES PLC**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2018

# **ASBISC ENTERPRISES PLC**

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## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018**

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# **ASBISC ENTERPRISES PLC**

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## **BOARD OF DIRECTORS REPRESENTATIONS**

In accordance with the requirements of the Ordinance of the Minister of Finance dated March 29<sup>th</sup>, 2018 on current and periodical information published by issuers of securities and on the conditions of recognizing as equivalent the information required by the laws of non-EU Member States, the Board of Directors of ASBISC ENTERPRISES PLC hereby represents that:

- to its best knowledge, the semi-annual condensed consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the group's financial position and its financial result, and that the semi-annual Director's Report on operations gives a true view of the group's development, achievements, and position, including description of basic risks and threats;

Limassol, August 7<sup>th</sup>, 2018

# ASBISC ENTERPRISES PLC

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## **DECLARATION BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(In accordance with the provisions of Law 190(I)/2007 on Transparency Requirements)**

In accordance with Article 9, sections (3c) and (7), of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (1) / 2007 we, the members of the Board of Directors and the company officials responsible for the drafting of the condensed consolidated interim financial statements of Asbisc Enterprises Plc (the "company") and its subsidiaries (the "group") for the period ended 30 June 2018, confirm to the best of our knowledge that:

- a) the condensed consolidated interim financial statements for the period ended 30 June 2018 which are presented on pages 4 to 22:
  - (i) have been prepared in accordance with the International Financial Reporting Standards and requirements of the section (4), and
  - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of the company and the undertakings included in the consolidation, taken as a whole, and
- b) the Board of Directors' report provides a fair review of the developments and the performance of the business and the position of the company's and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

### **Members of the Board of Directors:**

Siarhei Kostevitch (Cypriot)  
Chairman and Chief Executive Officer .....

Marios Christou (Cypriot)  
Executive Director .....

Constantinos Tziamalis (Cypriot)  
Executive Director .....

Yuri Ulasovich (Cypriot)  
Executive Director .....

Demos Demou (Cypriot)  
Non-Executive Director .....

Christakis Pavlou (Cypriot)  
Non-Executive Director .....

### **Financial Controller responsible for the drafting of the financial statements**

Loizos Papavassiliou (Cypriot)  
Financial Controller .....

Limassol, 07 August, 2018

# ASBISC ENTERPRISES PLC

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## **INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

### **TO THE BOARD OF DIRECTORS OF ASBISC ENTERPRISES PLC**

#### *Introduction*

We have reviewed the accompanying condensed consolidated interim financial statements of Asbisc Enterprises PLC and its subsidiaries (the "group") on pages 4 to 22 which comprise the condensed consolidated interim statement of financial position of the group as at 30 June 2018, and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows of the group for the six month period then ended and notes to the interim financial information (the "Condensed Consolidated Interim Financial Information"). Management is responsible for the preparation and fair presentation of this Condensed Consolidated Interim Financial Information in accordance with the International Accounting Standard 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this Condensed Consolidated Interim Financial Information based on our review.

#### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Information as at and for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*".

Certified Public Accountants and Registered Auditors  
KPMG Center,  
No.11, 16th June 1943 Street,  
3022 Limassol,  
Cyprus.

Limassol, 7 August 2018

# ASBISC ENTERPRISES PLC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2018

	Note	For the six months ended 30 June 2018 US\$	For the six months ended 30 June 2017 US\$
<b>Revenue</b>	4,23	966,186,846	570,331,364
Cost of sales		<u>(923,004,528)</u>	<u>(540,090,151)</u>
<b>Gross profit</b>		43,182,318	30,241,213
Selling expenses		(22,964,494)	(14,119,701)
Administrative expenses		<u>(11,084,411)</u>	<u>(8,221,470)</u>
<b>Profit from operations</b>		9,133,413	7,900,042
Financial income	7	2,252,398	482,539
Financial expenses	7	(7,810,500)	(6,656,410)
Other gains and losses	5	<u>154,758</u>	<u>(442,698)</u>
<b>Profit before tax</b>	6	3,730,069	1,283,473
Taxation	8	<u>(780,862)</u>	<u>(272,381)</u>
<b>Profit for the period</b>		<u>2,949,207</u>	<u>1,011,092</u>
<b>Attributable to:</b>			
Equity holders of the parent		2,942,337	1,021,732
Non-controlling interests		<u>6,870</u>	<u>(10,640)</u>
		<u>2,949,207</u>	<u>1,011,092</u>
		US\$ cents	US\$ cents
<b>Earnings per share</b>			
Basic and diluted from continuing operations		<u>5.30</u>	<u>1.84</u>

