

**ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Dear Shareholders, partners and colleagues,

On behalf of the BOD of ASBIS Group, I am pleased to present to you our Annual Report for the year 2019. The Year 2019 has been a quite interesting and an exciting one for our Group. Our revenues amounted to over USD 1.9 billion, which compared to that of 2018 (which was a record high) shows a decrease of 7.5%. The Group's profit from operations reached over USD 33 million and net profit after taxation amounted to more than USD 15 million, a quite strong year-on-year increase of 27%.

We are very pleased with the financial results generated in 2019. It is a huge achievement and I am very proud of the whole team that was able to quickly adapt to the changing market conditions and work out such fantastic results.

During the early days of the year, we promised to focus on profitability in 2019 and we have indeed delivered to our promises.

During 2019 we once again paid our investors an interim dividend, which is in line with our strategy to reward our long-standing investors. This has also been supported by a very strong cash flow of the Company.

ASBIS still remains the distributor of first choice for many global IT producers and the Group's strategy is to continue delivering the best possible results for its shareholders.

In 2019 the greatest share in the Group's revenue was generated in the countries of the Former Soviet Union (53.5% share) and Central & Eastern Europe (nearly 27% share). The largest country in terms of revenues generated in 2019 was Russia. Poland, with 2019 revenue reaching almost USD 50 million, ranked among the top 10 countries with the biggest revenue contribution in the Group, for the first time in several years.

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

During 2019, we concluded a new acquisition - AVECTIS ALC and in early 2020 we invested in a new pioneering technology company introducing the first intuitive keyboard. This enhances our strategy to make ASBIS a real leader on all segments we operate and deliver to our customers and partners products which are really adding value.

We intend to continue focusing on the growth of both our own brands and traditional components distribution.

The vision of the Group is clear and it is to become the leading Value Add Distributor, OEM and Solutions Provider of IT, IoT, AI across Central & Eastern Europe, the Former Soviet Union and the Middle East and Africa. That is why we add to the distribution of our own brands, the third layer of competences: the Internet of Things (IoT) and Artificial Intelligence (AI) through project activities and specialist services.

This year also promises to be a very interesting one for the Group. As the Board of Directors, we would like to ensure our shareholders that we will do our utmost to achieve our goals, despite any external factors arising from time to time.

I would like to thank our shareholders for their trust, clients for our successful cooperation, as well as all of our employees without whom such a successful year could not have been so successful. We hope to continue our positive relations and as a Board of Directors will do our best to put faith in the potential of the Group to continue generating positive financial results and growing our market share in the markets we operate into.

Siarhei Kostevitch

Chairman & CEO

Directors' report on the Group operations

For the fiscal year ended 31 December 2019

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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, KSA, Qatar and other Gulf states), Russia, Belarus, Kazakhstan, Ukraine and Latvia.

The Group distributes IT components (to assemblers, system integrators, local brands and retail), as well as A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail customers. 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, an important part of our revenue is comprised of sales of IT products and mobile devices under our private labels, Prestigio, Canyon, Perenio and Atlantech.

ASBIS commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cyprus headquarters support, through two master distribution centers (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 56 countries.

The Company's registered and principal administrative office is at Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, CY4103 Limassol, Cyprus.

We have prepared this annual report as required by Paragraph 60 section 1 point 3 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 rules of recognition of information required by the law of non-member country as equivalent. In this annual 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 stand-alone Company. "Shares" refers to our existing ordinary shares traded on the Warsaw Stock Exchange.

Forward-Looking Statements

This annual 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 annual 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 annual 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 annual report.

Industry and Market Data

In this annual report, we set out information relating to our business and the market in which we operate and compete.

The information regarding our market, market share, market position, growth rates and other industry data relating to our business and the market in which we operate consists of data and reports compiled by various third-party sources, discussions with our customers and our own internal estimates. We have obtained market and industry data relating to our business from providers of industry data, including:

- Gartner and GfK - leading research companies on IT,
- IDC – a dedicated organization on publishing data for IT industry, and
- Other independent research conducted on our sector

We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. The data of independent surveyors might not have taken into consideration recent developments in the markets we operate and therefore in certain instances might have become outdated and not represent the real market trends.

In addition, in many cases, we have made statements in this annual report regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

Financial and Operating Data

This annual report contains financial statements and financial information relating to the Group. In particular, this annual report contains our audited consolidated financial statements for the twelve months ended 31 December 2019. The financial statements appended to this annual report are presented in U.S. dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

All numbers are presented in thousands, except share, per share and exchange rate data, unless otherwise stated.

PART I

ITEM 1. KEY INFORMATION

Currency Presentation and Exchange Rate Information

Unless otherwise indicated, all references in this annual 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 all references to "PLN" or "Polish Zloty" are to the lawful currency of the Republic of Poland.

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

The following tables set out, for the periods indicated, certain information regarding the average of the 11:00 a.m. buying/selling rates of the dealer banks as published by the National Bank of Poland, or NBP, for the zloty, the "effective NBP exchange rate", expressed in Polish Zloty per dollar and Polish Zloty per Euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this annual report. Our inclusion of the exchange rates is not meant to suggest that the U.S. dollars amounts actually represent such Polish Zloty or Euro amounts or that such amounts could have been converted into Polish Zloty or Euros at any particular rate, if at all.

Year (Polish Zloty to U.S. dollar)	<u>Year ended December 31,</u>				
	2015	2016	2017	2018	2019
Exchange rate at end of period	3.90	4.18	3.48	3.76	3.80
Average exchange rate during period ⁽¹⁾	3.79	3.97	3.74	3.62	3.84
Highest exchange rate during period	4.04	4.25	4.23	3.83	4.02
Lowest exchange rate during period	3.56	3.72	3.48	3.32	3.72

The average exchange rate as certified for customs purposes by NBP on the last business day of each month during the applicable period

Month (Polish Zloty to U.S. dollar)	Highest	Lowest
	exchange rate	exchange rate
	during the	during the
	month	month
January 2019	3.79	3.73
February 2019	3.85	3.72
March 2019	3.84	3.76
April 2019	3.85	3.78
May 2019	3.87	3.82
June 2019	3.83	3.73
July 2019.....	3.85	3.74
August 2019.....	3.97	3.85
September 2019.....	4.02	3.91
October 2019.....	4.02	3.82

November 2019.....	3.93	3.81
December 2019.....	3.90	3.80

The following table shows for the dates and periods indicated the period-end, average, high and low Euro to U.S. dollar exchange rate as calculated based on the rates reported by the National Bank of Poland.

Year ended December 31 (Euro to U.S. dollar)	2015	2016	2017	2018	2019
Exchange rate at end of period	0.9154	0.9447	0.8347	0.8743	0.8918
Average exchange rate during period ⁽¹⁾	0.9063	0.9067	0.8819	0.8487	0.8935
Highest exchange rate during period	0.9489	0.9629	0.9607	0.8702	0.9149
Lowest exchange rate during period	0.8293	0.8706	0.8289	0.8008	0.8782

The average NBP exchange rate, euro per U.S. \$, on the last business day of each month during the applicable period

Month (Euro to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2019	0.8801	0.8708
February 2019	0.8874	0.8721
March 2019	0.8916	0.8767
April 2019	0.8955	0.8840
May 2019	0.8972	0.8921
June 2019	0.8945	0.8781
July 2019.....	0.8973	0.8827
August 2019.....	0.9056	0.8964
September 2019.....	0.9149	0.9042
October 2019.....	0.9170	0.8957
November 2019.....	0.9087	0.8956
December 2019.....	0.9079	0.8924

Selected Financial Data

The following table set forth our selected historical financial data for the years ended December 31, 2019, and 2018 and should be read in conjunction with Item 3. “*Operating and Financial Review and Prospects*” and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements.

For your convenience, certain U.S. \$ amounts as of and for the year ended 31 December 2019, have been converted into Euro and PLN as follows:

- Individual items of the balance sheet – based at average exchange rates quoted by the National Bank of Poland 31 December 2019, that is 1 US\$ = 3.7977 PLN and 1 EUR = 4.2585 PLN.
- Individual items in the income statement and cash flow statement – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a period between 1 January to 31 December 2019, that is 1 US\$ = 3.8440 PLN and 1 EUR = 4.3018 PLN.

Period from 1 January to 31 December

	2019		2018	
	USD	PLN	EUR	USD
Revenue	1,914,881	7,360,707	1,711,093	2,069,563
Cost of sales	(1,810,735)	(6,960,375)	(1,618,030)	(1,971,471)
Gross profit	104,146	400,332	93,062	98,093
Selling expenses	(42,913)	(164,955)	(38,346)	(46,030)
Administrative expenses	(28,147)	(108,196)	(25,151)	(22,653)
Profit from operations	33,086	127,181	29,565	29,410
Financial expenses	(17,662)	(67,892)	(15,782)	(18,622)
Financial income	3,488	13,408	3,117	4,452
Other gains and losses	(33)	(127)	(29)	(81)
Negative goodwill and goodwill written off, net	111	427	99	0
Share of (loss)/profit from associates	(25)	(96)	(22)	(30)
Profit before taxation	18,965	72,901	16,947	15,129
Taxation	(3,725)	(14,319)	(3,329)	(3,092)
Profit after taxation	15,240	58,578	13,617	12,037
Attributable to:				
Non-controlling interests	(17)	(65)	(15)	0
Owners of the Company	15,257	58,643	13,632	12,037
	USD	PLN	EUR	USD
	(cents)	(grosz)	(cents)	(cents)
Earnings per share				
Weighted average basic and diluted earnings per share from continuing operations	27.54	105.67	24.56	21.69

	USD	PLN	EUR	USD
Net cash inflows from operating activities	29,491	113,362	26,352	18,678
Net cash outflows from investing activities	(3,640)	(13,996)	(3,254)	(3,132)
Net cash outflows from financing activities	(5,654)	(21,730)	(5,051)	(3,370)
Net increase in cash and cash equivalents	20,197	77,636	18,048	12,176
Cash at the beginning of the period	58,109	223,368	51,925	45,933
Cash at the end of the period	78,306	301,004	69,972	58,109

As of 31 December 2019

As of 31 December 2018

	USD	PLN	EUR	USD
Current assets	599,469	2,276,607	534,603	474,614
Non-current assets	33,318	126,532	29,713	29,187
Total assets	632,787	2,403,139	564,316	503,801
Liabilities	524,592	1,992,247	467,828	404,568
Equity	108,194	410,888	96,487	99,233

Risk Factors

This section describes significant risks and uncertainties affecting our business. The risks and uncertainties described below are not the only ones we face. There may be additional risks and uncertainties not presently known to us or that we currently deem immaterial. Any of these risks could adversely affect our business, financial condition, our results of operations and our liquidity.

Risk factors relating to our business and industry

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

Throughout the years of operation, the Company has from time to time suffered from specific in-country problems, emanating from the deterioration of specific countries' financial situation, due to a number of issues including but not limited to political instability. We need to monitor any developments, react fast and weather every risk showing up in a specific market to secure our results.

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

Fluctuation in the value of currencies in which operations are conducted and activities are financed relative to the U.S. dollar could adversely affect our business, operating results and financial condition.

The Company's reporting currency is the U.S. dollar. In 2019 approximately 50% of our revenues were denominated in U.S. dollars, while the balance is denominated in Euro, Ruble, UAH, KZT and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally (about 80%) denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro. As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Ruble, the Ukrainian Hryvnia, the Czech Koruna, the Polish Zloty, the Croatian Kuna, the Kazakhstani Tenge and the Hungarian Forint.

In particular, a strengthening of the U.S. dollar against the Euro and other currencies of the countries in which we operate may result in a decrease in revenues and gross profit, as reported in U.S. dollars, and foreign exchange loss relating to trade receivables and payables, which would have a negative impact on our operating and net profit despite a positive impact on our operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and other currencies of the countries in which we operate may have a positive impact on our revenues and gross profit, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on our operating expenses.

In addition, foreign exchange fluctuation between the U.S. dollar and the Euro or other currencies of the countries in which we operate may result in translation gains or losses affecting foreign exchange reserve. Furthermore, a major devaluation or depreciation of any such currencies may result in a disruption in the international currency markets and may limit the ability to transfer or to convert such currencies into U.S. dollars and other currencies.

Despite all efforts of the Company, there can be no assurance that fluctuations in the exchange rates of the Euro and/or other currencies of the countries in which we operate against the U.S. dollar will not have a material adverse effect on our business, financial condition and results of operations. Therefore, careful observation of the currency environment remains a crucial factor for our success.

Worldwide financial environment

The world's financial crisis has eased throughout the last few years. Following partial recovery, the Company has undertaken certain efforts to benefit from this recovery both in revenues and profitability. The revised strategy and adaptation to the new environment, i.e., by rebuilding our product portfolio, has paid off in terms of profitability and sales last year.

However, there are many uncertainties about the world economy following turmoil in different countries, the volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. A recent example is the trade war between USA and China. We believe that the Company is much more flexible and better prepared to weather any obstacles that may arise due to the worldwide financial environment.

Credit risk faced by us due to our obligations under supply contracts and the risk of delinquency of customer accounts receivable could have a material adverse effect on our business, operating results and financial position.

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for the majority of its revenue.

Despite all efforts to secure our revenues, certain countries remained non-insured (Ukraine and Belarus) therefore is very important for us to ensure that we find other sources of securities which help us minimizing our credit risk. The Board of Directors decided to enhance risk management procedures. These do not guarantee that all issues will be avoided, however, granted the Company with confidence that is in a position to weather any possible major credit issue that may arise.

Competition and price pressure in the industry in which we operate on a global scale may lead to a decline in market share, which could have a material adverse effect on our business, operating results and financial condition.

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

In particular, in each of the markets in which the Company operates it faces competition from:

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

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

The IT distribution and mobile devices business have low-profit margins, which means that operating results are highly sensitive to increased operating costs, which if not successfully managed could have a material adverse effect on our business, results of operations and financial condition.

