**ASBISc Enterprises plc**

# INTERIM REPORT
# FOR THE SIX MONTHS
# ENDED 30 JUNE 2016

Limassol, 11 August 2016

**TABLE OF CONTENTS**

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

We have prepared this report as required by Paragraph 82 section 1 point 2 of the Regulation of the Ministry of Finance dated 19 February 2009 on current and periodic information to be published by issuers of securities and conditions of recognition of information required by the law of non-member country as equal.

### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this six month report all references to the Company apply to ASBISc Enterprises Plc and all references to the Group apply to ASBISc Enterprises Plc and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group (including its particular subsidiaries, depending on the country discussed), unless from the context it is clear that they apply to the Company alone.

#### Financial and Operating Data

This six month report contains financial statements of, and financial information relating to the Group. In particular, this six month report contains our interim consolidated financial statements for the six months ended 30 June 2016. The financial statements appended to this six month report are presented in U.S. dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34.

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

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

#### Currency Presentation

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

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

### FORWARD-LOOKING STATEMENTS

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

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

## Part I Additional information

### 1. Overview

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

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

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

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

### 2. Executive summary for the three and six months periods ended June 30th, 2016

In both Q2 2016 and H1 2016 the Company's results were much improved as compared to the corresponding periods of 2015. This improvement was mainly a result of restructuring actions started back in 2015. Thus, while revenues were quite similar year on year, gross profit margins and gross profit significantly increased. This increase, coupled with much lower selling, administration and financial expenses, allowed the Company to turn large losses of H1 2015 to net profit after tax in H1 2016. Having seen H1 2016 results, the Company's Directors believe that the remainder of the year will be much improved and the Company will generate results in line with its financial forecast for Y2016.

**The principal events of the three months period ended June 30th, 2016, were as follows:**

- In Q2 2016 revenues increased by 1.21% to U.S.$ 248,320 from U.S.$ 245,353 in the corresponding period of 2015.

- In Q2 2016 gross profit increased by 70.01% to U.S.$ 14,069 from U.S.$ 8,276 in the corresponding period of 2015. This growth is much stronger than the growth in revenues.

- In Q2 2016 gross profit margin increased by 67.98% to 5.67% from 3.37% in the corresponding period of 2015. This was also higher than in Q1 2016.

- In Q2 2016 selling expenses decreased by 6.16% to U.S.$ 6,535 from U.S.$ 6,964 in the corresponding period of 2015. This is mainly due to cost cutting actions introduced by the Company from 2015.

- In Q2 2016 administrative expenses decreased by 21.05% to U.S.$ 3,984 from U.S.$ 5,046 in the corresponding period of 2015, following cost cutting actions started back in 2015.

- In Q2 2016 EBITDA was positive and amounted to U.S.$ 8,352 compared to a negative value of U.S.$ 3,091 in the corresponding period of 2015.

- The Company closed Q2 2016 with a net profit after tax amounting to U.S.$ 220 compared to a net loss of U.S.$ 6,941 in Q2 2015. This improvement exceeding U.S.$ 7 million resulted from a combination of higher gross profit margin and cost cutting actions.

**Following table presents revenues breakdown by regions in the three month period ended June 30th, 2016 and 2015 respectively (in U.S.$ thousand):**

| Region | Q2 2016 | Q2 2015 | Change % |
|---|---|---|---|
| **Central and Eastern Europe** | 102,124 | 101,127 | +0.99% |
| **Former Soviet Union** | 93,953 | 87,144 | +7.81% |
| **Middle East and Africa** | 36,570 | 37,585 | -2.70% |
| **Western Europe** | 6,864 | 9,183 | -25.26% |
| **Other** | 8,810 | 10,313 | -14.57% |
| **Grand Total** | **248,320** | 245,353 | **+1.21%** |

**The principal events of the six month period ended June 30th, 2016, were as follows:**

- Revenues decreased by 5.64% to U.S.$ 497,414 from U.S.$ 527,161 in the corresponding period of 2015. This slight decrease mostly relates to Q1 2016.

- Gross profit increased by 80.53% to U.S.$ 27,371 from U.S.$ 15,162 in the corresponding period of 2015. This is owed to the growth in gross profit margin, as revenues were slightly decreased.

- Gross profit margin increased by 91.33% to 5.50% from 2.88% in the corresponding period of 2015.

- Selling expenses decreased by 24.99% to U.S.$ 12,680 from U.S.$ 16,903 in the corresponding period of 2015, as a result of cost cutting actions started back in 2015.

- Administrative expenses decreased by 25.74% to U.S.$ 7,872 from U.S.$ 10,601 in the corresponding period of 2015. This is connected with cost cutting actions started back in 2015.

- EBITDA amounted to a positive value of U.S.$ 7,871 from a negative value of U.S.$ 11,071 in the corresponding period of 2015.

- As a result of similar revenues, higher gross profit and gross profit margins, and decreased expenses, the Company has generated a net profit after tax amounting to U.S.$ 621 compared to a net loss of U.S.$ 19,346 in the corresponding period of 2015, almost a U.S.$ 20 million improvement year on year.

**Following table presents revenues breakdown by regions in the six month periods ended June 30th, 2016 and 2015 respectively (in U.S.$ thousand):**

| Region | H1 2016 | H1 2015 | Change % |
|---|---|---|---|
| **Central and Eastern Europe** | 201,537 | 230,651 | -12.62% |
| **Former Soviet Union** | 167,878 | 167,649 | +0.14% |
| **Middle East and Africa** | 80,440 | 79,474 | +1.22% |
| **Western Europe** | 29,631 | 24,289 | +21.99% |
| **Other** | 17,928 | 25,098 | -28.57% |
| **Grand Total** | 497,414 | 527,161 | **-5.64%** |

### 3. Summary historical financial data

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

For your convenience, certain U.S. $ amounts as of and for the three and six months ended 30 June 2016 and 2015, have been converted into Euro and PLN as follows:

- Individual items of the statement of financial position – based at average exchange rates quoted by the National Bank of Poland for a given balance sheet date December 31st, 2015, that is: 1 US$ = 3.9011 PLN and 1 EUR = 4.2615 PLN and June 30th, 2016, that is: 1 US$ = 3.9803 PLN and 1 EUR = 4.4255 PLN.

- Individual items in the income statement and statement of cash flows – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a given period 1 January to 30 June 2015, that is: 1 US$ = 3.7269 PLN and 1 EUR = 4.1341 PLN and 1 January to 30 June 2016, that is: 1 US$ = 3.9360 PLN and 1 EUR = 4.3805 PLN.

- Individual items in the income statement and statement of cash flows for separate Q2 2016 and Q2 2015 – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a given period 1 April to 30 June 2015, that is: 1 US$ = 3.7101 PLN and 1 EUR = 4.1194 PLN and 1 April to 30 June 2016, that is: 1 US$ = 3.9303 PLN and 1 EUR = 4.4051 PLN.

| | Period from 1 January to 30 June 2016 | | | Period from 1 January to 30 June 2015 | | |
|---|---|---|---|---|---|---|
| | **USD** | **PLN** | **EUR** | **USD** | **PLN** | **EUR** |
| **Revenue** | **497,414** | **1,957,823** | **446,941** | **527,161** | **1,964,677** | **475,237** |
| Cost of sales | (470,043) | (1,850,089) | (422,347) | (512,000) | (1,908,171) | (461,569) |
| **Gross profit** | **27,371** | **107,734** | **24,594** | **15,162** | **56,506** | **13,668** |
| Selling expenses | (12,680) | (49,907) | (11,393) | (16,903) | (62,997) | (15,239) |
| Administrative expenses | (7,872) | (30,986) | (7,074) | (10,601) | (39,508) | (9,557) |
| **Profit from operations** | **6,819** | **26,841** | **6,127** | **(12,342)** | **(45,999)** | **(11,127)** |
| Financial expenses | (6,538) | (25,735) | (5,875) | (7,415) | (27,634) | (6,684) |
| Financial income | 266 | 1,045 | 239 | 194 | 724 | 175 |
| Other gains and losses | 160 | 630 | 144 | 79 | 293 | 71 |
| **Profit before taxation** | **707** | **2,781** | **635** | **(19,484)** | **(72,615)** | **(17,565)** |
| Taxation | (86) | (337) | (77) | 140 | 521 | 126 |
| **Profit after taxation** | **621** | **2,444** | **558** | **(19,344)** | **(72,094)** | **(17,439)** |
| **Attributable to:** | | | | | | |
| Non-controlling interest | 7 | 28 | 6 | 2 | 6 | 1 |
| **Owners of the Company** | **614** | **2,416** | **552** | **(19,346)** | **(72,100)** | **(17,440)** |