## ASBISC ENTERPRISES PLC

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### CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

	<b>For the six months ended 30 June 2018 US\$</b>	<b>For the six months ended 30 June 2017 US\$</b>
<b>Profit for the period</b>	<u>2,949,207</u>	<u>1,011,092</u>
<b>Other comprehensive (loss)/income</b>		
Exchange difference on translating foreign operations	(631,615)	1,697,343
Reclassification adjustments relating to foreign operations liquidated in the period	<u>(118,018)</u>	<u>7,193</u>
<b>Other comprehensive (loss)/income for the period</b>	<u>(749,633)</u>	<u>1,704,536</u>
<b>Total comprehensive income for the period</b>	<u><u>2,199,574</u></u>	<u><u>2,715,628</u></u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	2,205,027	2,706,548
Non-controlling interests	<u>(5,453)</u>	<u>9,080</u>
	<u><u>2,199,574</u></u>	<u><u>2,715,628</u></u>

# ASBISC ENTERPRISES PLC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	As at 30 June 2018 US\$	As at 31 December 2017 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	24,207,957	24,533,220
Intangible assets	10	3,366,558	3,164,273
Financial assets at fair value through other comprehensive income	11	11,794	11,794
Goodwill	27	406,897	418,589
Deferred tax assets	20	<u>318,310</u>	<u>227,615</u>
<b>Total non-current assets</b>		<u>28,311,516</u>	<u>28,355,491</u>
<b>Current assets</b>			
Inventories	12	156,956,582	144,980,373
Trade receivables	13	185,560,962	238,192,248
Other current assets	14	16,708,778	18,127,273
Derivative financial asset	25	868,854	373,302
Current taxation	8	533,829	493,119
Cash at bank and in hand	26	<u>45,598,420</u>	<u>93,401,246</u>
<b>Total current assets</b>		<u>406,227,425</u>	<u>495,567,561</u>
<b>Total assets</b>		<u>434,538,941</u>	<u>523,923,052</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	11,100,000	11,100,000
Share premium		23,518,243	23,518,243
Retained earnings and other components of equity		<u>58,416,900</u>	<u>59,541,873</u>
Equity attributable to owners of the parent		93,035,143	94,160,116
Non-controlling interests		<u>286,218</u>	<u>307,690</u>
<b>Total equity</b>		<u>93,321,361</u>	<u>94,467,806</u>
<b>Non-current liabilities</b>			
Long term borrowings	17	109,651	169,324
Other long term liabilities	18	487,378	369,341
Deferred tax liabilities	20	<u>57,427</u>	<u>60,072</u>
<b>Total non-current liabilities</b>		<u>654,456</u>	<u>598,737</u>
<b>Current liabilities</b>			
Trade payables		180,794,725	253,021,109
Short term borrowings	16	117,925,476	136,491,999
Other current liabilities	21	41,102,225	38,083,176
Derivative financial liability	24	80,030	739,587
Current taxation	8	<u>660,668</u>	<u>520,638</u>
<b>Total current liabilities</b>		<u>340,563,124</u>	<u>428,856,509</u>
<b>Total liabilities</b>		<u>341,217,580</u>	<u>429,455,246</u>
<b>Total equity and liabilities</b>		<u>434,538,941</u>	<u>523,923,052</u>

The financial statements were approved by the Board of Directors on 7 August 2018.