The Company's business is both a traditional distribution of third-party products and own brand. This allows the Company to deliver healthier gross profit margins when conditions are favorable. 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 the VAD Business Unit which is also expected to deliver higher gross profit margins. It is very important for the Company to address all risks associated with these business lines and avoid negative surprises which might lead to significant losses.

Inventory obsolescence and price erosion in the industry in which we operate may have a material adverse effect on our business, financial condition and results of operations.

The Company is often required to buy components and finished products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components is characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers.

This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions or even write-offs.

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

Our business is highly dependent on distribution contracts with a limited number of suppliers; a loss of or change in the material terms of these contracts could have a material adverse effect on our business, operating results and financial condition.

The part of our business consisting of the distribution of third-party products is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2019, the Company held contracts with Apple, Intel, Advanced Micro Devices (AMD), Seagate, Microsoft, Dell, Toshiba, Acer, Lenovo and other international suppliers. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

We face a risk of termination of our distribution agreements, in the event that we do not perform pursuant to the supplier's expectations or for any other reason, including a number of factors outside our control. Changes in the suppliers' business strategies, including moving part or all of their distribution arrangements to our competitors, or directly distributing products to end-users, could result in the termination of the respective distribution contracts. Any of these suppliers may merge with, acquire or be acquired by, any of our competitors which already has its own distribution network in the market. Any supplier may consider us redundant as a distributor and may terminate our distribution agreement or may experience financial difficulties, as a result of which it may not be able to grant beneficial credit terms and/or honour financial terms in the relevant distribution agreements, such as those relating to price protection, stock returns, rebates, performance incentives, credit from returned materials and reimbursement of advertising expenses incurred during joint promotion campaigns. Termination or material change in the terms of a vendor contract due to any of the aforesaid factors could have a material adverse effect on our business, results of operations and financial condition.

Our inability to maintain or renew our distribution and supply contracts on favourable terms with key customers and suppliers could have a material adverse effect on our business, operating results and financial condition.

In the part of our business related to the distribution of third-party products, we have significant contracts with a limited number of customers and other business partners, some of which are oral agreements, the precise terms of which and the enforceability of which, remain uncertain, or are agreements that may be terminated without cause or by written notice at the expiry of their term.

In addition, a number of our most significant contracts with our major suppliers contain terms that protect us against exposure to price fluctuations, defective products and stock obsolescence. Specifically, our contracts terms including terms such as (i) a price protection policy, which allows us to request reimbursement from the suppliers for inventory in transit or held at our warehouses in the event that product prices decline; (ii) a stock rotation policy under which we have the right to return to the supplier slow moving inventory in exchange for credit, which reduces our exposure to obsolescence of inventory; and (iii) a return material authorization policy under which we can return defective items to our suppliers in return for either credit, replacements or refurbished products.

If we are unable to maintain or enforce our significant contracts, or if any of our significant suppliers refuse to renew contracts with us on similar terms, or new significant suppliers of ours do not make such terms available to us, we could face a higher risk of exposure to price fluctuations and stock obsolescence, which given our narrow gross profit margins, could have a material adverse effect on our business, operating results and financial condition.

Our suppliers' increasing involvement in e-commerce activities, which would enable them to directly sell to our customers, could threaten our market share, and therefore adversely affect our business, operating results and financial condition.

In the third party products distribution part of our business, we operate as a distributor, or a "middleman", between manufacturers and our customers. Manufacturers are sometimes able to outsource their sales and marketing functions by engaging the services of a distributor and concentrating on their core competencies.

With the emergence, however, of new internet technologies and e-commerce, more manufacturers are developing their own online commerce platforms with the capability to accept orders and conduct sales through the internet. Global distributors have also set up their own web-sites to enable sales and purchases to be conducted online.

Although we have developed the IT4Profit platform, an online purchasing platform for electronic dealing with our customers (B2B), there can be no assurance that any of our suppliers or competing distributors will not successfully implement similar electronic purchasing platforms and manage to fully satisfy our customers' needs, in which case our risks losing a significant part of our business. In addition, market prices of components may deteriorate as a result of increasing online competition, as online customers have the ability to search globally for the cheapest available components. If we are unable to effectively leverage our internet technologies and e-commerce or successfully compete with emerging competitors offering online services, this could have a material adverse effect on our business, operating results and financial condition.

Our success is dependent on our own logistics and distribution infrastructure and on third parties that provide those services, a loss of which could adversely affect our business, operating results and financial performance.

We maintain two large regional distribution centres from which the great majority of our products are shipped. As a result, we are highly dependent on third-party providers for logistics such as courier and other transportation services. An interruption or delay in delivery services causing late deliveries could result in loss of reputation and customers and could force us to seek alternative, more expensive delivery services, thereby increasing operating costs, which would have an adverse effect on our business, operating results and financial performance. An important part of our strategy to achieve cost efficiencies while maintaining turnover growth is the continued identification and implementation of improvements to our logistics and distribution infrastructure. We need to ensure that our infrastructure and supply chain keep pace with our anticipated growth. The cost of this enhanced infrastructure could be significant and any delays to such expansion could adversely affect our growth strategy, business, operating results and financial performance. Therefore, any significant disruption to the services of these third-party providers could have a material adverse effect on our business, results of operations and financial condition.

Our inability to recruit and retain key executives and personnel could have a material adverse effect on our business, operating results and financial condition.

Our business depends upon the contribution of a number of our executive Directors, key senior management and personnel, including Siarhei Kostevitch, our Chief Executive Officer and Chairman of the Board of Directors. There can be no certainty that the services of Mr Kostevitch and of other of our key personnel will continue to be available to us. We have in the past experienced and may in the future continue to experience difficulty in identifying expert personnel in our areas of activity, and particularly in the areas of information technology and sales and marketing, in the countries in which we operate. In addition, we do not currently maintain "key person" insurance.

If we are not successful in retaining or attracting highly qualified personnel in key management positions, this could have a material adverse effect upon our business, operating results and financial condition.

High cost of debt

The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is expensive. The Company has already negotiated improved terms with some of its supply-chain financiers and is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in increased financing cost in these countries and this may limit our efforts to further decrease our average cost of debt.

In the course of 2019, we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost. A significant year-on-year reduction in the Weighted Average Cost of Debt («WACD») has been achieved due to lower US Libor rates and an overall decrease in the margin paid to financial institutions.

Development of own brand business

The Company's strategy is to focus more on profitability than on revenues, thus we continue to develop the own-brand business that allows for higher gross profit margins. This includes the development of smartphones, tablets and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations.

The Company has also invested in two new own brands, Perenio - which includes the sales of smart home and smart security sensors and other products and Atlantech which aims to build an alternative servers' offering.

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

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

Despite the Company's efforts, there can be no assurance of a similar development pace in the own-brand business in future periods. This is because there may be a significant change in market trends, customer preferences or technology changes that may affect the development of own-brand business and therefore, its results.

Warranty claims from own brand products

The own-brand business requires us to put extra efforts to avoid any problems with the quality of devices. Despite all our efforts, we cannot predict if consumers decide to return significant amounts of products. This situation has much improved both in 2018 and 2019.

This risk has negatively affected our results in the past when certain ODMs have not honored their contractual obligations on products with epidemic failure.

The Group is undertaking all possible steps towards ensuring proper compensation of past expenses.

In the same time, in an effort to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which, however, does not guarantee the elimination of the risk of warranty losses.

Spreading of the Covid-19 Virus in the markets we operate

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

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

Environmental and Climate Changes

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

ITEM 2. Information on the Company

History and Development of Asbisc Enterprises Plc and Business Overview

Asbisc Enterprises Plc. is the parent entity for the Group described in this chapter, in the section "*Group Structure and Operations*".

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: Our main focus is on the following countries: Slovakia, Poland, Czech Republic, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, Middle East countries (i.e. United Arab Emirates, Iraq, Qatar and other Gulf states), Russia, Belarus, Kazakhstan, Ukraine and Latvia.

The Group distributes IT components (to assemblers, system integrators, local brands and retail), mobile devices such as smartphones and tablets to retailer and A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail customers.

Our IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. We currently purchase most of our products from leading international manufacturers, including Apple, Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Lenovo and Hitachi. In addition, a part of our revenue is comprised of sales of IT products under our private labels: Prestigio, Canyon Perenio and Atlantech.

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through two master distribution centers (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 56 countries.

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

Our revenues amounted to U.S. \$ 1,914,881 in 2019, compared to U.S. \$ 2,069,563 in 2018, following a strategy to increase profitable business and improve market share alongside with improving gross profit margins. As a consequence, the Company significantly improved its net result and posted a net profit after tax of U.S.\$ 15,240 in comparison to U.S.\$ 12,037 in 2018. Our headquarters are home to our centralized purchasing department and global control function, which centrally monitors and controls our global activities, including purchasing, warehousing and transportation operations. In line with our strategy of focusing on automation and innovation in order to increase our cost-efficiency, in 2002 we began developing the IT4Profit platform, our online purchasing platform for electronic trading with our customers (B2B) and electronic data interchange for the Company and its subsidiaries.

Within this platform, we have also implemented our end-to-end online supply chain management system, in order to effectively manage our multinational marketplace and increase automation and reporting transparency both internally and vis-à-vis our suppliers. We combine international experience of our central management team with local expertise of our offices in each of the 26 countries in which we operate. With our broad local presence, we have developed an in-depth knowledge and understanding of fast-growing markets in regions such as Central and Eastern Europe “(CEE)” and FSU and our diverse cultural, linguistic and legal landscape, which may form significant barriers to entry for most of our international competitors. The Directors believe that this advantage has helped us to quickly and cost-effectively penetrate emerging markets and strengthen our competitive position, in the markets we operate.

History of the Group

We were established in Minsk, Belarus in 1990 by Mr Siarhei Kostevitch and our main activity was the distribution of Seagate Technology products in the territory of the Former Soviet Union. Then, in 1995, we were incorporated in Cyprus and moved our headquarters to Limassol. In 2002, in order to fund further growth, we privately placed U.S. \$ 6,000 worth of shares with MAIZURI Enterprises Ltd (formerly named Black Sea Fund Limited) and U.S. \$ 4,000 with Alpha Ventures SA. In 2006, we listed our common stock on Alternative Investment Market of London Stock Exchange («AIM»), however after the successful listing on the Warsaw Stock Exchange (October 2007) the Board of Directors took a decision and cancelled the AIM listing as of the 18th of March 2008.

Strengths of the Group

The Directors consider that our key strengths are:

- Broad geographic coverage combined with a strong local presence.

Unlike most of our international competitors, we operate with active local presence in a number of countries across different regions. Since many of our competitors target the same markets from a number of different locations in Western Europe, we benefit from increased logistical cost efficiencies. In particular, our broad geographic coverage, combined with our centralized structure and automated processes, results in reduced shipping costs and lower revenue collection expense, as well as a consistent marketing approach, as compared to our competitors. As a result, we have become an authorized distributor for leading international suppliers wishing to penetrate a number of fast-growing markets served by us, offering them the ability to penetrate these markets in a cost-efficient manner and through a consistent marketing approach.

- Experienced management team combined with local expertise.

Our management team consists of experienced executives. Our Chief Executive Officer has been with the Company since inception in 1990, while all of our key executives have served for more than eighteen years.

In addition, our subsidiary operations are managed by teams of mainly local experienced managers, which provides us with strong expertise and understanding of the diverse markets in which we operate. The Directors believe that local presence represents a significant competitive advantage for us over our multinational competitors.

- A critical mass of operations.

Having revenues of above 1.9 billion U.S. Dollars, sales in approximately 56 countries and facilities in 26 countries, we believe that we have become a strong partner for leading international suppliers of IT components and finished products, including Apple, Intel, AMD, Seagate, Samsung, Microsoft, Hitachi, Dell, Toshiba, Logitech, etc. in most of our regions of operation. Thanks to our size and the scope of our regional reach, we have achieved authorized distributor status with leading international suppliers, either on a pan-European, regional, or on a country-by-country basis, thus enjoying a number of beneficial commercial terms and achieving agreements with respect to the distribution of products offering higher profit margins.

- Price protection and stock rotation policy for inventory.

As an authorized distributor for a number of leading international suppliers of IT components, we are able to benefit from certain beneficial contract terms that provide protection from declining prices or slow-moving inventory. In particular, such terms allow us to return part of the inventory to the respective distributors at the event market prices decline or such inventory becomes obsolete. See "*Our Main Suppliers - Price Protection Policy and Stock Rotation Policy*". In contrast, in some of the countries in which we operate, many of our major competitors tend to buy from the open market, which leaves them exposed to the risk of price changes and obsolete stock.

- One-stop-shop for producers and integrators of IT equipment.

We distribute a broad range of IT components, blocks, peripherals and finished products supplied by a large number of leading international suppliers. As a result, we serve as a one-stop-shop, providing complete solutions to producers and integrators of the server, mobile and desktop segments in the countries in which we operate. The Directors consider this to be a significant advantage over competitors with more limited product offerings.

- Own brands business improving our profitability

In the past years, we have invested in the development of our own brands and built a strong market position.

In 2019 the amount of own brand business has remained stable, following our decision to continue with a more balanced approach. We try to keep revenues from own brands at sustainable levels based on expected profitability and good cash flow. The Directors consider our own brands to be a valuable reinforcement to our profitability if it is developed as an addition to the distribution business. Thus, the development of this segment will be continued.

- Ability to adjust our cost structure to the new business environment and the Company needs.

This is considered a very big advantage of the Company. It has been proven that the Company could quickly adjust its cost structure to any turbulent business environment.