| | USD (cents) | PLN (grosz) | EUR (cents) | USD (cents) | PLN (grosz) | EUR (cents) |
|---|---|---|---|---|---|---|
| Basic and diluted earnings per share from continuing operations | 1.11 | 4.35 | 0.99 | (34.86) | (129.91) | (31.42) |

| | **USD** | **PLN** | **EUR** | **USD** | **PLN** | **EUR** |
|---|---|---|---|---|---|---|
| Net cash outflows from operating activities | (33,204) | (130,690) | (29,835) | (61,115) | (227,771) | (55,096) |
| Net cash outflows from investing activities | (734) | (2,888) | (659) | (1,897) | (7,070) | (1,710) |
| Net cash outflows from financing activities | (891) | (3,509) | (801) | (3,864) | (14,400) | (3,483) |
| **Net decrease in cash and cash equivalents** | **(34,829)** | **(137,087)** | **(31,295)** | **(66,876)** | **(249,241)** | **(60,289)** |
| **Cash at the beginning of the period** | **4,290** | **16,885** | **3,855** | **29,416** | **109,632** | **26,518** |
| **Cash at the end of the period** | **(30,539)** | **(120,202)** | **(27,440)** | **(37,460)** | **(139,609)** | **(33,770)** |

| | As at 30 June 2016 | | | As at 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **USD** | **PLN** | **EUR** | **USD** | **PLN** | **EUR** |
| Current assets | 325,002 | 1,293,604 | 292,307 | 352,259 | 1,374,199 | 322,468 |
| Non-current assets | 29,440 | 117,178 | 26,478 | 29,345 | 114,477 | 26,863 |
| **Total assets** | **354,441** | **1,410,782** | **318,785** | **381,604** | **1,488,676** | **349,331** |
| Liabilities | 271,584 | 1,080,986 | 244,263 | 300,124 | 1,170,815 | 374,743 |
| Equity | 82,857 | 329,796 | 74,522 | 81,480 | 317,860 | 74,589 |

| | Period from 1 April to 30 June 2016 | | | Period from 1 April to 30 June 2015 | | |
|---|---|---|---|---|---|---|
| | USD | PLN | EUR | USD | PLN | EUR |
| **Revenue** | **248,320** | **975,971** | **221,555** | **245,353** | **910,282** | **220,975** |
| Cost of sales | (234,251) | (920,675) | (209,002) | (237,077) | (879,579) | (213,521) |
| **Gross profit** | **14,069** | **55,296** | **12,553** | **8,276** | **30,703** | **7,453** |
| Selling expenses | (6,535) | (25,685) | (5,831) | (6,964) | (25,836) | (6,272) |
| Administrative expenses | (3,984) | (15,657) | (3,554) | (5,046) | (18,721) | (4,545) |
| **Profit from operations** | **3,551** | **13,955** | **3,168** | **(3,734)** | **(13,854)** | **(3,363)** |
| Financial expenses | (3,572) | (14,038) | (3,187) | (3,377) | (12,530) | (3,042) |
| Financial income | 168 | 662 | 150 | 88 | 327 | 79 |
| Other gains and losses | 99 | 391 | 89 | 38 | 139 | 34 |
| **Profit before taxation** | **247** | **969** | **220** | **(6,986)** | **(25,918)** | **(6,292)** |
| Taxation | (26) | (104) | (24) | 45 | 166 | 40 |
| **Profit after taxation** | **220** | **865** | **196** | **(6,941)** | **(25,751)** | **(6,251)** |
| **Attributable to:** | | | | | | |
| Non-controlling interests | 4 | 17 | 4 | 3 | 9 | 2 |
| **Owners of the Company** | **216** | **849** | **193** | **(6,943)** | **(25,760)** | **(6,253)** |

| | USD (cents) | PLN (grosz) | EUR (cents) | USD (cents) | PLN (grosz) | EUR (cents) |
|---|---|---|---|---|---|---|
| Basic and diluted earnings per share from continuing operations | 0.39 | 1.53 | 0.35 | (12.51) | (46.41) | (11.27) |

| | USD | PLN | EUR | USD | PLN | EUR |
|---|---|---|---|---|---|---|
| Net cash inflows from operating activities | (14,350) | (56,399) | (12,803) | (6,294) | (23,352) | (5,669) |
| Net cash outflows from investing activities | (333) | (1,309) | (297) | (557) | (2,065) | (501) |
| Net cash outflows from financing activities | (296) | (1,164) | (264) | (1,110) | (4,118) | (1,000) |

## 4. Organization of ASBIS Group

The following table presents our corporate structure as at 30 June 2016:

| Company | Consolidation Method |
|---|---|
| **ASBISC Enterprises PLC** | **Mother company** |
| Asbis Ukraine Limited (Kiev, Ukraine ) | Full (100% subsidiary) |
| Asbis PL Sp.z.o.o (Warsaw, Poland) | Full (100% subsidiary) |
| Asbis Poland Sp. z o.o. (Warsaw, Poland) | Full (100% subsidiary) |
| ASBIS Estonia AS (formerly AS Asbis Baltic) (Tallinn, Estonia) | Full (100% subsidiary) |
| Asbis Romania S.R.L (Bucharest, Romania) | Full (100% subsidiary) |
| Asbis Cr d.o.o (Zagreb, Croatia) | Full (100% subsidiary) |
| Asbis d.o.o Beograd (Belgrade, Serbia) | Full (100% subsidiary) |
| Asbis Hungary Commercial Limited (Budapest, Hungary) | Full (100% subsidiary) |
| Asbis Bulgaria Limited (Sofia, Bulgaria) | Full (100% subsidiary) |
| Asbis CZ,spol.s.r.o (Prague, Czech Republic) | Full (100% subsidiary) |
| UAB Asbis Vilnius (Vilnius, Lithuania) | Full (100% subsidiary) |
| Asbis Slovenia d.o.o (Trzin, Slovenia) | Full (100% subsidiary) |
| Asbis Middle East FZE (Dubai, U.A.E) | Full (100% subsidiary) |
| Asbis SK sp.l sr.o (Bratislava, Slovakia) | Full (100% subsidiary) |
| Asbis Limited (Charlestown, Ireland) | Full (100% subsidiary) |
| FPUE Automatic Systems of Business Control (Minsk, Belarus) | Full (100% subsidiary) |

| | |
|---|---|
| E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus) | Full (100% subsidiary) |
| OOO ' Asbis'-Moscow (Moscow, Russia) | Full (100% subsidiary) |
| Asbis Morocco Limited (Casablanca, Morocco) | Full (100% subsidiary) |
| EUROMALL CZ s.r.o. (formerly ISA Hardware s.r.o.) (Prague, Czech Republic) | Full (100% subsidiary) |
| EUROMALL d.o.o. (formerly ISA Hardware d.o.o.) (Zagreb, Croatia) | Full (100% subsidiary) |
| S.C. EUROMALL 2008 S.R.L (formerly ISA Hardware International S.R.L) (Bucharest, Romania) | Full (100% subsidiary) |
| ISA Hardware s.r.o Slovakia (Bratislava, Slovakia) | Full (100% subsidiary) |
| Euro-Mall SRB d.o.o. (former ISA Hardware d.o.o Beograd) (Belgrade, Serbia) | Full (100% subsidiary) |
| Prestigio Plaza Sp. z o.o in liquidation (Warsaw, Poland) | Full (100% subsidiary) |
| Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus) | Full (100% subsidiary) |
| Prestigio Europe s.r.o (Prague, Czech Republic) | Full (100% subsidiary) |
| Prestigio Plaza NL.B.V. (Amsterdam, Netherlands) | Full (100% subsidiary) |
| Asbis Kypros Ltd (Limassol, Cyprus) | Full (100% subsidiary) |
| Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey) | Full (100% subsidiary) |
| SIA "ASBIS LV" (Riga, Latvia) | Full (100% subsidiary) |
| Asbis d.o.o. (former Megatrend d.o.o.) (Sarajevo, Bosnia Herzegovina) | Full (90% ownership) |
| PTUE IT-MAX (Minsk, Belarus) | Full (100% subsidiary) |
| ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus) | Full (100% subsidiary) |
| ASBIS Kazakhstan LLP (Almaty, Kazakhstan) | Full (100% subsidiary) |
| Euro-Mall SRO (Bratislava, Slovakia) | Full (100% subsidiary) |
| Prestigio China Corp. (former AOSBIS TECHNOLOGY (SHENZHEN) CORP.) (Shenzhen,China) | Full (100% subsidiary) |
| ASBIS DE GMBH, (Munchen, Germany) | Full (100% subsidiary) |
| EUROMALL BULGARIA EOOD (Sofia, Bulgaria) | Full (100% subsidiary) |
| Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia) | Full (100% subsidiary) |
| SHARK ONLINE a.s. (Bratislava, Slovakia) | Full (100% subsidiary) |
| SHARK Computers a.s. (Bratislava, Slovakia) | Full (100% subsidiary) |
| E-vision Production Unitary Enterprise (Minsk, Belarus) | Full (100% subsidiary) |
| ASBIS UK LTD (Hounslow, England) | Full (100% subsidiary) |