.....  
**Constantinos Tziamalis**  
Director

.....  
**Marios Christou**  
Director

# ASBISC ENTERPRISES PLC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

### 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\$
<b>Balance at 1 January 2017</b>	11,100,000	23,518,243	(14,234)	(13,340,843)	64,464,342	85,727,508	167,361	85,894,869
Profit/(loss) for the period 1 January 2017 to 30 June 2017	-	-	-	-	1,021,732	1,021,732	(10,640)	1,011,092
Other comprehensive income for the period 1 January 2017 to 30 June 2017	-	-	-	1,684,816	-	1,684,816	19,720	1,704,536
Dividend declared	-	-	-	-	(1,665,000)	(1,665,000)	-	(1,665,000)
Minority interest on establishment of new subsidiary	-	-	-	-	-	-	196,000	196,000
<b>Balance at 30 June 2017</b>	11,100,000	23,518,243	(14,234)	(11,656,027)	63,821,074	86,769,056	372,441	87,141,497
Profit/(loss) for the period 1 July 2017 to 31 December 2017	-	-	-	-	5,934,089	5,934,089	(36,471)	5,897,618
Other comprehensive income for the period 1 July 2017 to 31 December 2017	-	-	-	1,456,984	-	1,456,984	10,860	1,467,844
Minority interest on establishment of new subsidiary	-	-	-	-	-	-	(39,140)	(39,140)
Share-based payments	-	-	(13)	-	-	(13)	-	(13)
<b>Balance at 31 December 2017</b>	11,100,000	23,518,243	(14,247)	(10,199,043)	69,755,163	94,160,116	307,690	94,467,806
Profit for the period 1 January 2018 to 30 June 2018	-	-	-	-	2,942,337	2,942,337	6,870	2,949,207
Other comprehensive loss for the period 1 January 2018 to 30 June 2018	-	-	-	(737,310)	-	(737,310)	(12,323)	(749,633)
Dividend declared	-	-	-	-	(3,330,000)	(3,330,000)	-	(3,330,000)
Acquisition of shares from non-controlling interests (note 29)	-	-	-	-	-	-	(16,019)	(16,019)
<b>Balance at 30 June 2018</b>	<u>11,100,000</u>	<u>23,518,243</u>	<u>(14,247)</u>	<u>(10,936,353)</u>	<u>69,367,500</u>	<u>93,035,143</u>	<u>286,218</u>	<u>93,321,361</u>

# ASBISC ENTERPRISES PLC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

	Note	For the six months ended 30 June 2018 US\$	For the six months ended 30 June 2017 US\$
<b>Profit for the period before tax and minority interest</b>		3,730,069	1,283,473
Adjustments for:			
Exchange difference arising on consolidation		(463,583)	786,740
Depreciation of property, plant and equipment	9	752,078	727,713
Amortization of intangible assets	10	491,775	357,494
Impairment losses on intangible assets and goodwill	5	-	560,420
Profit from the sale of property, plant and equipment and intangible assets	5	(24,038)	(28,591)
Provision for bad debts and receivables written off		72,026	1,462,848
Bad debts recovered	5	(49,365)	(7,950)
Provision for slow moving and obsolete stock		(710,673)	642,638
Interest received	7	(84,812)	(15,624)
Interest paid	7	2,039,117	1,960,779
<b>Operating profit before working capital changes</b>		5,752,594	7,729,940
(Increase)/decrease in inventories		(11,265,535)	11,054,133
Decrease in trade receivables		52,608,625	51,508,253
Decrease/(increase) in other current assets		922,942	(384,918)
Decrease in trade payables		(72,226,384)	(69,194,478)
Increase/(decrease) in other current liabilities		2,359,492	(4,869,942)
Increase in other non-current liabilities		118,037	26,632
Decrease in factoring creditors		(29,160,115)	(12,620,576)
<b>Cash outflows from operations</b>		(50,890,344)	(16,750,956)
Interest paid	7	(2,039,117)	(1,960,779)
Taxation paid, net	8	(747,451)	(153,114)
<b>Net cash outflows from operating activities</b>		(53,676,912)	(18,864,849)
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	10	(705,152)	(427,750)
Purchase of property, plant and equipment	9	(733,531)	(566,762)
Proceeds from sale of property, plant and equipment and intangible assets		24,038	158,513
Interest received	7	84,812	15,624
<b>Net cash outflows from investing activities</b>		(1,329,833)	(820,375)
<b>Cash flows from financing activities</b>			
Payment of final dividend		(3,330,000)	-
Repayments of long term loans and long term obligations under finance lease		(59,673)	(220,446)
Proceeds of short term borrowings and short term obligations under finance lease		8,399,136	6,009,358
<b>Net cash inflows from financing activities</b>		5,009,463	5,788,912
<b>Net decrease in cash and cash equivalents</b>		(49,997,282)	(13,896,312)
<b>Cash and cash equivalents at beginning of the period</b>		45,933,196	6,536,849
<b>Cash and cash equivalents at end of the period</b>	26	(4,064,086)	(7,359,463)

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 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 six months ended 30 June 2018 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 2017. 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 2017.