Group Structure and Operations

The following table presents our corporate structure as at December 31st, 2019:

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

Asbis Romania S.R.L (Bucharest, Romania)	Full (100%)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100%)
Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100%)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100%)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100%)
Asbis CZ, spol.s.r.o (Prague, Czech Republic)	Full (100%)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100%)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100%)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100%)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100%)
FPUE Automatic Systems of Business Control (Minsk, Belarus)	Full (100%)
E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus)	Full (100%)
OOO 'Asbis'-Moscow (Moscow, Russia)	Full (100%)
Asbis Morocco Limited (Casablanca, Morocco)	Full (100%)
Prestigio Plaza Sp. z o.o in liquidation (Warsaw, Poland)	Full (100%)
Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)	Full (100%)
Perenio IoT spol. s.r.o. (Prague, Czech Republic) (former Prestigio Europe s.r.o)	Full (100%)
Asbis Kypros Ltd (Limassol, Cyprus)	Full (100%)
Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)	Full (100%)
“ASBIS BALTICS” SIA (Riga, Latvia)	Full (100%)
Asbis d.o.o. (former Megatrend d.o.o.) (Sarajevo, Bosnia Herzegovina)	Full (90%)
ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)	Full (100%)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100%)
Euro-Mall SRO (Bratislava, Slovakia)	Full (100%)
Prestigio China Corp. (former AOSBIS TECHNOLOGY (SHENZHEN) CORP.)	Full (100%)
ASBIS DE GMBH, (Munche, Germany)	Full (100%)
EUROMALL BULGARIA EOOD (Sofia, Bulgaria)	Full (100%)
Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)	Full (100%)
SHARK Computers a.s. (merged with SHARK ONLINE a.s.) (Bratislava,	Full (100%)
E-vision Production Unitary Enterprise (Minsk, Belarus)	Full (100%)
ASBIS SERVIC Ltd (Kiev, Ukraine)	Full (100%)
I ON Ltd (Kiev, Ukraine)	Full (100%)
ASBC MMC LLC (Baku, Azerbaijan)	Full (65.85%)
ASBC KAZAKHSTAN LLP (Almaty, Kazakhstan)	Full (100%)
Atlantech Ltd (Ras Al Khaimah, U.A.E)	Full (100%)
LLC Vizuatika (Minsk, Belarus)	Full (75%)
LLC Vizuator (Minsk, Belarus)	Full (75%)
ASBC LLC (Tbilisi, Georgia)	Full (100%)
ALC Avectis (Minsk, Belarus)	Full (100%)
OOO Avectis (former Aksiomtech) (Moscow, Russia)	Full (100%)
Private Educational Institution “Center of excellence in Education for executives and specialists in Information Technology” (Minsk, Belarus)	Full (100%)
OOO Must (Moscow, Russia)	Full (100%)

Asbisc Enterprises Plc is the parent company of the Group. Our subsidiaries are involved in diverse activities related to the distribution of IT products and components and mobile devices. In particular, our subsidiaries operating under the ASBIS name are involved in the distribution of IT components, mobile devices, finished products and equipment, including distribution of products from worldwide leading manufacturers such as

Apple, Intel, AMD, Seagate, Western Digital, Samsung, Microsoft, Hitachi Dell, Acer, Toshiba and many other well-known international suppliers. Our subsidiaries operating under Prestigio, Canyon and Atlantech brands are primarily responsible for the procurement, quality control, marketing and wholesale distribution of our private label (Canyon, Prestigio and Atlantech) IT products.

Changes in the Group's structure

During the year ended December 31st, 2019 there were the following changes in the structure of the Company and the Group:

- On January 25th, 2019, Asbis Limited (Charlestown, Ireland) has been liquidated, being a dormant company.
- On March 28th, 2019, E-Vision - a subsidiary company of ASBIS acquired 75% shares of the company named LLC Vizuatika (Minsk, Belarus) for the price of 38 BYR (USD 17). E-Vision holds 75% in this subsidiary, being equal to share capital of 50 BYR (USD 23). We acquired this entity for provision of consulting and implementation services.
- On March 28th, 2019, ASBC - a subsidiary company of ASBIS acquired 75% shares of the company named LLC Vizuator (Minsk, Belarus) for the price of 45 BYR (USD 21). ASBC holds 75% in this subsidiary, being equal to share capital of 60 BYR (USD 28). We acquired this entity for sale of software licenses.
- On May 27th, 2019, the company named SIA "Asbis LV" has changed its name to "ASBIS BALTICS" SIA. The address of the company remains unchanged.
- On July 12th, 2019 ASBIS CLOUD Ltd (Moscow, Russia) has been merged with Asbis Moscow, given all assets, liabilities and equity to Asbis Moscow and finally has been liquidated.
- On July 12th, 2019, the Issuer has acquired 75% shares of the company ALC Avectis (Minsk, Belarus). The Issuer holds 100% in this subsidiary, being equal to share capital of BYN 10,823 (USD 5,391). We acquired this entity to provide IT solutions and system integrations.
- On July 12th, 2019, the Issuer has acquired 100% shares of the company OOO Aksiomtech (Moscow, Russia). The Issuer holds 100% in this subsidiary, being equal to share capital of RUB 50,000 (USD 777). We acquired this entity to provide IT solutions and system integrations.
- On July 31st, 2019, the Issuer has acquired 60% shares of the company ASBC LLC (Tbilisi, Georgia). The Issuer holds 100% in this subsidiary, being equal to share capital of GEL 536,644 (USD 181,593). We acquired this entity to expand the retail business with Apple APR stores.
- On August 7th, 2019, the Issuer has acquired 100% shares of the company OOO IT Training (Minsk, Belarus). The Issuer holds 100% in this subsidiary, being equal to share capital of BYN 100 (USD 48). We acquired this entity to provide educational and training services.
- On August 7th, 2019, the Issuer has acquired 100% shares of the company Private Educational Institution "Center of excellence in Education for executives and specialists in Information Technology" (Minsk, Belarus). The Issuer holds 100% in this subsidiary, being equal to share capital of BYN 1 (USD 1). We acquired this entity to provide educational and training services.
- On August 30th, 2019, the Issuer has acquired 100% shares of the company OOO Must (Moscow, Russia). The Issuer holds 100% in this subsidiary, being equal to share capital of RUB 700,000 (USD 10,897). We acquired this entity to distribute IT products.
- On November 27th, 2019, OOO IT Training (Minsk, Belarus)) has been merged with ASBIS Close Joint-Stock Company (Minsk, Belarus) given all assets, liabilities and equity and finally has been liquidated.

Regional operations

We operate as a one-stop-shop for the desktop PC, server, laptop, tablet PC, smartphones and software segments. The management believes that the Company is currently the only IT component and A-branded finished products distributor that covers substantially all of Eastern Europe, as part of a single supply chain with highly integrated sales and distribution systems. We also have operations in the Baltic States, the Balkans, the Former Soviet Union, the United Arab Emirates and other Middle East countries.

We also provide technical support for all new products that we stock through product line sales managers. Sales personnel receive internal training and focus groups are established that have an in-depth knowledge of their respective product lines.

Our sales staff are also trained by our suppliers, such as Apple, Intel, AMD, Seagate, Western Digital, Samsung, Microsoft, Hitachi and others, as a result of our status as an authorized distributor of their products. The Directors consider that this organizational process allows us to provide added value to our customers and differentiate us from our competitors.

Key markets and regions

Historically, the regions of the Former Soviet Union (“FSU”) and Central Eastern Europe (“CEE”) have been the larger revenue contributors of the Group. This has not changed in 2019.

The following table presents a breakdown of our revenue by regions for the years ended 31 December 2019, 2018 and 2017:

	Year ended 31 December		
	2019	2018	2017
	%	%	%
Former Soviet Union	53.50	52.45	48.45
Central and Eastern Europe	26.42	27.79	33.40
Middle East & Africa	11.38	9.79	10.95
Western Europe	6.66	7.91	6.31
Other	2.04	2.06	0.89
Total revenue	100	100	100

Products

We are engaged in the sales and distribution of a variety of products including IT components, mobile devices, laptops, server and mobile building blocks and peripherals to third-party distributors, OEMs, retailers and e-tailers and resellers. Our customers are located mainly in Central and Eastern Europe, the Former Soviet Union, Western Europe, North and South Africa and the Middle East.

We engage in the following primary business lines:

- Sales and distribution of IT components and blocks described below that we purchase from a variety of suppliers such as Intel, AMD, Seagate and Western Digital
- Value-add distribution (“VAD”) of Apple products in certain Former Soviet Union countries
- Sales of accessories and gaming products (like Logitech)
- Sales of a wide range of finished products from worldwide manufacturers (Dell, Apple, Acer) as well as software (Microsoft and antivirus software producers)

- Sales of a range of private label products (such as tablet PCs, smartphones, multiboards, data storage devices, GPS devices, peripherals, accessories, security solution, products in the field of servers, mass storage, solutions for data centers) with larger volumes and profit potential selected by us and manufactured by ODM/OEM producers in the Far East under our own private label brands: Canyon, Prestigio, Perenio and Atlantech.

The products that are purchased from suppliers and distributed by us are divided into various categories and are presented in the table below:

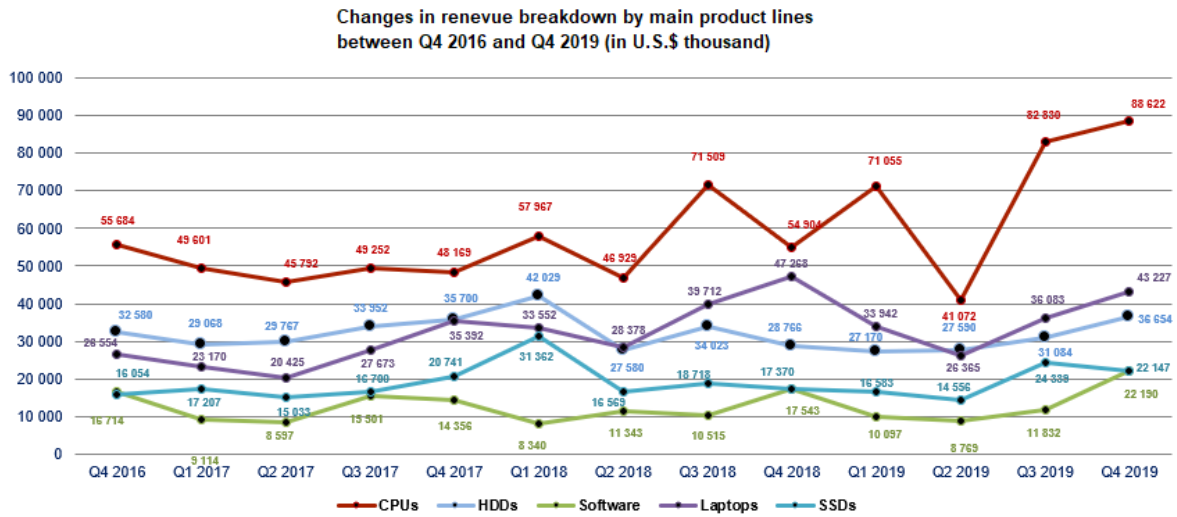
	Year ended 31 December	
	2019	2018
	(U.S. \$)	
Smartphones	586,730	799,059
Central processing units (CPUs)	283,579	231,308
Accessories & multimedia	205,683	142,872
PC mobile (laptops)	139,617	148,910
Hard disk drives (HDDs)	122,498	132,398
Servers & server blocks	89,681	80,967
SSDs	77,625	84,018
Networking products	58,053	50,660
Tablets	55,959	75,841
Software	52,889	47,741
PC desktop	51,693	50,105
Memory modules (RAM)	42,759	54,964
Peripherals	42,028	39,784
Display products	39,540	34,899
Mainboards & VGA cards	14,018	42,893
Flash memory	13,090	11,793
Optical & floppy drives	1,123	1,641
Other	38,316	39,712
Total revenue	1,914,881	2,069,563

Revenues in 2019 showed a decrease of 7.5% as compared to that of 2018 (which was a record high).

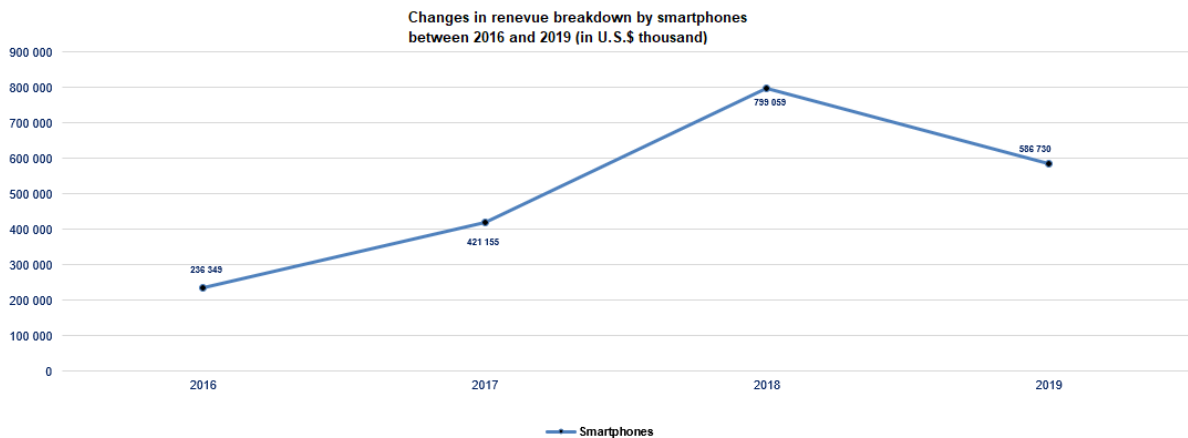
All changes in our product portfolio comply with our main focus, which is the increase in margins and profitability.

In 2019 ASBIS remained the distributor of first choice for many worldwide suppliers. A major and good example is Apple that has entrusted us for iPhone and other products distribution for Ukraine, Belarus, Kazakhstan and other CIS markets.

The chart below indicates trends in sales per product line



The chart below indicates trends in smartphones sales



Sales of smartphones, which is the leader of our revenues, declined by 27% in 2019.

Private labels: Prestigio, Canyon, Perenio and Atlantech

We have developed our private label brands - Canyon, Prestigio, Perenio and Atlantech. We, mainly through our purchasing office in China, select products or ranges of products with high-profit potential from a number of ODM/OEM producers in the Far East, particularly in China, and purchase these products at larger volumes to benefit from economies of scale. We then resell these products in the markets in which we operate under our own brand at more competitive prices than similar products sold by competitors.

Canyon. Canyon was launched in 2003 as a supplier of motherboards and video graphics adaptors (VGA) cards to Eastern European markets.