## 5. Changes in the structure of the Company

During the six months ended June 30th, 2016 there were no changes in the structure of the Company and the Group. However, after the reporting period the following changes occurred:

- the Issuer's inactive subsidiary - Euro-Mall SRB d.o.o. (Belgrad, Serbia) has been finally deregistered from the competent registry. This was a result of the Company's application made under the Group restructuring actions that started in 2015 in order to decrease administrative expenses, the fact that this subsidiary was inactive and that the Issuer's operations in Serbia are conducted through other entities. Therefore, closure of this subsidiary will not have any impact on the Issuer's operations.

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

We have not published any forecasts for the six month period ended June 30th, 2016.

However, on March 21st, 2016 we have announced our financial forecasts for the year 2016. Having seen H1 2016 results, we fully sustain our forecasts that assume revenues between USD 1,15 bn and 1,25 bn and net profit after tax between USD 4m and 5m.

## 7. Information on dividend payment

In the six month period ended 30 June 2016 no dividend has been paid.

## 8. Shareholders possessing more than 5% of the Company's shares as of the date of the publication of the interim report

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

| Name | Number of shares | % of share capital | Number of votes | % of votes |
|---|---|---|---|---|
| KS Holdings Ltd | 20,401,361 | 36.76% | 20,401,361 | 36.76% |
| Quercus Towarzystwo Funduszy Inwestycyjnych S.A. Quercus Parasolowy SFIO and Quercus Absolutnego Zwrotu FIZ)* | 3,274,931 | 5.90% | 3,274,931 | 5.90% |
| ING OFE | 2,872,954 | 5.18% | 2,872,954 | 5.18% |

* Including 2,775,045 shares corresponding to 5.00% votes at the AGM held by Quercus Parasolowy SFIO - according to notification from December 9th, 2011 corrected with notification from July 14th, 2015.

In the six month period ended on June 30th, 2016 the Company has not received any information about changes in its shareholders structure.

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

During the six month period ended on 30 June 2015 as well as in the period between May 12th, 2016 (the date of the publication of the first quarter results) and August 11th, 2016 (date of this report) there were no changes in the number of shares possessed by the members of the Board of Directors.

The table below presents the number of shares held by the members of the Board of Directors as of the date of this report. The information included in the table below is based on information received from the members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

| 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 | 518,000 | 0.93% |
| Yuri Ulasovich | 210,000 | 0,38% |
| Demos Demou | 0 | 0% |
| Chris Pavlou | 0 | 0% |

Siarhei Kostevitch holds shares as the shareholder of KS Holdings Ltd.

## 10. Changes in the members of managing bodies

The Company's Annual General Meeting of Shareholders held on June 23rd, 2015 has re-elected Siarhei Kostevich, Marios Christou, Yuri Ulasovich, Chris Pavlou and Demos Demou to the Board of Directors. There were no other changes in the members of the Company's Board of Directors during H1 2016.

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

As of June 30th, 2016, no court, arbitration or administrative proceedings whose single or aggregate value exceeds 10% of our equity were pending against us or any of the members of our Group.

## 12. Related party transactions

During the six months ended June 30th, 2016 we have not had any material related party transaction exceeding the Polish Zloty equivalent of Euro 500 thousand other than typical or routine transactions.

## 13. Information on guarantees granted to third parties

The Company has granted corporate guarantees to support its subsidiaries' local financing from U.S.$ 136,683 at December 31st, 2015 and U.S.$ 139,848 at March 31st, 2016 to U.S.$ 126,702 at June 30th, 2016, representing more than 10% of the Company's equity. The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at June 30th, 2016 was U.S. $ 9,201 – as per note number 16 to the financial statements – which is more than 10% of the Company's equity.

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

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

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

In the three and six month periods ended June 30th, 2016, the Company's results of operations have been affected and are expected to continue to be affected by a number of factors. These factors were: the in-country crisis seriously affecting major markets, currency fluctuations, competition and price pressures, low gross profit margins, potential inventory obsolescence and price erosions, the worldwide unstable financial environment, seasonality, development of own brand business, high cost of debt, warranty claims and overstock of own brand products.
Despite the fact that revenues were still lower than in H1 2015, they have started to grow year on year in Q2 2016 and – more importantly - all other lines of our income statement have been significantly improved. Improved gross profit coupled with significant savings in expenses has led the Company to its fourth concecutive profitable quarter. Below we present all factors that have affected and continue to affect our business:

***The in-country crisis affecting our major markets and our gross profit and gross profit margin***

Throughout the years of operations the Company has suffered from specific in-country crises. The example of Ukraine in 2014 and Russia in 2015 is proving that the risk of in country crises is quite high and must be weathered at all times. Moreover, since these crises are driven by external unforeseen factors, it is of high importance that such crises are weathered fast enough.

Despite the crisis in Ukraine and Russia is not over yet, we have adapted to market needs and have won some market share from weaker competitors, and achieved a significant sales growth in Ukraine. In Russia, we have decided to offload risks and mostly focus on profits, thus our revenues in this market were still lower than a year ago. Should improvement in these two major markets continue, we expect our results to benefit much faster due to our low cost leverage.

***Currency fluctuations***

The Company's reporting currency is the U.S. dollar. About 40% of the Company's revenues are denominated in U.S. dollars, while the balance is denominated in Euro, Ruble and other currencies, some of which are pegged to the Euro. Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company is exposed to foreign exchange risk that remains a crucial risk factor that might affect the Group's results in the future. Although the problem still persists and will persist as the Euro and other Eastern European currencies fluctuate in a steep manner against the U.S. Dollar, the Group has adopted hedging strategies to tackle this problem and this has been successful despite large volatility of some currencies. It is also believed by the management that hedging is a very important function in our industry and we shall continue enhancing this procedure.

***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:

a) international distributors such as Avnet Inc., Tech Data Corp., Ingram Micro Inc. and Arrow Electronics Inc., which are much larger than the Company, but do not always cover the same geographic regions with local presence as the Company does,

b) regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine, Merlion in the Former Soviet Union, AB, ABC Data and Action in Poland and ATC and ED System-BGS Levi in the Czech Republic and Slovakia.

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

This was also visible in the tablet and smartphone segments where we have experienced the entrance of a number of strong competitors. This had a negative result on our profitability since we had to lower prices to get rid of our stocks.

In the same time, we see opportunities arising from specifics of particular markets, like in case of Ukraine, where we have managed to win market share from weaker competitors.

***Low gross profit margins***

The Company's business is both traditional distribution of third party products and own brand sales. This allows the Company to deliver healthier gross profit margins when conditions are favourable. However, the own brand business, has been significantly affected by the new entrants and the margins were 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 the own brand business, that allows to generate higher gross profit margins. Since this business already accounts for a significant part of total sales, it positively affects the overall gross profit margins and profitability of the Company. However, this business is also connected with risks, including the risk of technology change, the risk of changes in demand and customer preferences. Therefore, it is extremely important for the Company to foresee market demand changes and offer new products right in time to satisfy consumer needs and be able to sell the previous technology as well.