This is the first set of Group's financial statements where IFRS 15 and IFRS 9 have 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 7 August 2018.

#### (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 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 3.

### 3. Significant accounting policies

Except as described below, the accounting policies adopted for the preparation of the condensed consolidated interim financial statements for the six months ended 30 June 2018 are consistent with those followed for the preparation of the annual financial statements for the year 2017. 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 2018.

The Group has initially adopted IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have to have a material effect on the Group's financial statements.

#### A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue and related interpretations. There was no material impact on the Group's interim statement of financial position as at 30 June 2018, its interim statement of profit or loss and other comprehensive income and its interim statement of cash flows for the six months ended 30 June 2018. Accordingly, the information presented for year ended 31 December 2017, has not been restated.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement*.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, but it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. However, although there is a reclassification impact on the financial statements there is no monetary impact, as follows:

In thousands of US\$	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	Available-for-sale	FVOCI – equity instrument	12	12
Trade receivables	Loans and receivables	Amortised costs	185,561	185,561
Derivative financial asset	Fair value – hedging instrument	Fair value – hedging instrument	869	869
Cash at bank and in hand	Loans and receivables	Amortised cost	45,598	45,598
<b>Total financial assets</b>			<b>232,040</b>	<b>232,040</b>

#### ii. Impairment of financial assets – impact of the new impairment model on trade receivables

The Group has calculated the expected credit losses related to trade receivables and determined that the application of IFRS9's impairment requirements at 1 January 2018 does not have a material effect on the financial statements. The IFRS9 loss allowances were measured on the lifetime expected credit losses basis that result from the possible default events over the expected life of the receivable.

### 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.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 5. Other gains and losses

	For the six months ended 30 June 2018 US\$	For the six months ended 30 June 2017 US\$
Profit on disposal of property, plant and equipment	24,038	28,591
Other income	52,766	42,426
Bad debts recovered	49,365	7,950
Rental income	28,589	38,755
Impairment loss on goodwill	-	(560,420)
	<u>154,758</u>	<u>(442,698)</u>

### 6. Profit before tax

	For the six months ended 30 June 2018 US\$	For the six months ended 30 June 2017 US\$
Profit before tax is stated after charging :		
(a) Amortization of intangible assets (Note 10)	491,775	357,494
(b) Depreciation (Note 9)	752,078	727,713
(c) Auditors' remuneration	192,830	179,485
(e) Directors' remuneration – executive (Note 28)	303,730	175,019
(e) Directors' remuneration – non-executive (Note 28)	1,210	1,094
	<u>1,210</u>	<u>1,094</u>

### 7. Financial expense, net

	For the six months ended 30 June 2018 US\$	For the six months ended 30 June 2017 US\$
<b>Financial income</b>		
Interest income	84,812	15,624
Other financial income	1,937,740	359,133
Net exchange gain	229,846	107,782
	<u>2,252,398</u>	<u>482,539</u>
<b>Financial expense</b>		
Bank interest	2,039,117	1,960,779
Bank charges	934,398	621,515
Derivative charges	355,559	462,912
Factoring interest	2,843,985	2,769,108
Factoring charges	155,675	151,787
Other financial expenses	202,032	87,440
Other interest	1,279,734	602,869
	<u>7,810,500</u>	<u>6,656,410</u>
Net	<u>(5,558,102)</u>	<u>(6,173,871)</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 8. Tax

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Payable/(receivable) balance 1 January	27,519	(328,631)
Provision for the period/year	876,874	1,407,137
Exchange difference on retranslation	(34,091)	22,327
Amounts paid, net	(747,451)	(1,058,514)
Under/(over) provision of prior year periods	3,988	(14,800)
Net payable balance 30 June/31 December	<u>126,839</u>	<u>27,519</u>

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Tax receivable	(533,829)	(493,119)
Tax payable	660,668	520,638
Net	<u>126,839</u>	<u>27,519</u>

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

	<b>For the six months ended 30 June 2018 US\$</b>	<b>For the six months ended 30 June 2017 US\$</b>
Provision for the period	876,874	329,290
Over provision of prior years	3,988	(2,831)
Deferred tax credit (Note 20)	(100,000)	(54,078)
Charge for the period	<u>780,862</u>	<u>272,381</u>