The brand has evolved and currently primarily targets retail chains with IT and consumer electronic peripherals and accessories, supplying products such as RAM and flash memory modules, web cams, mice, networking products, external HDD, MP3 players, handbags, phone accessories and speakers. Canyon is perceived to be a brand targeting younger customers who want good quality products at affordable prices.

Canyon uses attractive colours and packaging to promote this image.

Our focus is on fewer products and models with better profitability. During 2018 Canyon introduced fitness smartwatches with own application and platform.

Prestigio. Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality products and devices, multiboards, tablet PCs and smartphones. Prestigio brand slogan "Your life, your way" reflects the positioning of these products in this premium, high-specification design segment. In 2011 Prestigio was recognized as the leading GPS Navigator device in the F.S.U. and CEE regions. In 2013 we have also decided to enter the smartphones segment with our own brand and started successfully selling Prestigio Multi-phones from Q4 2013. These moves were connected with anticipated and observed changes in the markets and proved the Company's ability to benefit from its experience and know-how in order to improve its market share. Prestigio is now developing a smart TV that will be produced in factories in Belarus and Russia. In 2019, we started the production of the world's first intuitive Click&Touch keyboard under the Prestigio brand. This technology has been received enthusiastically by the markets in Russia, Belarus and Ukraine, and currently further development work is underway to prepare a new generation of keyboards using the Touch-Keys technology, which may be also used in laptops, tablets, iPads and smart TVs.

Alongside this, we have entered the market with two new brands: Perenio and Atlantech.

Perenio is currently developing its own platform in the Internet of Things (IoT) segment in the field of device smart video surveillance, smart security, smart energy saving and smart control.

Atlantech was launched at the end of 2018 with the aim of building an alternative servers' offering.

Suppliers and Procurement

Our Main Suppliers/Partners

We believe that establishing strong supplier relationships is a critical success factor for our business and have devoted considerable resources over the years to establish strong relationships based on mutual trust with our key suppliers. In that direction, we strive to provide full visibility to our suppliers by reporting to them crucial information on a daily/weekly basis, including stock levels, sales-out reports by country, thus assisting them in monitoring customer demand and allowing them time to comprehend and react to specific market peculiarities, trends and dynamics.

In 2019, a significant portion of our revenues was generated from our ten biggest suppliers. However, the management believe that we place no reliance on anyone of our suppliers since we carry for every product category a wide portfolio of brands.

Acting as a non-exclusive distributor, we are generally responsible for promoting, marketing, advertising, selling, and providing training and after-sales support for each supplier's products in the respective markets. A monitoring mechanism is established by the suppliers to ensure that minimum sales targets are met, pursuant to which we are responsible for providing our suppliers with various reports, including weekly inventory reports and monthly point of sales reports.

Price Protection Policy. In an attempt to reduce distributors' exposure to market price fluctuations, a number of our large suppliers provide in their standard contractual terms for protection from a decline in product prices by allowing such distributors, including us, to request, within an agreed time frame, reimbursement for inventory in transit or held in warehouses. This is not, however, usually the case with smaller suppliers, with whom we are more exposed to potential price variations.

Stock Rotation Policy. Our exposure to the risk of obsolescence of inventory is limited through the stock rotation policy provided by many of our large suppliers, but not generally under arrangements with smaller suppliers.

In general, under a stock rotation policy, we have the right to return to the supplier, within a predefined time frame, slow-moving inventory in exchange for credit. In practice, we can return a certain percentage of products we hold immediately after the end of each quarter, usually based on our sales performance in the preceding quarter.

Return Material Authorization Policy (“RMA”). Subject to the specific provisions of each suppliers' RMA policy, we have the flexibility to return defective items to our major suppliers in return for either credit, replacements or refurbished products.

Procurement Policies

We operate a system of centralized purchasing through our headquarters in Limassol, Cyprus. Country managers communicate expected sales levels and targets, analyzed by product lines and suppliers, to our Product Line Managers (“PLMs”) who then identify purchasing requirements for the forthcoming three weeks and in turn forward this information to the Vice President of Product Marketing who verifies and, upon agreement, consolidates the information. The Vice President of Product Marketing then presents the relevant information to management, holding weekly meetings to review and approve requirements.

We strive to keep our stock, including stock in transit, for our main product lines at a level of four weeks of sales revenues, and to cover four to five weeks of sales revenues for other product lines in order to ensure adequate supply, while reducing the length of time over which we hold our inventory at our warehouses. Since we maintain a stable supplier base, there is no need for any formal supplier take-on procedures.

Sales and Marketing

We focus on developing an efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our sales managers in order to instill a thorough understanding of our product offerings with the goal of enhancing customer satisfaction. We also have the possibility to use some of our main supplier's marketing funds, to increase our sales and our clients' satisfaction.

Our marketing department is divided into two groups. The product marketing group establishes pricing policies, oversees product supply and communicates with suppliers with regards to the training of PLMs; the channel marketing group responsible for both central and in-country activities such as public relations, marketing and website content management.

Our marketing team consists of the Central Marketing Group and the Local Marketing Coordinators, both of which work in close coordination with suppliers, product managers and sales teams.

Distribution

Distribution model. Our distribution model is based on a system of centralized purchasing operations at our headquarters in Cyprus, which is in direct contact with the suppliers. Suppliers replenish their product stocks with our warehouses weekly or even several times per week, after receiving our product orders, most of them by shipping their products directly to our two master distribution centres, leading to significant cost savings for us. Local in-country operations place their orders online through our IT4profit online platform and receive their goods directly from one of the two distribution centres.

On the other hand, products such as memory modules and our private label products with small size, high-price dynamics and high value are supplied directly to our local in-country operations from the suppliers' factories.

Distribution centres. Our two master distribution centres are located in Dubai and Prague.

The facility in Prague is responsible for distribution across whole Europe; Dubai serves our operations in the Middle East and Africa and certain Central Asian countries.

The table below presents information with respect to the size and ownership of each of our two master distribution centers:

Facility Location	Office area (m²)	Warehouse area (m²)	Total area (m²)	Ownership
Prague	575	4,473	5,048	Leased
Dubai	1,086	6,475	7,025	Owned

In order to ensure visibility and bottom-line efficiencies of our warehousing environment, we have connected our warehouse management system ("WMS") to IT4Profit. Thus, when an order is placed on IT4Profit, this is communicated to our relevant master distribution centre, which can then process the order for delivery. This WMS is currently functional in the Prague and Dubai warehouses. The Directors believe that the advantages of operating the WMS connected through IT4Profit include the ability to meet or exceed shipping commitments, instant visibility of inventory movements, consistency of inventory management records, reduction of inventory write-offs and simplicity in shipment planning, lot replenishment and storage activities.

In-Country Operations. We operate through 31 local offices in 26 countries. Customer orders are mainly served through the supply of local offices, and in the event that local inventory levels are insufficient, additional inventory is drawn from one of the three distribution centres. Each local office operates its own logistics function and is responsible for direct shipments to its customers. Our headquarters monitor and assess the performance of each local logistics center by using a number of key performance indicators, including transit time of incoming shipments, order fulfilment, (such as pick, pack and ship time and the percentage of orders shipped to commitment by date and time), on-time delivery, transport, cost per kilogram shipped and cycle count performance.

Distribution Operations Management - "Asbis on IT4Profit"

The Directors consider that an efficient logistics and distribution model is one of the key contributors to maintaining our success in the distribution industry. Each in-country logistics centre is focused on continuous improvement with key performance indicators in place to measure performance.

IT4Profit is our online supply chain management software owned by us, which was internally developed, and which we continuously improve. We use IT4Profit to effectively manage the flow of goods within our distribution network. This system collaborates and exchanges business data with our key suppliers, master distribution centres, subsidiaries and customers. Local subsidiaries place their orders online through our e-market place on www.IT4Profit.com and receive their goods directly from one of the three distribution centres. In addition, local logistics staff use this online system to ensure that every online order is picked, packed and shipped within the allocated timeframe.

IT4Profit provides the following functions:

- interconnectivity with suppliers;
- B2B and B2C online shops to our customers for both front and back office administration;
- online supply chain management;

- statistics for product pricing and product content management and
- comprehensive operational reports and a balanced scorecards management system.

Disaster Recovery

We have developed and will continue to enhance, an enterprise-wide business plan, incorporating a disaster recovery plan that will enable us to restore all major procedures from offices around the world.

For our servers, we use Intel, Dell and IBM hardware.

In case of a system failure, spare servers kept at a number of locations where we operate can be made available within 24 hours. In addition to the daily back-ups that we maintain in Cyprus, we have our storage space resources in Lithuania for performing daily back-ups. In the event of a system failure, we can restore applications and recover data. In such an instance, this will enable us to continue operating with electronic means and servicing our clients. ASP services have a different scheme of high availability. On the main host in Lithuania, the services have fully duplication hardware according to the active-standby scheme with full online replication. Additionally, data is being replicated with 15 minutes delay to the standby host in Prague and every day a full back-up of each service is taken.

Customers

We served 20,000 customers in approximately 56 countries in 2019. We have no reliance on any single customer, as our biggest customer is only responsible for less than 3% of total revenues. Approximately 60% of our total sales were conducted on-line, based on our IT4Profit platform described above.

Industry overview and competition

Market characteristics

The markets we operate in are characterized by multi-culture environment and significantly lower per capita income when compared to the Western European markets.

Despite differences in GDP per person, our markets have been proving quite technology-oriented that consist of very much educated and demanding consumers.

Distributors are considered to be a basic component of the industry since the major suppliers of technology would rather deal with distribution, instead of own in-country operational investment.

This is particularly true of the European market, where a diversity of national business practices, as well as cultural and language differences make it difficult to pursue efficient hardware distribution models without having a strong local presence. In the Central and Eastern European and Former Soviet Union markets, different currencies, varying levels of economic development, import regulations and periodic episodes of political and economic instability create additional impediments to IT distribution not found in Western Europe. At the same time, leading manufacturers of IT do not want to rely solely on multinational OEMs and world-wide distributors for distribution as this would reduce producers' bargaining power.

For companies having own brands business, like us, it is important to find new niches all the times and leverage on market position and brand recognition. The need for new product lines is very important since we need to timely replace saturated product segments.

Market trends

During 2019 we have managed to achieve one of the best selling results in ASBIS history. Markets accepted the products we deliver and demand was unexpectedly high despite a visible slowdown in IT business. The key drivers of our revenues were smartphones, CPUs and accessories & multimedia.

Another development of 2019 was the strong growth of the servers and server blocks segment in the commercial segment, especially solutions for data centres and other cloud providers.

Thus, our focus was mostly on increasing margins while growing revenues to a reasonable extent. On the other hand, though, we continued to search for new opportunities that would be supported by big vendors, like cloud services and internet of things (“IoT”).

The policy described above and the fact that the Company built a solid market position and gained recognition from customers, allows the Company’s management to be optimistic about 2020. This is particularly true because the Company is flexible enough to move between product lines since its business is built on multiple pillars which were evident in 2019.

Competitive Landscape – traditional distribution

Distribution of IT and mobile devices in Central and Eastern Europe and the Former Soviet Union is fragmented. Major multinational players who dominate the U.S. and Western European markets are present in a few countries each.

A large number of local distributors operate mostly in a single country with only a few operating in more than one country. Typically, these local players have the largest share in each of the countries.

The Directors consider us to be one of the largest distributors of IT components in Eastern Europe, with a distribution network covering the majority of countries in Eastern Europe, and one of the three largest distributors in the EMEA region for IT components such as HDDs and CPUs. As no other distributor has a pan-regional presence like ASBIS, we believe we are very much protected with our current set up and infrastructure.

We compete with local distributors but the Directors consider that none of them has comparable geographic coverage, nor carry as diverse a portfolio as we do. The Directors consider that we do not have one main competitor but rather a group of competitors varying from country-to-country.

As some consolidation is seen on the market, and this trend may continue due to the effects of the recent world’s financial crisis and limited abilities of the smaller distributors to finance themselves, ASBIS is ready to benefit from any opportunities that may arise.

Competitive Landscape – Private Labels

The private labels, Canyon, Prestigio, Perenio and Atlantech are competing with a variety of brands in all markets we operate. The market leaders of the tablet and smartphone segments are Apple and Samsung. We do not consider our Prestigio brand to be competing with these conglomerates since we are not considered as an A-brand. We are positioning ourselves as a B-Brand with a limited amount of product offerings and limited countries of presence. Recently the market was flooded by cheap brands, thus we have decided not to compete on price but rather on quality and decreased our product lines and number of models to achieve better margins. We continue our own brand business on a back-to-back basis and expect it to be responsible for a good share of our total revenues. This will allow us to benefit from its higher profitability but we try not to carry any other related risks, such as inventory obsolescence.

Directions of further development

Our strategy is to grow our business and increase profitability by improving our operating efficiency in the distribution of IT products within all of the regions we operate in, upgrading our product portfolio and increasing sales of our private label products.

We intend to achieve this by:

- a) increasing or retaining sales and market share in particular countries of the Former Soviet Union, Central and Eastern Europe and the Middle East and Africa and taking advantage of the weaknesses of the competition
- b) benefiting from increased smartphones business, keep enhancing the IT component business, adding more third-party products to our portfolio and improving the gross profit margin
- c) further optimizing our private label business
- d) further developing of the VAD business
- e) decreasing cost of financing
- f) engaging in IoT and new technologies
- g) controlling our cost structure, enhancing operating efficiency and automated processes, including our online sales channels
- h) continuing our successful foreign exchange hedging

a) Increasing or retaining sales and market share in particular countries of the Former Soviet Union, Central and Eastern Europe, Middle East and Africa and taking advantage of the weaknesses of the competition

In 2019 the Group has shown a significant level of revenues despite a visible slowdown in the IT market. We have built very solid foundations which allow us to adapt to the current market situation and generate high revenues.

The recent world's financial crisis has led some of our competitors to bankruptcy or to the decision of moving out from particular markets. We have signed a number of agreements with suppliers for many countries, including Slovakia, Ukraine and the Middle East countries. We have also developed sales of our own brands in almost all regions of our operations.