***Inventory obsolescence and price erosion***

The Company is often required to buy components and finished products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components is characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers. This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs. In an oversupply situation, other distributors may elect to proceed with price reductions in order to dispose of their existing inventories, forcing the Company to lower its prices to stay competitive. The Company's ability to manage its inventory and protect its business against price erosion is critical to its success.

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

For the own brand business division, the Company needs to balance between satisfying consumer demand and risk of inventory obsolence or price erosion, by having a proper level of inventory. This risk was faced in H1 2015, when we had to sell excess stock of own brands at lower prices in order not to be left with obsolete inventories. However, this was managed and both in H2 2015 and H1 2016 we have not had any problems related to this issue.

***Credit risk***

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 60% of its revenue.

Due to the recent market developments following the credit crisis that affected all countries the Group operates in, credit risk has become one of the most important risk factors that might affect the Group's results in the future. Despite the fact that the Group has managed to credit insure a large portion of its receivables, credit insurance companies are nowadays more risk averse and do not easily grant credit limits to customers. As a result, the Group is exposed to increased credit risk and its ability to analyse and assess credit risk is of extremely high importance.

***Worldwide financial environment***

The world's financial crisis has eased throughout the last years. This included recovery signals from some of our markets and stabilization in some of others. Following partial recovery, the Company has undertaken certain efforts to benefit from these signals both in revenues and profitablity. The revised strategy and adaptation to the new environment, i.e. by rebuilding our product portfolio, has paid off in terms of increased market share and sales.

However, there are many uncertainties about the world economy following the developments in China and turmoil in the ME region coupled with volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets, as was the case of Ukraine and Russia in 2014, continuing to-date, which has led to a significant instability in these countries' financial environment. However, with the experience we gained, the management strongly believes today the Company is much more flexible and much better prepared to weather any obstacles that may arise due to worldwide financial environment.

***Seasonality***

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

***Development of own brand business***

The Company's strategy is to focus more on profitability than on revenues, thus the Company has increased its engagement into the development of own brands business that allows for higher gross profit margins. This included the development of tablets, smartphones, GPS and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations.

Due to the fact that the Company's products, namely tablets and smartphones, were welcomed by the markets, it is expected that further development of own brands business may positively affect revenues and profits. However, competition has already been intensified and the Company may not be able to sustain its profitability levels. In addition to competition, due to increased volumes of own brands and the fact that we are not the manufacturers of these products, certain warranty issues have arisen and have negatively affected our results. The Company is undertaking a number of quality control measures to mitigate this risk, but given the volumes and the large amount of factories used to produce these products, these controls might not be enough.

Despite the Company's efforts, there can be no assurance of a similar development pace in 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 quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced the last three years.

This risk has negatively affected H1 2015 and Y2015 results as we had to provide for losses due to the decline of certain ODMs to satisfy their contractual obligations on products with epidemic failure. Unfortunatelly, these factories refused to do so and we were forced to re-assess our provisions for returns and recognize a significant loss. The Group is undertaking all possible steps towards ensuring proper compensation. This includes both negotiations and legal actions.

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

The Company updated its procedures and started to decrease warranty cost beginning from Q3 2015. This positive trend has continued in H1 2016 and it is expected to further continue in the periods to follow.

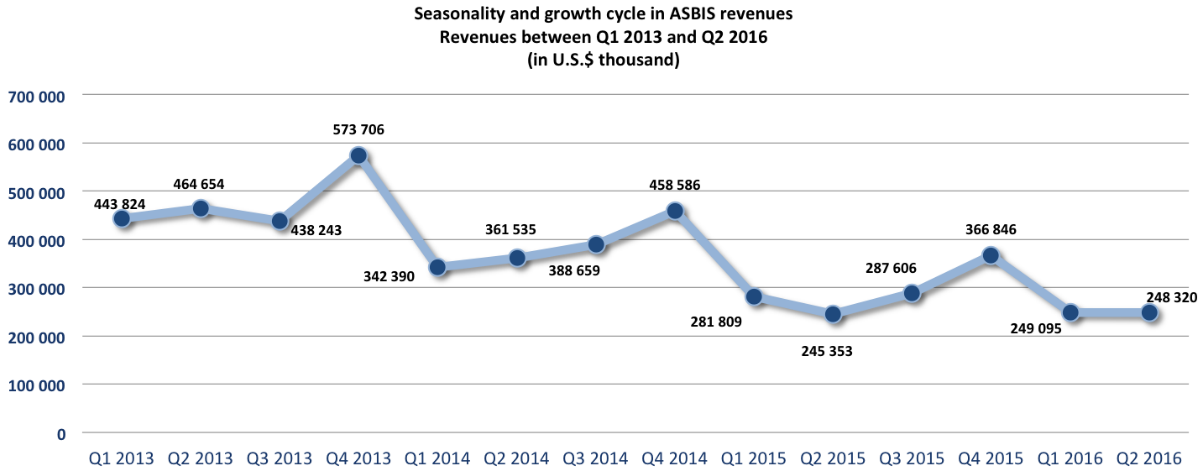
***High cost of debt***

Private label business means a much 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 is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in significantly increased cost of financing facilities in these countries and this may limit our efforts to further decrease the average cost of debt.

***Results of Operations***

**Three and six month periods ended 30 June 2016 compared to the three and six month periods ended 30 June 2015**

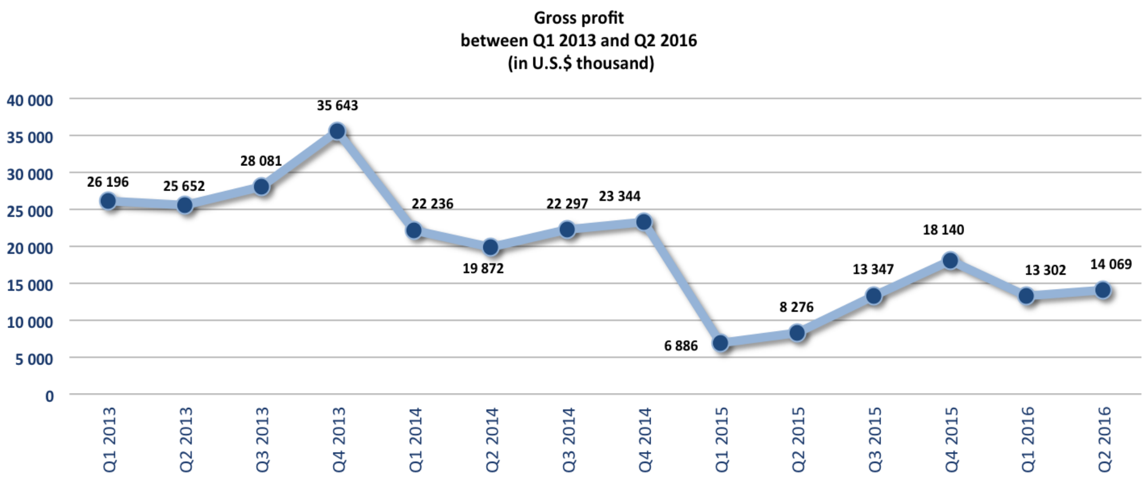
- **Revenues:** Our revenues in H1 2016 were slightly lower than in H1 2015, however they already started to grow from Q2 2016.
  In Q2 2016 revenues increased by 1.21% to U.S.$ 248,320 from U.S.$ 245,353 in the corresponding period of 2015.
  In H1 2016 revenues decreased by 5.64% to U.S.$ 497,414 from U.S.$ 527,161 in the corresponding period of 2015. This slight decrease was mostly related to Q1 2016 and to the Company's focus to improve margins, rather than sales..




- **Gross profit:** Gross profit has increased significantly both in Q2 2016 and H1 2016 compared to the corresponding periods of 2015.

  In Q2 2016 gross profit has increased by 70.01% to U.S.$ 14,069 from U.S.$ 8,276 in the corresponding period of 2015. This growth was much stronger than the growth in revenues.

  In H1 2016 gross profit increased by 80.53% to U.S.$ 27,371 from U.S.$ 15,162 in the corresponding period of 2015.




- **Gross profit margin** has grown both in Q2 2016 and H1 2016 due to our focus on margins.