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

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 9. Property, plant and equipment

	Land and buildings US\$	Computer hardware US\$	Warehouse machinery US\$	Motor vehicles US\$	Furniture and fittings US\$	Office equipment US\$	Total US\$
<b>Cost</b>							
<b>At 1 January 2017</b>	23,785,847	6,035,737	374,861	2,021,169	2,332,396	2,711,637	37,261,647
Additions	137,566	521,513	34,056	361,777	116,820	231,999	1,403,731
Disposals	(324,448)	(142,665)	-	(204,671)	(42,385)	(53,812)	(767,981)
Foreign exchange difference on retranslation	1,605,806	369,770	419	115,263	171,423	156,594	2,419,275
<b>At 31 December 2017</b>	25,204,771	6,784,355	409,336	2,293,538	2,578,254	3,046,418	40,316,672
Additions	163,752	286,584	7,020	188,519	30,947	56,709	733,531
Disposals	(41,393)	(362,840)	-	(81,317)	-	(50,903)	(536,453)
Foreign exchange difference on retranslation	(375,331)	(112,466)	(97)	(38,143)	(37,682)	18,019	(545,700)
<b>At 30 June 2018</b>	24,951,799	6,595,633	416,259	2,362,597	2,571,519	3,070,243	39,968,050
<b>Accumulated depreciation</b>							
<b>At 1 January 2017</b>	3,764,457	4,828,142	155,331	1,445,151	1,842,977	2,016,051	14,052,109
Charge for the year	312,896	593,243	41,191	236,821	136,545	198,944	1,519,640
Disposals	(231,574)	(142,665)	-	(204,671)	(42,385)	(53,812)	(675,107)
Foreign exchange difference on retranslation	263,877	283,424	408	83,578	133,993	121,530	886,810
<b>At 31 December 2017</b>	4,109,656	5,562,144	196,930	1,560,879	2,071,130	2,282,713	15,783,452
Charge for the period	175,303	256,026	23,024	129,177	44,086	124,462	752,078
Disposals	(41,393)	(362,840)	-	(81,317)	-	(50,903)	(536,453)
Foreign exchange difference on retranslation	(70,757)	(140,653)	(97)	(30,951)	(24,085)	27,559	(238,984)
<b>At 30 June 2018</b>	4,172,809	5,314,677	219,857	1,577,788	2,091,131	2,383,831	15,760,093
<b>Net book value</b>							
At 30 June 2018	20,778,990	1,280,956	196,402	784,809	480,388	686,412	24,207,957
At 31 December 2017	21,095,115	1,222,211	212,406	732,659	507,124	763,705	24,533,220

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 10. Intangible assets

	Computer software US\$	Patents and licenses US\$	Total US\$
<b>Cost</b>			
<b>At 1 January 2017</b>	8,200,717	2,501,126	10,701,843
Additions	842,599	85,392	927,991
Disposals/ write-offs	(117,752)	(114,184)	(231,936)
Foreign exchange difference on retranslation	69,329	42,816	112,145
<b>At 31 December 2017</b>	8,994,893	2,515,150	11,510,043
Additions	202,241	502,911	705,152
Disposals/ write-offs	(127,801)	(90,689)	(218,490)
Foreign exchange difference on retranslation	(18,768)	(6,357)	(25,125)
<b>At 30 June 2018</b>	9,050,565	2,921,015	11,971,580
<b>Accumulated amortization</b>			
<b>At 1 January 2017</b>	6,209,056	1,501,202	7,710,258
Charge for the year	433,275	282,789	716,064
Disposals/ write-offs	(117,752)	(55,329)	(173,081)
Foreign exchange difference on retranslation	66,388	26,141	92,529
<b>At 31 December 2017</b>	6,590,967	1,754,803	8,345,770
Charge for the period	353,007	138,768	491,775
Disposals/ write-offs	(127,801)	(90,689)	(218,490)
Foreign exchange difference on retranslation	(12,345)	(1,688)	(14,033)
<b>At 30 June 2018</b>	6,803,828	1,801,194	8,605,022
<b>Net book value</b>			
At 30 June 2018	2,246,737	1,119,821	3,366,558
At 31 December 2017	2,403,926	760,347	3,164,273