We have revised our strategy and product portfolio and addressed the market with more Apple products, more solutions to data centers and cloud-related products. This strategy was proven successful as our 2019 results grew significantly, both in terms of the gross profit, as well as in terms of net profitability.

b) Benefiting from increased smartphones business, keep enhancing the IT component business, adding more third-party products to our portfolio and improving gross profit margin.

For 2020, we plan to maintain a strong market position on Apple products, following a year of quite high sales. It is important to mention that independent analysts indicate that the smartphones segment is expected to increase in 2020.

The traditional IT components segment is characterized by high volumes, low gross profit margins. The component business is the backbone of our company. The example of growth in servers and server blocks proves that components are going to continue to play a significant role in our success. Thus, the Company continues its efforts to rebuild its product portfolio by adding more finished-goods, namely networking, accessories and other products in order to benefit from growing sales and better margins. This strategy paid off well in 2019 and therefore the Company will continue this in order to increase its overall gross profit margin in the future.

c) Further optimizing of Private Labels

Our private label (branded) product lines, Canyon, Prestigio, Perenio and Atlantech are manufactured by leading Original Equipment Manufacturers ("OEM") in the Far East (China), often based on designs developed by us, selected on the basis of their quality and potential for achieving high-profit margins in our markets. We market and sell these products under our own brands, successfully competing with products of comparable quality marketed under international brands.

We believe that keeping a share of private label business in our total revenues at healthy levels will have a positive impact on the overall profitability, as these products deliver a higher profit margin, compared to international suppliers' products distributed by us. We will increase such sales though only to the extent this comes with high gross and net margins and healthy cash flow.

We aim to continue expanding the range of our private label products and strengthening their promotion in our markets and we expect that this will have a positive impact on our profitability.

d) Further developing of the VAD business

Development of Value-Added-Distribution (VAD) solutions is a key priority of the Group. Following the changes in the market trends and the significant increase in storage as well as other commercial services leave no room but to ensure that we are re-enforcing our presence in this segment.

e) Decreasing cost of financing

Distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is expensive. The Company has already negotiated better terms with some of its supply-chain financiers and bankers and is currently undertaking certain extra steps to further lower cost of financing. However, the cost of financing in Russia, Ukraine, Belarus and Kazakhstan is quite high - but quite necessary for hedging purposes - and this may limit our efforts to further decrease our average cost of debt.

In 2019 we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost. A significant year-on-year reduction in the Weighted Average Cost of Debt («WACD») has been achieved due to decreasing US Libor rates and an overall decrease in the margin paid to financial institutions.

f) Controlling our cost structure, enhancing operating efficiency and automated processes, including online sales channels;

We continue to focus on improving our operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins. Our cost structure has been increased during 2019 as a ratio to revenues, however, in absolute numbers, it grew due to increase of gross profit and investments made in human capital in all regions of our operations. The cost structure will continue to be under strict control in the coming years.

g) Continuing our successful foreign exchange hedging

In 2019 our FX hedging strategy has successfully shielded our results. However, since there is no such thing as perfect hedging, the currency environment needs to be closely monitored and FX hedging strategies updated as soon as new developments are visible in the markets.

Real property and other tangible assets

The table below presents our main real properties:

Name of company	Country	Area (m ²)			Total Built Area
		Land	Office	Warehouse	
ASBISc Enterprises Plc	Cyprus	530	1,630	200	1,830
Asbis CZ, spol s.r.o.	Czech Republic	5,000	232	1,300	1,532
Asbis Ukraine Limited	Ukraine	-	2,646	348	2,994
ASBC Ltd	Belarus	-	1,056	-	1,056
Asbis SK sp.l. sr.o.	Slovakia	10,397	2,276	4,622	6,898
Asbis Middle East FZE	United Arab Emirates	-	1,086	4,477	5,563
CJSC ASBIS (Asbis BY)	Belarus	-	1,205	1,030	2,235
ASBIS Bulgaria Ltd	Bulgaria	3,855	-	-	-
TOTAL					22,108

Our remaining premises are under lease.

Information regarding real property owned by us and relevant encumbrances are provided in the annual consolidated audited financial statements included elsewhere in this report. Other than this real property, we do not hold any other significant tangible assets.

Intellectual Property

We have registered the following trademarks, including their word and graphical representations in colour and design.

- a) ASBIS
- b) "CANYON";
- c) "PRESTIGIO" and its product group trademarks, which include Nobile, Cavaliere, Signore, Visconte, Emporio, Prestigio Multi-Pad and Prestigio Grace
- d) "Euromall"; and
- e) "PrestigioPlaza.com"

Most of these trademarks are registered and protected in the countries in which we operate, both under international, regional and national registration schemes and systems, to the extent and other terms set forth in the provisions based on which they were registered. The registrations are mostly in the international class of goods 09, computers and IT products, and related classes of services.

In addition, we have registered a number of domain names for ASBIS, ISA Hardware, Canyon and Prestigio.

Insurance

We hold two different types of insurance: products or "cargo" insurance and credit insurance.

Products insurance. We have a products insurance policy with M.N. Leons B.V. We assume the risks of products we receive from our suppliers only upon transfer of legal title, and thereafter.

Under our product insurance policy, covering the twenty-four months ending 1 January 2021 with tacit renewal thereafter our products are insured for a maximum of U.S. \$ 4,000 from any single shipment of computers, monitors and supplies of accessories transported from country to country or warehouse to warehouse. Typical shipment values for each warehouse are as follows: Czech Republic: U.S. \$ 120 and the Middle East: U.S. \$ 140.

Furthermore, goods held in storage at both distribution centers (i.e., both the Czech Republic and Middle East) and certain local warehouses are insured up to US 10,000.

The aforementioned insurance coverage approximates the typical value of stock held in each warehouse.

Credit Insurance: We have a major credit insurance policy in place with Atradius Credit Insurance N.V. reducing our exposure in respect to possible non-recoverability of our receivables. The insurers have agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured about 70% of our 2019 revenues.

The major insurance policy is held with Atradius Credit Insurance N.V. which was signed in April 2008 and is renewed every year. It covers Asbisc Enterprises PLC, Asbis Middle East FZE, Asbis D.o.o. (Slovenia), Asbis Doo (Serbia), ASBIS Romania, ASBIS Bulgaria, Asbis OOO (Russian Federation), OOO MUST, ASBIS Kazakhstan and ASBIS Hungary. Each buyer, primarily our large customers, who have an approved credit limit is insured for a coverage amounting to 85%. Atradius also offers us a discretionary credit limit up to a maximum of U.S. \$ 60.

We also hold stand-alone credit insurance policies with Atradius in Slovakia covering the receivables of the country. Finally, for the receivables of the Czech Republic, we insure through a standalone policy with Euler Hermes.

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management's discussion and analysis of our financial position and results of operations review our historical financial results as at, and for the years ended, 31 December 2019 and 2018. The reader shall read the following discussion in conjunction with our audited financial statements as at 31 December 2019 and 2018, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by KPMG Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors*" and "*Information on the Company*".

Unless we indicate otherwise, references to U.S. \$, PLN and € are in thousands except for share and per share data.

Summary

The principal events of 2019 were as follows:

- Revenues in 2019 decreased by 7.5% to U.S. \$ 1,914,881 from U.S. \$ 2,069,563 in 2018.
- Gross profit in 2019 increased by 6.2% to U.S. \$ 104,146 from U.S. \$ 98,093 in 2018.
- Gross profit margin in 2019 much increased to 5.44% from 4.74% in 2018.
- Selling expenses in 2019 decreased by 6.8% to U.S. \$ 42,913 from U.S. \$ 46,030 in 2018
- Administrative expenses in 2019 have increased by 24.3% to U.S. \$ 28,147 from U.S. \$ 22,653 in 2018.
- EBITDA in 2019 amounted to U.S. \$ 37,117 in comparison to U.S. \$ 31,977 in 2018.

- As a result, we had a much improved year over 2018. In 2019 the Company posted a net profit after tax of U.S. \$ 15,240 in comparison to U.S. \$ 12,037 in 2018. This is a significant, more than 26% improvement year-on-year.

Principal Factors Affecting Financial Condition and Results of Operations

In 2019, the Company's results of operations have been affected and are expected to continue to be affected by a number of factors.

Below we present all factors that have affected and continue to affect our business:

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

Throughout the years of operation, the Company has from time to time suffered from specific in-country problems, emanating from the deterioration of specific countries' financial situation, due to a number of issues including but not limited to political instability. We need to monitor any developments, react fast and weather every risk showing up in a specific market to secure our results.

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

Currency fluctuations

The Company's reporting currency is the U.S. dollar. In 2019 approximately 50% of our revenues were denominated in U.S. dollars, while the balance is denominated in Euro, Ruble, UAH, KZT and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally (about 80%) denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro. As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Ruble, the Ukrainian Hryvnia, the Czech Koruna, the Polish Zloty, the Croatian Kuna, the Kazakhstani Tenge and the Hungarian Forint.

In particular, a strengthening of the U.S. dollar against the Euro and other currencies of the countries in which we operate may result in a decrease in revenues and gross profit, as reported in U.S. dollars, and foreign exchange loss relating to trade receivables and payables, which would have a negative impact on our operating and net profit despite a positive impact on our operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and other currencies of the countries in which we operate may have a positive impact on our revenues and gross profit, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on our operating expenses. In addition, foreign exchange fluctuation between the U.S. dollar and the Euro or other currencies of the countries in which we operate may result in translation gains or losses affecting foreign exchange reserve. Furthermore, a major devaluation or depreciation of any such currencies may result in a disruption in the international currency markets and may limit the ability to transfer or to convert such currencies into U.S. dollars and other currencies.

Despite all efforts of the Company, there can be no assurance that fluctuations in the exchange rates of the Euro and/or other currencies of the countries in which we operate against the U.S. dollar will not have a material adverse effect on our business, financial condition and results of operations. Therefore, careful observation of the currency environment remains a crucial factor for our success.

Competition and price pressure

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

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

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

Low gross profit margins

The Company's business is both a traditional distribution of third-party products and own brand. This allows the Company to deliver healthier gross profit margins when conditions are favorable.

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

In an effort to increase gross margins, the Company has developed its own brand business, that allows for higher gross profit margins. It has also invested in the VAD Business Unit which is also expected to deliver higher gross profit margins.

Inventory obsolescence and price erosion

The Company is often required to buy components and finished products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components is characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers.

This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions or even write-offs.

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

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

Credit risk

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for the majority of its revenue.

Despite all efforts to secure our revenues, certain countries remained non-insured (Ukraine and Belarus) therefore is very important for us to ensure that we find other sources of securities which help us minimizing our credit risk. The Board of Directors decided to enhance risk management procedures. These do not guarantee that all issues will be avoided, however, granted the Company with confidence that is in a position to weather any possible major credit issue that may arise.

Worldwide financial environment

The world's financial crisis has eased throughout the last few years. Following partial recovery, the Company has undertaken certain efforts to benefit from this recovery both in revenues and profitability. The revised strategy and adaptation to the new environment, i.e., by rebuilding our product portfolio, has paid off in terms of profitability and sales last year.

However, there are many uncertainties about the world economy following turmoil in different countries, the volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. A recent example is the trade war between USA and China. We believe that the Company is much more flexible and better prepared to weather any obstacles that may arise due to the worldwide financial environment.

Seasonality

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

Development of own brand business

The Company's strategy is to focus more on profitability than on revenues, thus we continue to develop the own-brand business that allows for higher gross profit margins. This includes the development of smartphones, tablets and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations.

The Company has also invested in two new own brands, Perenio - which includes the sales of smart home and smart security sensors and other products and Atlantech which aims to build an alternative servers' offering.

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

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

Despite the Company's efforts, there can be no assurance of a similar development pace in the own-brand business in future periods. This is because there may be a significant change in market trends, customer preferences or technology changes that may affect the development of own-brand business and therefore, its results.

Warranty claims from own brand products

The own-brand business requires us to put extra efforts to avoid any problems with the quality of devices. Despite all our efforts, we cannot predict if consumers decide to return significant amounts of products. This situation has much improved both in 2018 and in 2019.

This risk has negatively affected our results in the past when certain ODMs have not honored their contractual obligations on products with epidemic failure.

The Group is undertaking all possible steps towards ensuring proper compensation of past expenses.

In the same time, in an effort to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which, however, does not guarantee the elimination of the risk of warranty losses.

The 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 (especially in F.S.U. countries, such as Russia, Ukraine, Belarus and Kazakhstan) is expensive but it provides for a natural hedging. 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.

In the course of 2019, we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost. A significant year-on-year reduction in the Weighted Average Cost of Debt («WACD») has been achieved due to lower US Libor rates and an overall decrease in the margin paid to financial institutions.