  In Q2 2016 gross profit margin increased by 67.98% to 5.67% from 3.37% in the corresponding period of 2015. This was also higher than in Q1 2016.

  In H1 2016 gross profit margin increased by 91.33% to 5.50% from 2.88% in the corresponding period of 2015.

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

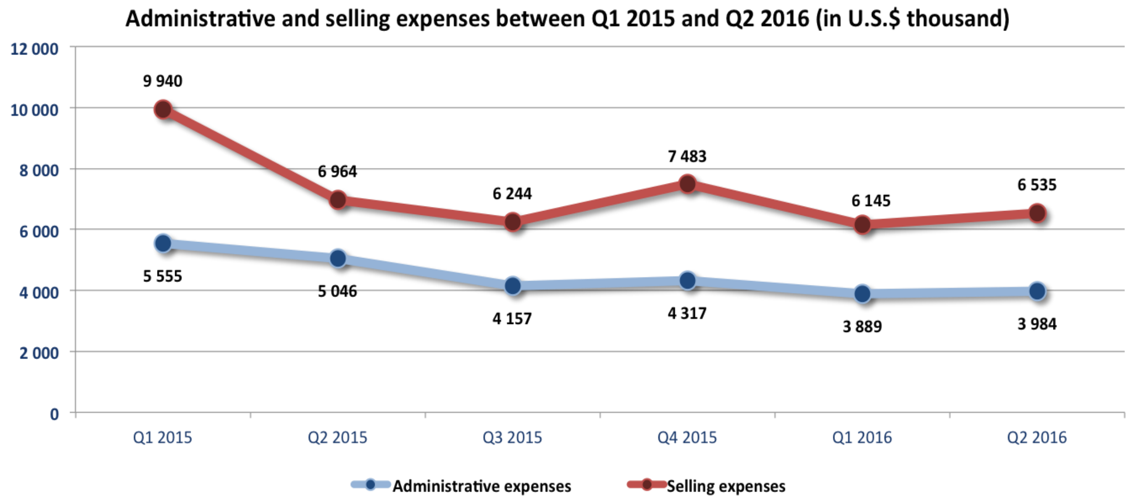
  In Q2 2016 selling expenses decreased by 6.16% to U.S.$ 6,535 from U.S.$ 6,964 in the corresponding period of 2015. This is mainly due to cost cutting actions introduced by the Company from 2015.

In H1 2016 Selling expenses decreased by 24.99% to U.S.$ 12,680 from U.S.$ 16,903 in the corresponding period of 2015, as a result of cost cutting actions started back in 2015.

- **Administrative expenses** largely comprise of salaries and wages of administration personnel and rent expense. They have decreased both in Q2 2016 and H1 2016 due to continuation of our cost cutting actions.

  In Q2 2016 administrative expenses decreased by 21.05% to U.S.$ 3,984 from U.S.$ 5,046 in the corresponding period of 2015.

  In H1 2016 administrative expenses decreased by 25.74% to U.S.$ 7,872 from U.S.$ 10,601 in the corresponding period of 2015.




- **Operating profit:** The Company improved its operating profit significantly both in Q2 and H1 2016. In Q2 2016 the Company had an operating profit of .U.S.$ 3,551 as compared to operating loss of U.S. $ 3,734, in the corresponding period of 2015. In H1 2016 the Company has generated an operating profit that amounted to U.S. $ 6,819 compared to operating loss of U.S. $ 12,342 in the corresponding period of 2015.

- **EBITDA:** In Q2 2016 EBITDA was positive and amounted to U.S.$ 8,352 compared to a negative value of U.S.$ 3,091 in the corresponding period of 2015.

  In H1 2016 EBITDA amounted to a positive value of U.S.$ 7,871 from a negative value of U.S.$ 11,071 in the corresponding period of 2015.

- **Net profit:** As a result of similar revenues, much increased gross profit and decreased expenses, the Company closed both Q2 2016 and H1 2016 with a net profit, as opposed to the corresponding periods of 2015 that showed losses.

  In Q2 2016 net profit after tax amounted to U.S.$ 220 compared to a net loss of U.S.$ 6,941 in Q2 2015, more than U.S.$ 7 million improvement year on year.

  In H1 2016 the Company has generated a net profit after tax amounting to U.S.$ 621 compared to a net loss of U.S.$ 19,346 in the corresponding period of 2015, which is almost U.S.$ 20 million improvement year on year.

### Sales by regions and countries

Traditionally and throughout the Company's operations, the F.S.U. and the CEE regions contribute the majority of our revenues. This has not changed in Q2 and H1 2016. However, certain of the F.S.U. countries have performed better than the CEE countries.

Revenues derived from the F.S.U. region in Q2 2016 were 7.81% higher than in Q2 2015 while in H1 2016 they were higher by 0.14%. Sales in the Central and Eastern Europe region in Q2 2016 have increased by 0.99% but decreased by 12.62% in H1 2016 as compared to the corresponding periods of 2015.

Sales in Western Europe in Q2 2016 decreased by 25.26% compared to Q2 2015, while in H1 2016 it grew by 21.99%. This was based on strong components sales in this region. Sales in MEA region have decreased by 2.70% and grew by 1.22% in Q2 2016 and H1 2016 respectively, as compared to Q2 and H1 2015.

Country-by-country analysis shows a continuous improvement in our Ukraine operations, where our sales have increased by 154.05% in Q1 2016, by 266,57% in Q2 2016 and by 211.82% in H1 2016 compared to corresponding periods of 2015. Sales in Russia decreased by 6.11% in Q2 2016 and by 5.69% in H1 2016, as we decided to focus on margins. In CEE region, our sales in Slovakia increased by 4.05% in Q2 2016 but decreased by 5.13% in H1 2016. Our sales in Czech Republic grew by 27.11% in Q2 2016 and by 18.26% in H1 2016. In absolute numbers, Slovakia continued to be the leader in our country portfolio, but F.S.U. countries – after the recent improvement- are coming back stronger. Russia already became our no.1 market in Q2 2016. We do expect an improvement in the F.S.U. and CEE regions in the next quarters of 2016.

The tables below provide a geographical breakdown of sales in the three and six month periods ended June 30th, 2016 and 2015.

| | Q2 2016 | | Q2 2015 | |
|---|---|---|---|---|
| | U.S. $ thousand | % of total revenues | U.S. $ thousand | % of total revenues |
| **Central and Eastern Europe** | 102,124 | 41.13% | 101,127 | 41.22% |
| **Former Soviet Union** | 93,953 | 37.84% | 87,144 | 35.52% |
| **Middle East and Africa** | 36,570 | 14.73% | 37,585 | 25.80% |
| **Western Europe** | 6,864 | 2.76% | 9,183 | 3.74% |
| **Other** | 8,810 | 3.55% | 10,313 | 4.20% |
| **Total** | 248,320 | 100% | 245,353 | 100% |

| | H1 2016 | | H1 2015 | |
|---|---|---|---|---|
| | U.S. $ thousand | % of total revenues | U.S. $ thousand | % of total revenues |
| **Central and Eastern Europe** | 201,537 | 40.52% | 230,651 | 43.75% |
| **Former Soviet Union** | 167,878 | 33.75% | 167,649 | 31.80% |
| **Middle East and Africa** | 80,440 | 16.17% | 79,474 | 15.08% |
| **Western Europe** | 29,631 | 5.96% | 24,289 | 4.61% |
| **Other** | 17,928 | 3.60% | 25,098 | 4.76% |
| **Total** | 497,414 | 100% | 527,161 | 100% |

**Revenue breakdown – Top 10 countries in Q2 2016 and Q2 2015 (in U.S. Dollar thousand)**

| | Q2 2016 | | Q2 2015 | |
|---|---|---|---|---|
| | Country | Sales | Country | Sales |
| 1. | Russia | 46,442 | Russia | 49,465 |
| 2. | Slovakia | 46,245 | Slovakia | 44,446 |
| 3. | Ukraine | 26,304 | United Arab Emirates | 29,036 |
| 4. | United Arab Emirates | 19,606 | Kazakhstan | 19,990 |
| 5. | Czech Republic | 14,815 | Czech Republic | 11,655 |
| 6. | Romania | 9,874 | Belarus | 9,837 |
| 7. | Belarus | 9,419 | Romania | 9,739 |
| 8. | Kazakhstan | 8,979 | Poland | 8,926 |
| 9. | Hungary | 6,752 | Ukraine | 7,176 |
| 10. | Bulgaria | 5,593 | Hong Kong | 6,503 |
| 11. | Other | 54,292 | Other | 48,582 |
| | TOTAL | **248,320** | TOTAL | **245,353** |