### 11. Financial assets at fair value through other comprehensive income

The details of the investments are as follows:

Name	Country of incorporation	Participation %	Cost US\$	Impairment US\$	As at 30 June 2018 US\$	As at 31 December 2017 US\$
<i>Investments held in related companies</i>						
E-Vision Ltd	Cyprus	18%	90,000	(90,000)	-	-
<i>Other investments</i>						
Asekol s.r.o.	Czech Republic	9.09%	9,580	-	9,580	9,580
Regnon S.A.	Poland	0.01%	2,214	-	2,214	2,214
			101,794	(90,000)	11,794	11,794

(i) The remaining 82% is held by the main shareholder of the Company, KS Holdings Limited.

(ii) The above available for sale investments are private equity investments with no quoted market price.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 12. Inventories

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Goods in transit	21,507,604	17,217,879
Goods held for resale	139,433,308	132,491,293
Provision for slow moving and obsolete stock	<u>(3,984,330)</u>	<u>(4,728,799)</u>
	<u>156,956,582</u>	<u>144,980,373</u>

As at 30 June 2018, inventories pledged as security for financing purposes amounted to US\$ 48,390,000 (2017: US\$ 38,357,000).

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

	<b>For the six months ended 30 June 2018 US\$</b>	<b>For the year ended 31 December 2017 US\$</b>
On 1 January	4,728,799	7,128,737
Provisions for the period/year	1,116,360	403,105
Provided stock written off	(1,827,033)	(2,904,799)
Exchange difference	<u>(33,795)</u>	<u>101,756</u>
On 30 June/31 December	<u>3,984,331</u>	<u>4,728,799</u>

### 13. Trade receivables

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Trade receivables	191,570,149	244,427,686
Allowance for doubtful debts	<u>(6,009,187)</u>	<u>(6,235,438)</u>
	<u>185,560,962</u>	<u>238,192,248</u>

As at 30 June 2018, receivables of the Group that have been assigned as security for financing purposes amounted to US\$ 88,924,000 (2017: US\$ 113,886,000).

#### Movement in provision for doubtful debts:

	<b>For the six months ended 30 June 2018 US\$</b>	<b>For the year ended 31 December 2017 US\$</b>
On 1 January	6,235,438	7,714,943
Provisions for the period/year	3,040,803	3,856,736
Amount written-off as uncollectible	(2,968,777)	(5,963,311)
Bad debts recovered	(49,365)	(11,906)
Exchange difference	<u>(248,912)</u>	<u>638,976</u>
On 30 June/31 December	<u>6,009,187</u>	<u>6,235,438</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 14. Other current assets

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Deposits and advances to service providers	557,979	539,913
Employee floats	140,075	47,573
VAT and other taxes refundable	6,274,742	7,727,844
Other debtors and prepayments	<u>9,735,982</u>	<u>9,811,943</u>
	<u>16,708,778</u>	<u>18,127,273</u>

### 15. Share capital

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
<b>Authorized</b> 63,000,000 (2017: 63,000,000) shares of US\$ 0.20 each	<u>12,600,000</u>	<u>12,600,000</u>
<b>Issued and fully paid</b> 55,500,000 (2017: 55,500,000) ordinary shares of US\$ 0.20 each	<u>11,100,000</u>	<u>11,100,000</u>

### 16. Short term borrowings

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Bank overdrafts (Note 26)	49,662,506	47,468,05
Current portion of long term loans	268,200	298,60
Bank short term loans	31,257,501	22,819,31
Short term obligations under finance leases (Note 19)	<u>57,631</u>	<u>66,27</u>
Total short term debt	<u>81,245,838</u>	<u>70,652,24</u>
Factoring creditors	<u>36,679,638</u>	<u>65,839,75</u>
	<u>117,925,476</u>	<u>136,491,99</u>

### Summary of borrowings and overdraft arrangements

The Group had, for the period ending 30 June 2018, cash lines (overdrafts, loans and revolving facilities) and factoring lines.

As at 30 June 2018 the Group enjoyed factoring facilities of US\$ 130,177,000 (31 December 2017 US\$ 139,661,000).