Environmental and Climate Changes

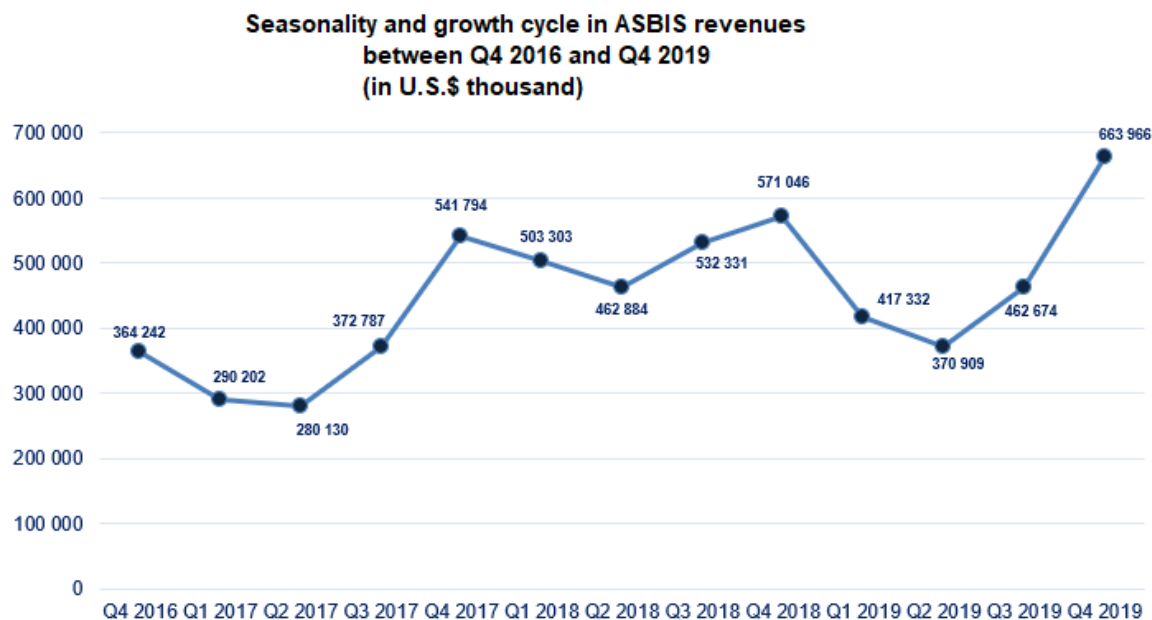
In terms of transition risks that arise from the transition to a low-carbon and climate-resilient economy we may face the following risks: policy and legal risks (there may be laws or policies put in place that may require more environmentally cautious approach to raw materials and land use), technology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

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

Financial position and results of operations / in U.S.\$ thousand/

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenues: Revenues in 2019 decreased by 7.5% to U.S. \$ 1,914,881 from U.S. \$ 2,069,563 in 2018.



The table below sets forth a breakdown of revenues, by product, for the years ended 31 December 2019 and 2018:

	2019		2018	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Smartphones	586,730	30.64%	799,059	38.61%
Central processing units (CPUs)	283,579	14.81%	231,308	11.18%
Accessories & multimedia	205,683	10.74%	142,872	6.90%
PC-mobile (laptops)	139,617	7.29%	148,910	7.20%
Hard disk drives (HDDs)	122,498	6.40%	132,398	6.40%
Servers and server blocks	89,681	4.68%	80,967	3.91%
SSD	77,625	4.05%	84,018	4.06%
Networking products	58,053	3.03%	50,660	2.45%
Tablets	55,959	2.92%	75,841	3.66%
Software	52,889	2.76%	47,741	2.31%
Other	242,567	12.67%	275,789	13.33%
Total revenue	1,914,881	100%	2,069,563	100%

ASBIS remains the distributor of first choice for many worldwide suppliers. In 2019 the Company continued its strategy to broaden its product portfolio and invest in brands which have been on top of the technological trends. All changes in our product portfolio have to comply with our main focus, which is the increase in margins and profitability.

In 2019 the strongest growth in revenues were recorded on accessories & multimedia, CPUs and networking products (+44%, +23% and +15% respectively).

Sales of CPUs increased by 23% in 2019 as compared to 2018. Sales of HDDs decreased by 7% in 2019 as compared to 2018. Revenues from software sales increased by 11% in 2019 as compared to 2018. Laptops business shrunk by 6% in 2019 as compared to 2018. Revenues from SSDs decreased by 8% in 2019 as compared to 2018.

PC desktop business increased by 3% in 2019 as compared to 2018. The tablet segment recorded a 26% decline in 2019 as compared to 2018.

Among other product lines, the Company recorded a positive trend in 2019 on the sale of accessories and multimedia (+ 44%) and networking products (+ 15%).

Revenues from own brand business were stable year-on-year as a result of our strategy to keep this segment under better operative and financial control, focusing on back-to-back deals. The Company's intention is to continue developing its own brand sales to the extent they bring targeted gross margin and deliver healthy cash flow.

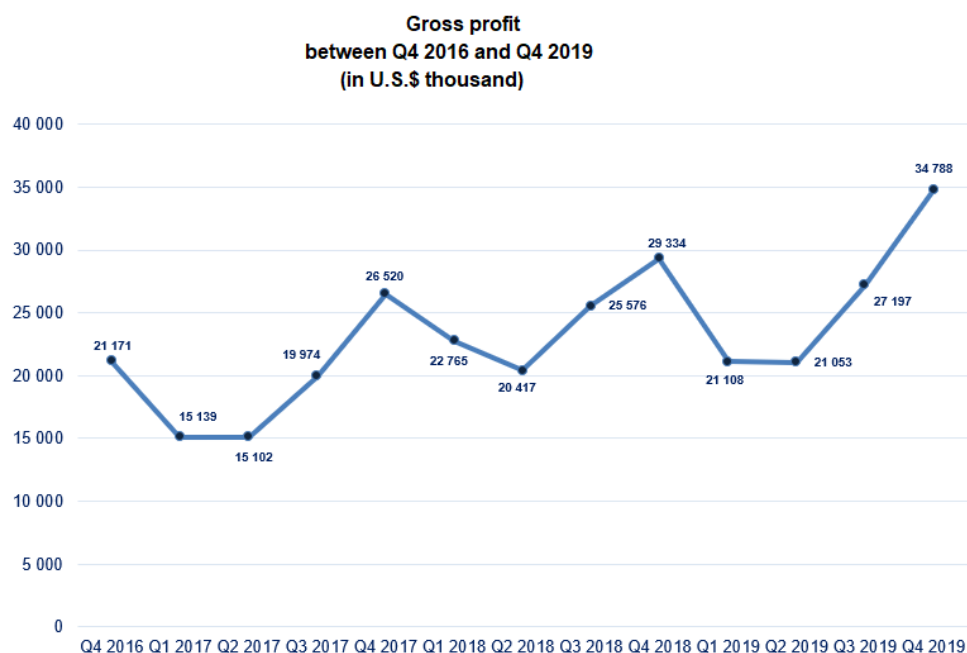
The table below presents a geographical breakdown of sales for the years ended 31 December 2019 and 2018:

	2019		2018	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Former Soviet Union	1,024,436	53.50%	1,085,559	52.45%
Central and Eastern Europe	505,974	26.42%	575,107	27.79%
Middle East and Africa	217,855	11.38%	202,664	9.79%
Western Europe	127,464	6.66%	163,672	7.91%
Other	39,152	2.04%	42,561	2.06%
Total	1,914,881	100%	2,069,563	100%

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2019 and 2018:

2019				2018		
	Country	Sales in U.S. \$ thousands	% of total revenues	Country	Sales in U.S. \$ thousands	% of total revenues
1.	Russia	352,071	18,39%	Russia	369,040	17.83%
2.	Ukraine	310,763	16,23%	Ukraine	297,944	14.40%
3.	Slovakia	177,946	9,29%	Kazakhstan	198,803	9.61%
4.	Kazakhstan	175,023	9,14%	Slovakia	191,667	9.26%
5.	United Arab Emirates	150,010	7,83%	United Arab Emirates	152,663	7.38%
6.	Belarus	124,995	6,53%	Belarus	119,377	5.77%
7.	Czech Republic	77,803	4,06%	Czech Republic	83,520	4.04%
8.	Romania	55,109	2,88%	The Netherlands	72,718	3.51%
9.	The Netherlands	50,958	2,66%	Romania	71,220	3.44%
10.	Poland	49,783	2,60%	Hungary	35,104	1.70%
11.	Other	390,420	20,39%	Other	477,507	23.07%
	TOTAL	1,914,881	100,00%	TOTAL	2,069,563	100%

Gross Profit: Gross profit in 2019 increased by 6.2% to U.S. \$ 104,146, as compared to U.S. \$ 98,093 in 2018.



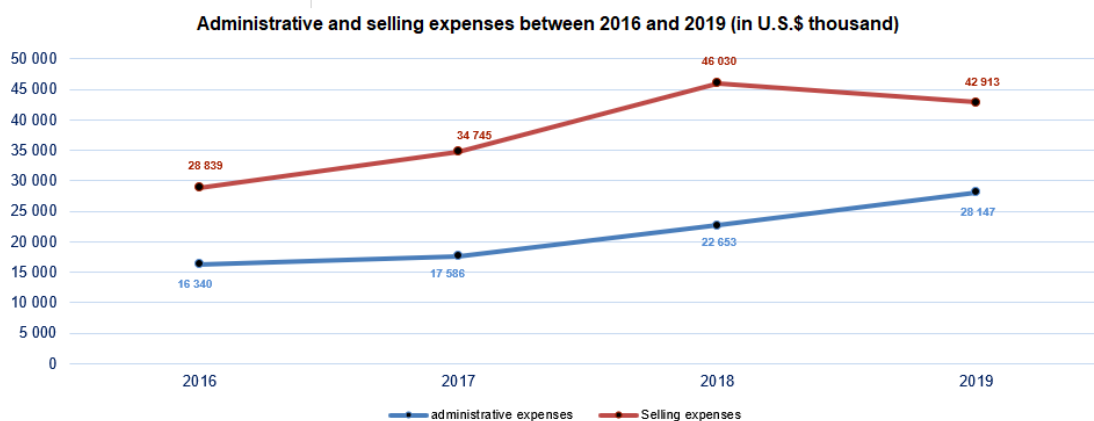
Gross profit margin (gross profit as a percentage of revenues): Gross profit margin in 2019 much improved to 5.44% from 4.74% in 2018. This was a result of strong efforts of the management team to refine the Company's product portfolio by adding new product lines with higher gross profit margins.

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

Selling expenses in 2019 decreased by 6.8% to U.S. \$ 42,913 from U.S. \$ 46,030 in 2018.

Administrative Expenses: largely comprise of salaries and wages of administrative personnel.

Administrative expenses in 2019 increased by 24.3% to U.S. \$ 28,147 from U.S. \$ 22,653 in 2018.



EBITDA: EBITDA in 2019 amounted to U.S. \$ 37,117 in comparison to U.S. \$ 31,977 in 2018 (a strong improvement of 16.1%).

Profit After Taxation: As a result of strong growth in gross profit and controlled expenses, in 2019 the Company posted a net profit after tax of U.S. \$ 15,240 in comparison to U.S. \$ 12,037 in 2018. This is a significant 26.6% improvement year-on-year.

Liquidity and Capital Resources

The Company has in the past funded its liquidity requirements, including ongoing operating expenses and capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. Cash flow for 2019 was strong despite high level of revenues, increased working capital utilization and dividend and interim dividend payout.

The following table presents a summary of cash flows for the twelve months ended December 31st, 2019 and 2018 (in U.S. \$ thousand):

	Twelve months ended December 31st	
	2019	2018
Net cash inflows from operating activities	29,491	18,679
Net cash outflows from investing activities	(3,640)	(3,132)
Net cash outflows from financing activities	(5,654)	(3,370)
Net increase in cash and cash equivalents	20,197	12,176

Net cash inflows from operations

Net cash inflows from operations amounted to U.S. \$ 29,491 in 2019, compared to U.S. \$ 18,679 in 2018.

Net cash outflows from investing activities

Net cash outflows from investing activities were U.S. \$ 3,640 in 2019, compared to U.S. \$ 3,132 in 2018.

Net cash outflows from financing activities

Net cash outflows from financing activities were U.S. \$ 5,654 in 2019, compared to U.S. \$ 3,370 in 2018.

Net increase in cash and cash equivalents

Because of increased working capital efficiency and higher profitability, in 2019 cash and cash equivalents have increased by U.S. \$ 20,197 compared to an increase of U.S. \$ 12,176 in 2018.

Capital Resources

The Company's management believe that the Company has ample resources to finance its operations, as described in the audited financial statements attached to this annual report, going forward.

As at 31 December 2019, we had a total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. \$ 51,680 (including U.S. \$ 35 of current maturities due within one year from 31st, December 2019), compared to U.S. \$ 69,301 (including U.S. \$ 45 of current maturities, as at 31 December 2018).

The table below presents our principal debt facilities as at 31 December 2019:

<i>ENTITY</i>	<i>Financial institution</i>	<i>Type of facilities</i>	<i>Credit limit</i>	<i>Currency</i>	<i>Rate</i>	<i>US\$ Equivalent</i>	<i>Valid from</i>	<i>Valid till</i>
Asbisc Enterprises Plc	Cyprus Development Bank	L/C-Bank Guarantees	3 933 000	USD	1,00	\$ 3 933 000	23.Sep.10	non term
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	3 100 000	USD	1,00	\$ 5 899 250	23.Sep.10	non term
Asbisc Enterprises Plc	Barclays Bank Plc	Bank Guarantees	10 000 000	USD	1,00	\$ 10 000 000	23.Dec.15	22.Dec.20
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	10 959 850	USD	1,00	\$ 10 959 850	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	SBLC-Bank Guarantees	22 279 925	USD	1,00	\$ 22 279 925	10.Sep.18	25-Sep-20
Asbisc Enterprises Plc	Bank of Cyprus Factors	Factoring	14 000 000	USD	1,00	\$ 14 000 000	1.Jan.15	non term
Asbisc Enterprises Plc	Raiffeisen Bank International	Overdraft	2 000 000	USD	1,00	\$ 2 000 000	21.Sep.17	non term