**Revenue breakdown – Top 10 countries in H1 2016 and H1 2015 (in U.S. Dollar thousand)**

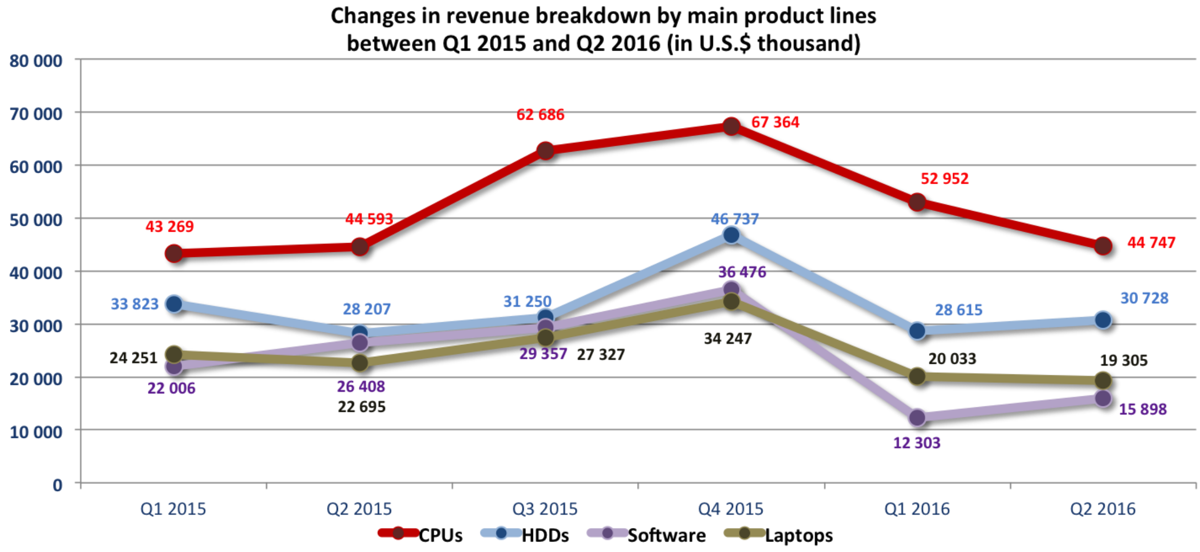
| | H1 2016 | | H1 2015 | |
|---|---|---|---|---|
| | Country | Sales | Country | Sales |
| 1. | Slovakia | 89,560 | Slovakia | 94,408 |
| 2. | Russia | 78,310 | Russia | 83,034 |
| 3. | United Arab Emirates | 49,636 | United Arab Emirates | 62,292 |
| 4. | Ukraine | 43,577 | Kazakhstan | 52,842 |
| 5. | Czech Republic | 27,722 | Czech Republic | 23,441 |
| 6. | Romania | 21,338 | Belarus | 15,487 |
| 7. | Belarus | 19,774 | Romania | 20,797 |
| 8. | Kazakhstan | 19,421 | Poland | 38,326 |
| 9. | Hungary | 13,262 | Ukraine | 13,975 |
| 10. | The Netherlands | 12,636 | Hong Kong | 10,445 |
| 11. | Other | 122,179 | Other | 112,115 |
| | TOTAL | **497,414** | TOTAL | **527,161** |

## Sales by product lines

Starting from February 2014 revenues have been under a serious pressure resulting from the turbulence in our major markets which also affected a number of countries across our operations. This has not changed in 2016 to date and thus the lower revenues in most of product lines the Group carries.

We continue our efforts to increase revenues as fast as possible, mainly through addressing our products more agressively and by focusing on specific product groups. This is possible because ASBIS remains the distributor of first choice for many worldwide suppliers. A major and good example is APPLE that has entrusted an i-phone distribution to ASBIS for Ukraine, Belarus and Kazakhstan. However, our main focus is on margins. Thus, we have not focused on increasing sales revenues in Q2 and H1 2016, but rather increase profitability. As a result, our margins grew significantly year on year.

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




Revenues from CPUs, that lead in our revenue breakdown by product line, grew by 0.34% in Q2 2016 and 11.19% in H1 2016; HDDs increased by 8.94% and decreased by 4.33% over the same periods. Revenue from Software, Laptops and Tablets decreased significantly while we focused on margins and refused some deals. Our smartphones segment decreased in H1 2016 by 19.81% following a decrease in Q1 2016, but already started to grow in Q2 2016 (+2.37%) due to improvement in iPhone sales.

From other product lines, the most important is the increase in SSD business that built from zero to U.S.$ 6,203 and U.S.$ 12,230 in Q2 and H1 2016 respectively. We expect this segment to continue to grow rapidly in the second part of the year. Apart from that, the Company has noticed a positive trend both for Q2 2016 and H1 2016 in mainboards and VGA cards (+97.89% and +86.93%), display products (+33.46% and +30.83%), memory modules (+13.06% and +33.67%), server and server blocks (+113.94% and +50.69%) and optical and floppy drives (+36.66% and +69.81%).

The table below sets a breakdown of revenues, by product lines, for Q2 2016 and Q2 2015:

| | Q2 2016 | | Q2 2015 | |
|---|---|---|---|---|
| | U.S. $ thousand | % of total revenues | U.S. $ thousand | % of total revenues |
| Central processing units (CPUs) | 44,747 | 18.02% | 44,593 | 18.18% |
| Smartphones | 40,460 | 16.29% | 39,523 | 16.11% |
| Hard disk drives (HDDs) | 30,728 | 12.37% | 28,207 | 11.50% |
| PC-mobile (laptops) | 19,305 | 7.77% | 22,695 | 9.25% |
| Software | 15,898 | 6.40% | 26,408 | 10.76% |
| Tablets | 12,272 | 4.94% | 21,183 | 8.63% |
| Other | 84,910 | 34.19% | 62,743 | 25.57% |
| **Total revenue** | **248,320** | **100%** | **245,353** | **100%** |

| | H1 2016 | | H1 2015 | |
|---|---|---|---|---|
| | U.S. $ thousand | % of total revenues | U.S. $ thousand | % of total revenues |
| Central processing units (CPUs) | 97,699 | 19.64% | 87,863 | 16.67% |
| Smartphones | 87,520 | 17.59% | 109,144 | 20.70% |
| Hard disk drives (HDDs) | 59,342 | 11.93% | 62,030 | 11.77% |
| PC-mobile (laptops) | 39,338 | 7.91% | 46,946 | 8.91% |
| Software | 28,201 | 5.67% | 48,414 | 9.18% |

| | | | | |
|---|---|---|---|---|
| Tablets | 19,870 | 3.99% | 42,194 | 8.00% |
| Other | 165,445 | 33.26% | 130,570 | 24.77% |
| **Total revenue** | **497,414** | **100%** | **527,161** | **100%** |

**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. While our cash flow was stretched in H1 2016, it has significantly improved over in H1 2015. We do expect cash from operations to be positive for the full year.
The following table presents a summary of cash flows for the six months ended June 30th, 2016 and 2015:

| | Six months ended June 30th | |
|---|---|---|
| | **2016** | **2015** |
| | **U.S. $** | |
| Net cash outflows from operating activities | (33,204) | (61,115) |
| Net cash outflows from investing activities | (734) | (1,897) |
| Net cash outflows from financing activities | (891) | (3,864) |
| Net decrease in cash and cash equivalents | **(34,829)** | **(66,876)** |

***Net cash outflows from operations***

Net cash outflows from operations amounted to U.S. $ 33,204 for the six months ended June 30th, 2016, compared to outflows of U.S. $ 61,115 in the corresponding period of 2015. This is attributed mainly to improved profitability and working capital utilization. The Company expects cash from operations to turn positive for 2016.

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

Net cash outflows from investing activities was U.S. $ 734 for the six months ended June 30th, 2016, compared to outflows of U.S. $ 1,897 in the corresponding period of 2015. These outflows mainly relate to on-going investments for fixed assets (such as computers, furniture etc.).