In addition, as at 30 June 2018, the Group had the following financing facilities with banks in the countries that the Company and its subsidiaries are operating:

- overdraft lines of US\$ 78,381,000 (31 December 2017: US\$ 75,791,000)
- short term loans/revolving facilities of US\$ 38,251,000 (31 December 2017: US\$ 36,322,000)
- bank guarantees and letters of credit of US\$ 21,950,000 (31 December 2017: US\$ 22,633,000)

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

The Weighted Average Cost of Debt (cash lines and factoring lines) for the period was 7.5% (for 2017: 9.3%).

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\$ 17,746,000 (31 December 2017: US\$ 17,583,000)

### 17. Long term borrowings

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Bank loans	94,337	156,825
Long term obligations under finance leases (Note 19)	15,314	12,499
	<u>109,651</u>	<u>169,324</u>

### 18. Other long term liabilities

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Pension provision	487,378	369,341

### 19. Finance leases

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Obligation under finance lease	72,945	78,775
Less: Amount payable within one year	(57,631)	(66,276)
Amounts payable within 2-5 years inclusive	<u>15,314</u>	<u>12,499</u>

### 20. Deferred tax

	<b>For the six months ended 30 June 2018 US\$</b>	<b>For the year ended 31 December 2017 US\$</b>
Debit balance on 1 January	(167,543)	(856,909)
Deferred tax (credit)/charge for the period/year (Note 8)	(100,000)	711,890
Exchange difference on retranslation	6,660	(22,524)
At 30 June/31 December	<u>(260,883)</u>	<u>(167,543)</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 20. Deferred tax (continued)

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Deferred tax assets	(318,310)	(227,615)
Deferred tax liabilities	57,427	60,072
Net deferred tax assets	<u>(260,883)</u>	<u>(167,543)</u>

### 21. Other current liabilities

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Salaries payable and related costs	1,057,840	1,176,671
VAT payable	4,310,973	8,822,098
Accruals and deferred income	29,141,467	23,176,940
Non-trade accounts payable	2,670,386	2,327,162
Provision for warranties	3,921,559	2,580,305
	<u>41,102,225</u>	<u>38,083,176</u>

### 22. Commitments and contingencies

As at 30 June 2018 the Group was committed in respect of purchases of inventories of a total cost value of US\$ 6,203,000 (31 December 2017: US\$ 2,218,000) which were in transit at 30 June 2018 and delivered in July 2018. 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 June 2018 the Group was contingently liable in respect of bank guarantees and letters of credit of US\$ 21,950,000 (31 December 2017: US\$ 22,633,000) which the Group has extended mainly to its suppliers.

As at 30 June 2018 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

	<b>For the six months ended 30 June 2018 US\$</b>	<b>For the six months ended 30 June 2017 US\$</b>
Former Soviet Union	477,033,752	268,690,675
Central Eastern Europe	283,073,776	182,652,797
Middle East & Africa	110,980,341	73,622,383
Western Europe	75,619,614	41,623,681
Other	19,479,363	3,741,828
	<u>966,186,846</u>	<u>570,331,364</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 1.3 Segment results

	For the six months ended 30 June 2018 US\$	For the six months ended 30 June 2017 US\$
Former Soviet Union	5,174,478	3,986,779
Central Eastern Europe	2,758,485	3,134,745
Middle East & Africa	676,695	510,700
Western Europe	237,239	221,399
Other	286,516	46,419
<b>Profit from operations</b>	<b>9,133,413</b>	<b>7,900,042</b>
Net financial expenses	(5,558,102)	(6,173,871)
Other gains and losses	154,758	(442,698)
<b>Profit before taxation</b>	<b>3,730,070</b>	<b>1,283,473</b>

### 1.4 Segment capital expenditure (CAPEX)

	As at 30 June 2018 US\$	As at 31 December 2017 US\$
Central Eastern Europe	12,121,916	12,502,008
Former Soviet Union	4,544,809	4,372,717
Middle East & Africa	3,004,473	3,084,118
Unallocated	8,310,214	8,157,239
	<b>27,981,412</b>	<b>28,116,082</b>

### 1.5 Segment depreciation and amortization

	For the six months ended 30 June 2018 US\$	For the six months ended 30 June 2017 US\$
Central Eastern Europe	334,870	344,699
Former Soviet Union	208,492	178,543
Middle East & Africa	96,272	99,456
Unallocated	604,219	462,509
	<b>1,243,853</b>	<b>1,085,207</b>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

### 1.6 Segment assets

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Former Soviet Union	203,525,256	232,984,691
Central Eastern Europe	132,900,694	177,942,005
Western Europe	28,913,915	34,503,594
Middle East & Africa	<u>33,608,272</u>	<u>45,286,320</u>
Total	398,948,137	490,716,610
Assets allocated in capital expenditure (1.4)	27,981,412	28,116,082
Other unallocated assets	<u>7,609,392</u>	<u>5,090,360</u>
Consolidated assets	<u><u>434,538,941</u></u>	<u><u>523,923,052</u></u>

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.