Asbisc Enterprises Plc	Societe Generale Cyprus	SBLC	3 000 000	USD	1,00	\$	3 000 000	30.Sep.18	4.Oct.20
Asbisc Enterprises Plc	Societe Generale Cyprus	Overdraft	2 000 000	USD	1,00	\$	2 000 000	31.May.18	non term
Asbisc Enterprises Plc	Všeobecná úverová banka a.s.	Overdraft	8 000 000	USD	1,00	\$	8 000 000	30.Oct.19	31.Oct.20
Asbisc Enterprises Plc	National Bank of Greece - Cyprus	Overdraft	7 000 000	USD	1,00	\$	7 000 000	7.Mar.18	non term
ASBIS Kypros Ltd	Bank of Cyprus	Factoring	800 000	Euro	0,89	\$	895 760	18-Jul-12	non term
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	500 000	Euro	0,89	\$	559 850	20-Aug-08	non term
ASBIS Kypros Ltd	Ancoria Bank	Overdraft	100 000	Euro	0,89	\$	111 970	16-Jan-18	15-Jan-20
Prestigio Plaza	Bank of Cyprus	Overdraft	50 000	Euro	0,89	\$	55 985	30-Jul-16	non term
Asbis CZ, spol s.r.o	CSOB bank	Revolving	80 000 000	Koruna	22,62	\$	3 536 537	14.sty.16	non term
Asbis CZ, spol s.r.o	CSOB bank	Overdraft	15 000 000	Koruna	22,62	\$	663 101	14.sty.16	non term
Asbis CZ, spol s.r.o	ČSOB Factoring	Factoring	120 000 000	Koruna	22,62	\$	5 304 805	07.sty.16	non term
Asbis Poland	BOŚ Bank S.A.	Overdraft	3 200 000	Polish Zloty	3,80	\$	842 615	13.lis.15	29-Apr-20
Asbis Poland	Credit Agricole Bank Polska S.A.	SBLC Line	1 000 000	USD	1,00	\$	1 000 000	11.maj.16	10-May-20
Asbis Romania SRL	ALPHA BANK	Overdraft	17 000 000	RON	4,26	\$	3 989 861	15-Nov-18	15-Sep-20
Asbis Romania SRL	BRD-GSG	Factoring	7 200 000	RON	4,26	\$	1 689 824	1-Oct-16	NON TERM
Asbis Romania SRL	CITI	Factoring	10 000 000	RON	4,26	\$	2 346 977	30-Oct-17	NON TERM
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	20 000 000	Euro	0,89	\$	22 394 000	1-Nov-17	31-Oct-20
Asbis SK spol s.r.o	CSOB Leasing	Financial Leasing	44 607	Euro	0,89	\$	49 946		
Asbis SK spol s.r.o	Všeobecná úverová banka a.s.	Overdraft - committed line	20 000 000	Euro	0,89	\$	22 394 000	18-Jul-18	31-Oct-20
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	Short term Loan	18 375 000	HRK	6,65	\$	2 763 195	24-Aug-19	24-Aug-20
ASBIS Cr d.o.o	Societe Generale-Splitska Banka D.D	bank guarantee	300 000	HRK	6,65	\$	45 113	5-Jul-19	5-Jul-20
Asbis D.o.o Beograd	Eurobank	Short term Loan	52 000 000,00	RSD	104,92	\$	495 622	5.Mar.19	5.Mar.20
Asbis D.o.o Beograd	Eurobank	Customs Guarantee	15 000 000,00	RSD	104,92	\$	142 968	8-Mar-19	8-Sep-20
Asbis D.o.o Beograd	Addiko Bank	Revolving Credit	37 000 000,00	RSD	104,92	\$	352 654	2-Apr-19	2-Apr-20
Asbis D.o.o Beograd	Addiko Bank	Overdraft	10 000 000,00	RSD	104,92	\$	95 312	2-Apr-19	2-Apr-20
Asbis D.o.o Beograd	Addiko Bank	Long Term Loan	15 000 000,00	RSD	104,92	\$	142 968	2-Apr-19	30-Apr-21
Asbis D.o.o Beograd	Addiko Bank	Bank Guarantees line	17 638 920,00	RSD	104,92	\$	168 120	20-Apr-17	20-Apr-20
Asbis Hungary Ltd	Erste Bank	Short term Loan	600 000 000	HUF	294,74	\$	2 035 692	27-Apr-18	non term
Asbis Slovenia d.o.o	Addiko bank d.d.	Short term Loan	300 000	Euro	0,89	\$	335 910	1-Dec-19	30-Nov-20
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Revolving loan	4 475 000	BGN	1,74		2 570 377	30-Jun-19	30-Jun-20
Asbis Bulgaria Ltd	Unicredit Factoring EAD	Factoring line	2 000 000	BGN	1,74		1 148 772	31-Dec-16	30-Jun-20
Asbis Bulgaria Ltd	Citibank N.A. - Sofia Branch	Factoring line	1 000 000	BGN	1,74		574 386	12-Sep-12	non term
Asbis Bulgaria Ltd	UBB Factoring	Factoring line	1 300 000	BGN	1,74		746 702	9-Aug-19	9-Aug-20
Asbis Middle East FZE	National Bank of Fujairah	Trust Receipt Loan	20 000 000	Dirham	3,68	\$	5 442 177	26.Dec.06	TILL DATE
Asbis Middle East FZE	National Bank of Fujairah	Factoring / Discounting	10 000 000	Dirham	3,68	\$	2 721 088	26.Dec.06	TILL DATE
Asbis Middle East FZE	National Bank of Fujairah	Short term Loan (via invoice discounting)	3 000 000	Dirham	3,68	\$	816 327	8.Feb.18	TILL DATE
OOO Asbis-Moscow	Sberbank	Overdraft	200 000 000	Rur	61,91	\$	3 230 720	7-May-19	6-May-20
OOO Asbis-Moscow	Sberbank	Short term Loan	350 000 000	Rur	61,91	\$	5 653 760	20-May-19	19-May-21
OOO Asbis-Moscow	Sberbank	Factoring	457 000 000	Rur	61,91	\$	7 382 196	30-May-16	till date
OOO Asbis-Moscow	MTS	Factoring	120 000 000	Rur	61,91	\$	1 938 432	6-Sep-19	till date
OOO Asbis-Moscow	Absolut Bank	Factoring	107 000 000	Rur	61,91	\$	1 728 435	2-Sep-15	till date
OOO Asbis-Moscow	Zenit	Factoring	800 000 000	Rur	61,91	\$	12 922 881	25-Sep-18	uncertain term
OOO Asbis-Moscow	NFK	Factoring	122 703 313	Rur	61,91	\$	1 982 100	10-May-17	till date

OOO Asbis-Moscow	OTP	Factoring	93 000 000	Rur	61,91	\$	1 502 285	29-Jun-18	till date
Limited Company MUST	Sberbank	overdraft	180 000 000	Rur	61,91	\$	2 907 648	26-Sep-19	20-Sep-20
ASBIS Bosnia	SBERBANK BH d.d.	Overdraft	350 000	KM	1,75	\$	200 230	6-Sep-18	2-Feb-22
ASBIS Bosnia	SBERBANK BH d.d.	Revolving	1 150 000	KM	1,75	\$	657 897	6-Sep-18	2-Feb-22
ASBIS Bosnia	SBERBANK BH d.d.	Bank guarantees	500 000	KM	1,75	\$	286 042	6-Sep-18	2-Feb-22
ASBIS Bosnia	Raiffeisen Bank d.d.	Revolving	850 000	KM	1,75	\$	486 272	30-Dec-18	30-Dec-22
ASBIS Bosnia	Raiffeisen Bank d.d.	Overdraft	300 000	KM	1,75	\$	171 625	30-Dec-18	30-Dec-22
ASBIS Bosnia	Raiffeisen Bank d.d.	Bank guarantees	450 000	KM	1,75	\$	257 438	30-Dec-18	30-Dec-22
ASBIS Bosnia	ASA BANKA d.d. Sarajevo	Revolving	531 722	KM	1,75	\$	304 190	20-Aug-19	20-Aug-20
ASBIS Bosnia	ASA BANKA d.d. Sarajevo	Bank guarantees	268 278	KM	1,75	\$	153 478	10-Sep-19	10-Nov-22
Asbis Baltics (Latvia)	OP BANK	Factoring	550 000	EUR	0,89	\$	615 835	28-Aug-17	till date
Asbis Baltics (Latvia)	OP BANK	Overdraft	1 000 000	EUR	0,89	\$	1 119 700	15-Aug-18	15-Aug-20
Zao Asbis (Asbis Belarus)	VTB BANK	Short Term Loan	7 600 000	BYN	2,10	\$	3 612 854	29-Oct-18	27-Aug-21
Zao Asbis (Asbis Belarus)	Bank Dabrabyt	Short Term Loan	6 000 000	USD	1,00	\$	6 000 000	8-Apr-19	7-Apr-20
Zao Asbis (Asbis Belarus)	Bank Dabrabyt	Overdraft	2 700 000	BYN	2,10	\$	1 283 514	16-Apr-19	15-Apr-20
Zao Asbis (Asbis Belarus)	Bank Dabrabyt	Factoring	2 500 000	BYN	2,10	\$	1 188 439	25-Jul-18	24-Jul-20
Zao Asbis (Asbis Belarus)	Priorbank (RBI Group)	Factoring	2 250 000	BYN	2,10	\$	1 069 595	9-Dec-16	31-May-20
ASBC (707)	VTB Bank	Short term Loan	2 150 000	BYN	2,10	\$	1 022 057	22-Oct-19	22-Aug-22
ASBC (707)	Bank "BelVEB"	Overdraft	345 000	BYN	2,10	\$	164 005	14-Feb-19	11-Feb-22
ASBIS Kazakhstan	Alfabank	Short Term Loan	600 000 000	KZT	381,18	\$	1 574 059	4-May-14	4-May-21
ASBIS Kazakhstan	Alfabank	Factoring	11 900 000 000	KZT	381,18	\$	31 218 847	8-Aug-14	8-Aug-21
ASBIS Ukraine	OTP Bank	Short Term Loan	50 000 000	UAH	23,69	\$	2 110 934	14-Nov-14	21-Jul-21
ASBIS Ukraine	First Ukrainian International bank	Factoring	191 000 000	UAH	23,69	\$	8 063 767	5-Sep-19	30-Sep-20
ASBIS Ukraine	OTP Bank	Factoring facility	200 000 000	UAH	23,69	\$	8 443 735	10-Jul-19	21-Jul-21
ASBIS Ukraine	OTP Bank	Overdraft facility	30 000 000	UAH	23,69	\$	1 266 560	10-Jul-19	20-Jul-20
Asbis Ukraine	Credit Agricole	Short Term Loan	68 689 980	UAH	23,69	\$	2 900 000	30-Apr-19	30-Apr-20
Asbis Ukraine	TASCOMBANK	Factoring facility	249 900 000	UAH	23,69	\$	10 550 447	6-Jun-19	3-Jun-22
ASBC LLC (AZ)	Kapital Bank	Short Term Loan	50 000	AZN	1,70	\$	29 412	16-Apr-19	16-Apr-20
PERENIO IOT (Prestigio Europe)	ČSOB bank	overdraft	2 000 000	CZK	22,62	\$	88 413	1.Sep.14	non term
							\$	299 592 442	

Capital Expenditure

Our total capital expenditure for tangible and intangible assets amounted to U.S. \$ 2,870 for the year ended 31 December 2019, compared to U.S. \$ 3,014 for the year ended 31 December 2018.

Commitments and contingencies

Commitments and contingencies are presented in the audited financial statements included elsewhere in this annual report.

Critical Accounting Policies

The preparation of our financial statements under IFRS requires Management to select and apply certain accounting policies that are important to the presentation of our financial condition and results of operations. Certain of our accounting policies have been identified as critical accounting policies. A "critical accounting policy" is one that both (i) is significant to our financial condition and results of operations (in that the application of a different accounting principal or changes in related estimates and assumptions that Management could reasonably have used or followed would have a material impact on our financial condition and results of operations) and (ii) requires difficult, complex or subjective analysis to be made by Management based on assumptions determined at the time of analysis.

Our accounting policies are reviewed on a regular basis and Management believe that the assumptions and estimates made in the application of such policies for the purposes of preparing our financial statements are reasonable; actual amounts and results, however, could vary under different methodologies, assumptions or conditions. Our accounting policies and certain critical accounting estimates and judgments with respect to the preparation of our financial statements are described in Note 2 to the financial statements included elsewhere in this annual report.

ITEM 4. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

The Board of Directors is responsible for formulating, reviewing and approving our strategy, budgets and corporate actions. We intend to hold Board of Directors meetings at least four times each financial year and at other times as and when required.

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1964	Chairman, Chief Executive Officer	30 August 1999	8 May 2020	Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	8 May 2020	Cypriot
Constantinos Tziamalis	1975	Director of Risk & Investor Relations	23 April 2007	8 May 2021	Cypriot
Yuri Ulasovich	1962	Director, COO	29 September 2015	8 May 2020	Cypriot
Demos Demou	1969	Non-Executive Director	7 August 2015	8 May 2021	Cypriot
Tasos A. Panteli	1976	Non-Executive Director	18 April 2019	8 May 2021	Cypriot

The biographical details of the members of our Board of Directors are set out below:

Siarhei Kostevitch, born in 1964, holds a Master's degree in radio engineering design from the Radio Engineering University of Minsk (1987). Between 1987 and 1992, Siarhei worked as a member of the Research Center at the Radio Engineering University in Minsk, where he published a series of articles on microelectronics design in local and worldwide specialist magazines. In 1990, Siarhei established a design and manufacturing business in Minsk, Belarus, and within 15 years has built it into the leading computer component distributor in Eastern Europe and the Former Soviet Union. Siarhei is the Chairman and the CEO of the Group.

Marios Christou, born in 1968, holds a B.A., dual major in Accounting and Information Systems and Economics, from Queens College of the City University of New York (C.U.N.Y.) (1992), and an M.B.A. in International Finance from St. John's University, New York (1994). Marios is also a Certified Public Accountant (CPA) and a member of the American Institute of Certified Public Accountants (AICPA). Marios worked with Deloitte & Touche Limassol, Cyprus, for four years, as an audit manager. Marios then worked as a Financial Controller at Photos Photiades Breweries Ltd (part of the Carlsberg Group of companies) for three years. Marios joined the Company in August 2001 and is the Chief Financial Officer.

Constantinos Tziamalis, born in 1975, holds a B.Sc. in Banking and Financial Services (1998) and a Masters (M.Sc.) in Finance (1999) from the University of Leicester. Constantinos Tziamalis worked at the private banking department of BNP Paribas in Cyprus and then joined a brokerage house, Proteas Asset Management Limited, for 3 years as Investor Accounts Manager. Constantinos joined the Company in January 2002 as Financial Project Manager. He was promoted to his current position as Corporate Credit Controller & Investor Relations in March 2003 and became Director of Risk and Investor Relations as of 23 April 2007. In January 2010 Constantinos has been also appointed as head of the FX Risk Management team.