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

Net cash outflows from financing activities was U.S. $ 891 for the six months ended June 30th, 2016, compared to outflows of U.S.$ 3,864 for the corresponding period of 2015. This primarily relates to lower utilization of certain financing lines and installment against long term loans.

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

As a result of net cash outflow from operating activities, cash and cash equivalents have decreased by U.S. $ 34,829, compared to a decrease of U.S. $ 66,876 in the corresponding period of 2015, a U.S.$ 32 million improvement.

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

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

The turbulence that started in Ukraine and also affected Russia has caused a significant demand reduction. This has affected revenues and gross profit margins, but also negatively impacted some of our customers, whose financial situation has worsened.

Furthermore, recent negative developments in CEE economies have not allowed the Company to offset the negative results of the F.S.U. region.

The weak economics in the F.S.U. region are considered by the management as a crucial external factor, which might adversely affect our results, in the short term; however, we remain confident - given also a recent appreciation in demand in most of our regions (as proven by H2 2015 sales) that we are in a position to properly manage this crisis and get stronger out of it. This now has been proven again, as in Q1, Q2 and H1 2016 we have delivered a net profit after tax and our business in Ukraine has significantly grown. We will continue this strategy and focus more on our core regions and strengths, to maximize profits and take advantage of any possible market revival.

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

The diversified geographic coverage of the Group's revenues ensures that we do mitigate the risk of lower sales in a particular country with the possibility of higher sales in a number of other countries. Russia is no longer always our number one country in terms of revenues. Slovakia, that took over the first spot (as a country) and CEE (as a region) is the most important to the Company's revenues, and we need to adapt to any changes that might arise in these geographies.

Since the CEE contribution to our total revenues is bigger than that of the F.S.U. region, our reliance on a single region has decreased. Therefore, we now pay more attention to any possible market developments in all other growing regions, focusing on our core competences.

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

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

The Group's gross profit margin has increased significantly in Q1, Q2 and H1 2016 as compared to the corresponding periods of 2015. This is a continuation of an improvement that started in Q3 2015 and is a result of changes in product portfolio and focus on margins rather than on sales. Additionally, our business was safeguarded and we did not have any negative one off events like in 2015. Therefore, margins are expected to further improve later in 2016. However, the pace of this growth is hard to estimate, as the margins may remain under pressure due to enhanced competition together with lower demand in a number of markets. It is of extreme importance for the Group to manage its stock level and refine its product portfolio in order to achieve optimum gross profit margins.

**Currency volatilities**

The multi-currency environment that the Group operates in exposes its financial results to steep currency fluctuations. Although volatility of a number of currencies in H1 2016 was strong, we have been successfully shielded by our hedging policy. Therefore, the hedging strategy should be followed and further improved without any exception later in 2016.

**Ability of the Group to control expenses**

Selling and administrative expenses in Q1, Q2 and H1 2016 decreased significantly as compared to the corresponding periods of 2015. The decrease in expenses is a result of restructuring actions undertaken by the Company in H2 2015. This included less employees, revised compensation schemes and stricter expenses control.

We consider cost control to be a significant factor towards delivering improved results going forward and the Group is undertaking significant steps towards further reducing its expenses.

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

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

**Ability to decrease the average cost of debt**

The own brand business –by its nature– consumes more cash and has contributed towards an increase in debt and in the average cost of debt in the past. We have already addressed this issue to decrease debt and the average cost of debt by optimizing the utilization of financial facilities on one side and improving working capital utilization on the other.

Additionally, as we decided to continue the own brand business with less product lines and focus on less models, it will be easier to plan operations and arrange financing for the Group. We have a major work to do and success on this field will be an important factor positively affecting our results in the future. It is also very important for the Group to continue enjoying the financial facilities required, but at a more competitive pricing.

**Ability to cover warranty claims from customers**

The own brand business requires us to be very careful with customer satisfaction when it comes to after sales services relating mostly to the quality of our products. Since we do not manufacture the devices ourselves, we have built increased warranty provisions and signed separate agreements with our suppliers to cover us against warranty losses of such products.

We have reviewed all our contracts with factories, and we signed new ones after ensuring the contractor will be able to pay any contractual penalties that may arise. This is an important part of our cooperation with third party factories, to make sure the warranty risk is mitigated.

## 17. Information about important events that occurred after the period ended on June 30th, 2016 and before this report release

According to our best knowledge, in the period between June 30th, 2016 and August 11th, 2016 no events have occurred that could affect the Company's operations or its financial stability.

## Part II Financial Information

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

**Report and Condensed Consolidated Interim Financial Statements**
**for the period ended 30 June 2015**

| **Contents** | **Page** |
|---|---|

# ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2016

# ASBISC ENTERPRISES PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016

## CONTENTS

## BOARD OF DIRECTORS REPRESENTATIONS

In accordance with the requirements of the Ordinance of the Minister of Finance dated February 19th, 2009 on current and periodical information published by issuers of securities and on the conditions of recognizing as equivalent the information required by the laws of non-EU Member States, the Board of Directors of ASBISC ENTERPRISES PLC hereby represents that:

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

- the registered audit company which reviewed the semi-annual condensed consolidated financial statements was appointed in accordance with the legal regulations and the said company and the registered auditors who performed the review fulfilled the conditions for issuing an unbiased and independent review report, in accordance with the principles of compulsory regulations and professional standards.

Limassol, August 10th, 2016

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

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

In accordance with Article 9, sections (3c) and (7), of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (1) / 2007 we, the members of the Board of Directors and the company officials responsible for the drafting of the condensed consolidated interim financial statements of Asbisc Enterprises Plc (the "company") and its subsidiaries (the "group") for the period ended 30 June 2016, confirm to the best of our knowledge that:

a) the condensed consolidated interim financial statements for the period ended 30 June 2016 which are presented on pages 4 to 20:

(i) have been prepared in accordance with the International Financial Reporting Standards and requirements of the section (4), and

(ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of the company and the undertakings included in the consolidation, taken as a whole, and

b) the Board of Directors' report provides a fair review of the developments and the performance of the business and the position of the company's and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

**Members of the Board of Directors:**

| | |
|---|---|
| Siarhei Kostevitch (Belarusian/Cypriot)<br>Chairman and Chief Executive Officer | .............................................................. |
| Marios Christou (Cypriot)<br>Executive Director | .............................................................. |
| Constantinos Tziamalis (Cypriot)<br>Executive Director | .............................................................. |
| Demos Demou (Cypriot)<br>Non-Executive Director | .............................................................. |
| Christakis Pavlou (Cypriot)<br>Non-Executive Director | .............................................................. |

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

| | |
|---|---|
| Loizos Papavassiliou (Cypriot)<br>Financial Controller | .............................................................. |

Limassol, 10 August, 2016

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

## TO THE BOARD OF DIRECTORS OF ASBISC ENTERPRISES PLC

*Introduction*
We have reviewed the accompanying condensed consolidated interim financial statements of Asbisc Enterprises PLC and its subsidiaries (the "group") on pages 4 to 20 which comprise the condensed consolidated interim statement of financial position of the group as at 30 June 2016, and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows of the group for the six month period then ended and notes to the interim financial information (the "Condensed Consolidated Interim Financial Information"). Management is responsible for the preparation and fair presentation of this Condensed Consolidated Interim Financial Information in accordance with the International Accounting Standard 34 *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this Condensed Consolidated Interim Financial Information based on our review.

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

*Conclusion*
Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Information as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 *"Interim Financial Reporting".*

Sylvia A. Loizides
Certified Public Accountant and Registered Auditor
for and behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

KPMG Center,
No.11, 16th June 1943 Street,
3022 Limassol,
Cyprus.