### 1.8. Information about major customers

During 2018, none of the Group's customers accounted for more than 8% of total sales (31 December 2017: 7%); it is of strategic importance for the Group not to rely on any single customer.

### 24. Derivative financial liability

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
<u>Derivative financial liabilities carried at fair value through profit or loss</u>		
Foreign currency derivative contracts	<u>80,030</u>	<u>739,587</u>

### 25. Derivative financial asset

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
<u>Derivative financial assets carried at fair value through profit or loss</u>		
Foreign currency derivative contracts	<u>868,854</u>	<u>373,302</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 June 2018

### 26. Cash and cash equivalents

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
Cash at bank and in hand	45,598,420	93,401,246
Bank overdrafts (Note 16)	<u>(49,662,506)</u>	<u>(47,468,050)</u>
	<u>(4,064,086)</u>	<u>45,933,196</u>

The cash at bank and in hand balance includes an amount of US\$ 17,746,000 (31 December 2017: US\$ 17,818,000) which represents pledged deposits against financial facilities granted and margin accounts for foreign exchange hedging.

### 27. Goodwill

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
At 1 January	418,589	1,255,204
Goodwill written off (note ii)	-	(1,172,924)
Foreign exchange difference on retranslation	<u>(11,692)</u>	<u>336,304</u>
At 30 June/31 December (note i)	<u>406,897</u>	<u>418,589</u>

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

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo)	<u>406,897</u>	<u>418,589</u>
	<u>406,897</u>	<u>418,589</u>

(ii) The write - off of goodwill relates to the business combinations of the following subsidiaries:

	<b>As at 30 June 2018 US\$</b>	<b>As at 31 December 2017 US\$</b>
SHARK Computers a.s.	<u>-</u>	<u>(1,172,924)</u>

### 28. Transactions and balances of key management

	<b>For the six months ended 30 June 2018 US\$</b>	<b>For the six months ended 30 June 2017 US\$</b>
Director's remuneration - executive (Note 6)	303,730	175,019
Director's remuneration - non-executive (Note 6)	<u>1,210</u>	<u>1,094</u>
	<u>304,940</u>	<u>176,113</u>

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 June 2018

### 29. Business combinations

#### *Acquisitions of subsidiaries to 30 June 2018*

During the period, the group has acquired the remaining 15% of the share capital of ASBIS Cloud Ltd.

<u>Name of entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>	<u>% owned</u>
ASBIS Cloud Ltd	Information Technology	9 February 2018	15%	100%

#### *Disposals of subsidiaries to 30 June 2018*

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

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
OU ASBIS Estonia	Information Technology	29 November 2017	100%
Prestigio Plaza NL BV	Information Technology	3 January 2018	100%
ASBIS UK	Information Technology	30 April 2018	100%

#### *Acquisitions of subsidiaries to 31 December 2017*

During the period, the group has acquired 100% of the share capital of I ON LTD and ASBIS SERVIC Ltd, 65.85% of ASBC LLC and 85% of ASBIS Cloud Ltd.

<u>Name of entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>	<u>% owned</u>
I ON LTD	Information Technology	04 April 2017	100%	100%
ASBC MMC	Information Technology	08 May 2017	65.85%	65.85%
ASBIS SERVIC LTD	Warranty Services	04 July 2017	100%	100%
ASBIS Cloud Ltd	Information Technology	27 July 2017	100%	85%

#### *Disposals of subsidiaries to 31 December 2017*

During the period the group's subsidiary Shark Online a.s. went into liquidation. Loss of US\$ 12,461 arose on the event. In addition, on 31 March 2017 the Group decreased the share capital of Asbis Vilnius UAB by US\$ 22,316.

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

### 30. Fair values

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