Yury Ulasovich, born in 1962, joined the Group in 1995. He received a Master's degree from Novosibirsk High Military School (1983) and a Master's degree (with Honors) in Philosophy and Economics from the Moscow Academy of Armed Forces (1992), a postgraduate degree from the Institute for Higher Education of Belarus (Economic Theory and Industrial Economics) in 1995. Mr Ulasovich joined the Company in 1995 as a Regional Sales Director and was promoted to the position of Vice President - Product Marketing in 2004. He became Chief Operating Officer from August 2015.

Demos Demou, born in 1969, joined the Group in 2015. His career includes a number of managerial positions, mainly in the Shipping and Banking Industry. Currently, he is the managing director of Fidelius Management Services Ltd. In the past, he was working for a number of companies including the Limassol Cooperative Savings Bank Ltd where he held the position of the Financial Manager for 5 years, V.Ships Ltd, Comarine Ltd, Oesterreichischer Lloyd Ship Management (Cyprus) Ltd, Acomarit (Cyprus) Ltd, Blasco Ship Management (Cyprus) Ltd, Unicom Management Services Ltd and Nikos Karantokis Holdings. He is a member of the Institute of Certified Public Accountants of Cyprus since 1995, a fellow member of the Association of Chartered Certified Accountants of the United Kingdom, a member of the Society of Trust and Estate Practitioners and a graduate of the International Management Development Institute / University of Pittsburgh. Demos is the Company's Non-Executive Director.

Mr Tasos A.Panteli joined the Group in 2019. Tasos started his professional career at Nicos Chr. Anastasiades & Partners (Advocates – Legal Consultants), holding the position of Advocate in 2001. Since 2005, Tasos has been working at Andreas M. Sofocleous & Co LLC (Advocates – Legal Consultants) as Advocate (Advocate - Partner since 2010). He received a Bachelor of Laws (LLB) from the Queen Mary and Westfield College (1999), a Postgraduate Diploma in Legal Skills from the City University London, Inns of Court School of Law (2000). In the same year, he completed the Bar Vocational Course at the City University London, Inns of Court School of Law and was Called to the Bar. In 2001 he received a Master of Laws (LLM) from the King's College London. In 2002 he was admitted to the Cyprus Bar Association. He is a member of the Board of Directors of Cyprus Hydrocarbons Company (CHC) Ltd, a member of the Cyprus Bar Association and a member of the Honourable Society of Lincoln's Inn (Barrister at Law). Tasos is one of the two Non-Executive Directors of the Company.

Directors' remuneration

Unless determined by ordinary resolution, the number of Directors shall be not less than three and there shall be no maximum number of Directors.

Subject to our Articles of Association, we may by ordinary resolution appoint a person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board of Directors.

The remuneration of the Directors will from time to time be determined by the general meeting on the recommendation of the remuneration committee.

Any Director performing special or extraordinary services in the conduct of our business or in discharge of his or her duties as Director, or who travels or resides abroad in discharge of his or her duties as Director may be paid such extra remuneration as determined by the Directors, upon recommendation by the remuneration committee.

Executive Directors are also entitled to receive a bonus every quarter depending upon quarterly results. The bonus consists of a certain amount or percentage which is agreed and described in each Director's service agreements or contracts, as applicable, however, Directors only receive such a bonus to the extent profit meets certain pre-set budgetary figures. All such bonus amounts are included in the remuneration tables set forth below.

The following table presents the remuneration (including bonuses) of Directors for the years ended 31 December 2019 and 2018, in U.S.\$:

Name	Salary	Other benefits	2019 Total	Salary	Other benefits	2018 Total
Siarhei Kostevitch	335	-	335	434	-	434
Marios Christou	94	-	94	97	-	97
Constantinos Tziamalis	94	-	94	97	-	97
Yuri Ulasovich	131	-	131	138	-	138
Demos Demou	11	-	11	1	-	1
Tasos A.Panteli	10	-	10	1	-	1
TOTAL	675	-	675	768	-	768

Information about non-financial remuneration components due to each board member and key manager

Executive members of the Board of Directors are entitled to a car and medical insurance.

Significant amendments of the remuneration policy in the last financial year or information about their absence;

During 2019 there were no significant changes in the Company's remuneration policy.

Assessment of the implementation of the remuneration policy

The Board of Directors positively evaluates the functioning of the remuneration policy from the point of view of achieving its objectives, in particular, the long-term shareholder value growth and the stability of the Company's operations.

Shares ownership

The table below presents the beneficial interests of Directors in the Company's issued share capital as at the date of the publication of this annual report:

Name	Number of Shares	% of the share capital
Siarhei Kostevitch (directly and indirectly)*	20,443,127	36.83%
Constantinos Tziamalis	555,000	1.00%
Marios Christou	463,061	0.83%
Yuri Ulasovich	210,000	0.38%
Demos Demou	0	0%
Tasos A. Panteli	0	0%

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

To the best of the Company's knowledge, the members of the Board of Directors do not have any rights to the Company's shares.

During 2019 there were no changes in the number of shares possessed by the Directors.

Committees

The Audit Committee of the Company, during 2019 and till the 30th of March 2020, was comprising Tasos A. Panteli and Demos Demou (both non-executive Directors) and Marios Christou (as attending member) and is chaired by Demos Demou. The Audit Committee meets at least twice a year. Exceptionally, in March 2019, as Chris Pavlou has resigned, the auditors of the Company have reported their findings for the 2018 audit to the whole Board. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the auditors and reviews reports from the auditors relating to accounts and internal control systems. The Audit Committee meets at least once a year with the auditors.

The Remuneration Committee of the Company, during 2019 and till the 30th of March 2020, was comprising Tasos A. Panteli and Demos Demou (both non-executive Directors) and Siarhei Kostevitch (as attending member) and is chaired by Tasos A. Panteli. It sets and reviews the scale and structure of the executive Directors' remuneration packages, including share option schemes and terms of their service contracts. The remuneration and the terms and conditions of the non-executive Directors are determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options and/or treasury stock allocation to directors, managers and employees of the Company.

Changes in main management rules

There were no changes to main management rules in 2019.

List of all agreements signed with directors that gives the right to compensation in a case the person resigns or is fired

There were no changes in the service agreements of any of the directors.

Information about ownership of shares of any related parties - owned by the Directors

None of our Directors holds shares of any of our subsidiary companies, other than disclosed.

Employees

During 2019 we employed an average number of 1,594 employees, of whom 136 were employed by the Company and the remainder in the rest of the Company's offices worldwide.

The split of employees by area of activity in 2019 and 2018 is as follows:

	2019	2018
Sales and Marketing	832	750
Administration and IT	285	215
Finance	164	145
Logistics	313	291
Total	1,594	1,401

ITEM 5. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table presents shareholders possessing more than 5% of our 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 the share capital	Number of votes	% of votes
KS Holdings Ltd*	20,443,127	36.83%	20,443,127	36.83%
ASBISc Enterprises Plc (buy-back program)	274,389	0.49%	274,389	0.49%
Free-float	34,782,484	62.67%	34,782,484	62.67%
TOTAL	55,500,000	100%	55,500,000	100%

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

In 2019 there were no changes in the number of shares possessed by major shareholders.

Information on buy-back program realization:

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

Till the date of publication of this report, the Company purchased under the current buy-back program 258,000 of own shares. Thus, together with the own shares purchased in the past years at the amount of 16,389, the Company holds in total 274,389 of own shares.

Related Party Transactions

During the year ended 31 December 2019, the Company did not have any material related party transaction other than typical or routine transactions. For the ordinary course of business transactions, please refer to the notes on the audited financial statement attached on this annual report.

In the year 2019, a number of transactions have occurred between the Company and its subsidiaries and between our subsidiaries. In our opinion, all of these transactions were based on terms that did not vary from market terms and their nature and conditions resulted from ongoing needs and operations of the Company and of the Group, such as contracts related to the purchases of goods for onward distribution to external clients. All of these transactions and related outstanding balances were eliminated in the Financial Statements included in this Annual Report and, as a result, did not have any impact on our consolidated financial results and on our financial position as a whole.

ITEM 6. FINANCIAL INFORMATION

Legal Proceedings

Currently, there are no legal significant proceedings pending against us or any of the members of our Group.

Information on loans granted to any other party

During the year ended 31st December 2019, we have not granted any loan to any other party other than to our subsidiaries which are disclosed in another part of this report (audited financial statements).

Information on granted guarantees

We grant certain guarantees to some of our vendors and to certain customs authorities. All our guarantees are reported in the financial statements section of this annual report.

The total corporate guarantees the Company has issued, as at December 31st, 2019 to support its subsidiaries' local financing, amounted to U.S.\$ 194,343.

The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at December 31st, 2019 was U.S.\$ 41,266 – as per note number 17 to the financial statements.

Evaluation of financial resources management (including the ability to pay back commitments) and information about actions undertaken to avoid risks

This has been discussed in note 32 of our financial statements to this annual report under the headline Financial Risk management.

Evaluation of the possibility of realization of investment intentions

The Company has completed almost all of its current investments in prior years and in 2019 intends to mainly grow organically, therefore there is low risk connected with the realization of current investment intentions.

Characteristics of the structure of assets and liabilities in the consolidated balance sheet including characteristics from the point of view of Company liquidity

The structure of assets and liabilities in the balance sheet including characteristics from the point of view of the Company's liquidity has been discussed in detail in the financial statements included in this annual report:

- a) note 14 - Trade receivables - Ageing analysis of receivables
- b) note 32 – Financial risk management – point 1.3. Liquidity risk

Information about the structure of main deposits and capital investments in 2019

There were no deposits other than those disclosed as pledged deposits in the financial statements to this annual report.

There were no other capital investments than the ones disclosed in note 10 of the financial statements included in this annual report.

Information about relevant off-balance sheet positions as at December 31st, 2019

There were no relevant off-balance sheet positions as at December 31st, 2019 other than Bank Guarantees disclosed in note 23 of the audited financial statements.

DIVIDEND POLICY

Our dividend policy is to pay dividends at levels consistent with our growth and development plans while maintaining a reasonable level of liquidity.

The Board of Directors taking into consideration the strong growth in 2018 and very good results in 2019, decided to propose to the AGM a dividend payout from the Company's profit for 2018 of U.S.\$ 0.10 cents per share and a dividend payout from the Company's profit for 2019 of U.S.\$ 0.135 per share (including the interim dividend paid in December 2019 of U.S.\$ 0.06 per share). Any future dividends will be solely at the discretion of the Board of Directors and the General Meeting of shareholders after considering various factors, including business prospects, future earnings, cash requirements, financial position, expansion plans and requirements of the Cyprus law.

The Cyprus law does not limit dividends that may be paid out except that it states that dividends may only be paid out of profits and may not be higher than those recommended by the Board of Directors.

Throughout recent years the Group has always followed a steady Dividend Policy, by not paying anything more than 50% of the profitability of the precedent year.

Significant Contracts

During 2019 neither the Company nor any of the members of our Group have concluded any significant contracts.

PART II

ITEM 7. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We enter into agreements with our principal auditors, KPMG Limited, as well as other auditors of Group companies, to review interim (period ending the 30th of June) and audit annual financial statements (fiscal year ending 31 December).

The last agreement has been signed on the 20th of July 2018.

The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2019, and 2018:

(U.S. \$)	2019	2018
Auditors fees regarding annual report ⁽¹⁾	390	378
Auditors fees regarding other approval services	0	0
Auditors fees for tax advisory	25	9
Auditors fees for other services	8	0
Total fees	423	387

⁽¹⁾ Positions in the table include fees and expenses for certain services (i.e. in relation to reviews and audits of financial statements) for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

ITEM 8. ASBISC ENTERPRISES PLC STATEMENT ON NON-FINANCIAL INFORMATION FOR THE YEAR 2019

According to art. 55.2b of the Polish Bill of Accounting (which implements the 2014/95/EU Directive into Polish law), ASBISc Enterprises Plc presents separately a consolidated report on non-financial information for Y2019.

The report includes all non-financial information regarding the ASBISc Enterprises Plc Group in the period from January 1 to December 31, 2019.

The report is available at the Company website <http://investor.asbis.com/csr-reports>

Signatures:

.....
Siarhei Kostevitch
Chairman, Chief Executive Officer
Member of the Board of Directors

.....
Marios Christou
Chief Financial Officer
Member of the Board of Directors

.....
Constantinos Tziamalis
Director of Credit and Investor Relations
Member of the Board of Directors

.....
Yuri Ulasovich
Director
Member of the Board of Directors

ITEM 9. MANAGEMENT REPRESENTATIONS

In accordance with the requirements of the Decree of the Minister of Finance of March 29th, 2018 on current and periodic information to be published by issuers of securities and on rules of recognition of information required by law of a non-member country as equivalent, the Board of Directors of ASBISc Enterprises Plc hereby represents that:

- a) to its best knowledge, the annual 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 results of operations, and that the annual Directors',
- b) The report gives a true view of the Group's development, achievements and position, including a description of the basic risks and threats;
- c) The Company adheres to the provisions regarding the appointment, composition and functioning of the audit committee, including the fulfilment of independence criteria by its members and the requirements for knowledge and skills in the industry in which ASBISc Enterprises Plc operates and in the field of accounting or auditing
- d) The audit committee performed the tasks provided for in the applicable regulations
- e) The auditing company and the members of the audit team met the conditions for drawing up an unbiased and independent audit report on the annual consolidated financial statements in accordance with applicable regulations, professional standards and professional ethics,
- f) The applicable regulations related to the rotation of the auditing company and the key statutory auditor and mandatory grace periods are observed
- g) The issuer has a policy regarding the selection of the audit company and the policy for providing the issuer by the auditing company, an entity related to the auditing company or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition by the audit company

Signatures:

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Siarhei Kostevitch

Chairman, Chief Executive Officer

Member of the Board of Directors

.....
Marios Christou
Chief Financial Officer
Member of the Board of Directors

.....
Constantinos Tziamalis
Director of Credit and Investor Relations
Member of the Board of Directors

.....
Yuri Ulasovich
Director
Member of the Board of Directors

Limassol, 30th of March 2020