Limassol, 10 August 2016

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
## FOR THE PERIOD ENDED 30 JUNE 2016

| | Note | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|---|
| **Revenue** | | 497,414,329 | 527,161,219 |
| Cost of sales | | (470,042,955) | (511,999,446) |
| **Gross profit** | | 27,371,374 | 15,161,773 |
| Selling expenses | | (12,679,570) | (16,903,435) |
| Administrative expenses | | (7,872,389) | (10,600,776) |
| **Profit/(loss) from operations** | | 6,819,415 | (12,342,438) |
| Financial income | 7 | 265,489 | 202,047 |
| Financial expenses | 7 | (6,538,318) | (7,422,425) |
| Other gains and losses | 5 | 160,058 | 78,725 |
| **Profit/(loss) before tax** | 6 | 706,644 | (19,484,091) |
| Taxation | 8 | (85,709) | 139,762 |
| **Profit/(loss) for the period** | | 620,935 | (19,344,329) |
| **Attributable to:** | | | |
| Equity holders of the parent | | 613,895 | (19,345,819) |
| Non-controlling interests | | 7,040 | 1,490 |
| | | 620,935 | (19,344,329) |
| | | US$ cents | US$ cents |
| **Earnings per share** | | | |
| Basic and diluted from continuing operations | | 1.11 | (34.86) |

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2016

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| **Profit/(loss) for the period** | 620,935 | (19,344,329) |
| **Other comprehensive income/(loss)** | | |
| Exchange difference on translating foreign operations | 756,569 | (2,315,000) |
| **Other comprehensive income/(loss) for the period** | 756,569 | (2,315,000) |
| **Total comprehensive income/(loss) for the period** | 1,377,504 | (21,659,329) |
| **Total comprehensive income/(loss) attributable to:** | | |
| Equity holders of the parent | 1,368,148 | (21,646,732) |
| Non-controlling interests | 9,356 | (12,597) |
| | 1,377,504 | (21,659,329) |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

| | Notes | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 23,416,258 | 23,504,905 |
| Intangible assets | 10 | 2,799,579 | 2,752,302 |
| Available-for-sale financial assets | 11 | 11,794 | 11,794 |
| Goodwill | 27 | 1,583,599 | 1,555,972 |
| Deferred tax assets | 20 | 1,628,257 | 1,519,787 |
| **Total non-current assets** | | 29,439,487 | 29,344,760 |
| **Current assets** | | | |
| Inventories | 12 | 105,118,326 | 96,921,653 |
| Trade receivables | 13 | 182,010,077 | 217,466,159 |
| Other current assets | 14 | 16,933,479 | 13,695,820 |
| Derivative financial asset | 25 | 326,433 | 1,069,705 |
| Current taxation | 8 | 515,477 | 722,723 |
| Cash at bank and in hand | 26 | 20,097,819 | 22,383,203 |
| **Total current assets** | | 325,001,611 | 352,259,263 |
| **Total assets** | | 354,441,098 | 381,604,023 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 15 | 11,100,000 | 11,100,000 |
| Share premium | | 23,518,243 | 23,518,243 |
| Retained earnings and other components of equity | | 48,074,279 | 46,706,131 |
| Equity attributable to owners of the parent | | 82,692,522 | 81,324,374 |
| Non-controlling interests | | 164,617 | 155,261 |
| **Total equity** | | 82,857,139 | 81,479,635 |
| **Non-current liabilities** | | | |
| Long term borrowings | 17 | 1,389,418 | 1,840,933 |
| Other long term liabilities | 18 | 303,723 | 366,588 |
| Deferred tax liabilities | 20 | 55,423 | 83,771 |
| **Total non-current liabilities** | | 1,748,564 | 2,291,292 |
| **Current liabilities** | | | |
| Trade payables | | 139,158,546 | 190,693,046 |
| Other current liabilities | 21 | 21,723,072 | 19,857,706 |
| Short term borrowings | 16 | 108,009,960 | 86,670,131 |
| Derivative financial liability | 24 | 734,470 | 124,563 |
| Current taxation | 8 | 209,347 | 487,650 |
| **Total current liabilities** | | 269,835,395 | 297,833,096 |
| **Total liabilities** | | 271,583,959 | 300,124,388 |
| **Total equity and liabilities** | | 354,441,098 | 381,604,023 |

**The financial statements were approved by the Board of Directors on 10 August 2016.**

................................... ...................................

**Constantinos Tziamalis** — **Director**

**Marios Christou** — **Director**

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD ENDED 30 JUNE 2016

| | Attributable to the owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital US$ | Share premium US$ | Treasury stock US$ | Translation of foreign operations US$ | Retained earnings US$ | Total US$ | Non-controlling interests US$ | Total US$ |
| **Balance at 1 January 2015** | 11,100,000 | 23,518,243 | (14,211) | (8,137,253) | 77,005,135 | 103,471,914 | 166,651 | 103,638,565 |
| (Loss)/profit for the period 1 January 2015 to 30 June 2015) | - | - | - | - | (19,345,822) | (19,345,822) | 1,490 | (19,344,332) |
| Other comprehensive loss for the period 1 January 2015 to 30 June 2015 | - | - | - | (2,300,913) | - | (2,300,913) | (14,087) | (2,315,000) |
| **Balance at 30 June 2015** | 11,100,000 | 23,518,243 | (14,211) | (10,438,166) | 57,659,313 | 81,825,179 | 154,054 | 81,979,233 |
| Profit for the period 1 July 2015 to 31 December 2015 | - | - | - | - | 2,187,786 | 2,187,786 | 4,126 | 2,191,912 |
| Other comprehensive loss for the period 1 July 2015 to 31 December 2015 | - | - | - | (2,688,568) | - | (2,688,568) | (2,919) | (2,691,487) |
| Share-based payments | - | - | (23) | - | - | (23) | - | (23) |
| **Balance at 31 December 2015** | 11,100,000 | 23,518,243 | (14,234) | (13,126,734) | 59,847,099 | 81,324,374 | 155,261 | 81,479,635 |
| Profit for the period 1 January 2016 to 30 June 2016 | - | - | - | - | 613,895 | 613,895 | 7,040 | 620,935 |
| Other comprehensive gain for the period 1 January 2016 to 30 June 2016 | - | - | - | 754,253 | - | 754,253 | 2,316 | 756,569 |
| **Balance at 30 June 2016** | 11,100,000 | 23,518,243 | (14,234) | (12,372,481) | 60,460,994 | 82,692,522 | 164,617 | 82,857,139 |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
## FOR THE PERIOD ENDED 30 JUNE 2016

| | Note | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|---|
| **Profit/(loss) for the period before tax and minority interest** | | 706,644 | (19,484,091) |
| Adjustments for: | | | |
| Exchange difference arising on consolidation | | 540,843 | (1,164,682) |
| Depreciation of property, plant and equipment | 9 | 764,094 | 1,025,890 |
| Amortisation of intangible assets | 10 | 287,073 | 245,401 |
| Profit from the sale of property, plant and equipment and intangible assets | 5 | (22,094) | (7,324) |
| Provision for bad debts and receivables written off | | 797,174 | 2,102,533 |
| Bad debts recovered | 5 | (1,227) | (4,067) |
| Interest received | 7 | (69,343) | (44,058) |
| Interest paid | 7 | 2,196,844 | 3,260,910 |
| **Operating profit/(loss) before working capital changes** | | 5,200,008 | (14,069,488) |
| (Increase)/decrease in inventories | | (8,196,673) | 26,472,786 |
| Decrease in trade receivables | | 34,660,134 | 58,778,820 |
| (Increase)/decrease in other current assets | | (2,494,387) | 2,053,833 |
| Decrease in trade payables | | (51,534,500) | (120,655,662) |
| Increase/(decrease) in other current liabilities | | 2,475,272 | (9,871,309) |
| (Decrease)/increase in other non-current liabilities | | (62,865) | 20,676 |
| Decrease in factoring creditors | | (10,763,874) | (123,230) |
| **Cash outflows from operations** | | (30,716,885) | (57,393,574) |
| Interest paid | 7 | (2,196,844) | (3,260,910) |
| Taxation paid, net | 8 | (290,117) | (460,880) |
| **Net cash outflows from operating activities** | | (33,203,846) | (61,115,364) |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | 10 | (332,159) | (1,583,942) |
| Purchase of property, plant and equipment | 9 | (493,004) | (472,729) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 22,094 | 115,572 |
| Interest received | 7 | 69,343 | 44,058 |
| **Net cash outflows from investing activities** | | (733,726) | (1,897,041) |
| **Cash flows from financing activities** | | | |
| Repayments of long term loans and long term obligations under finance lease | | (451,515) | (490,745) |
| Repayments of short term borrowings and short term obligations under finance lease | | (439,874) | (3,373,008) |
| **Net cash outflows from financing activities** | | (891,389) | (3,863,753) |
| **Net decrease in cash and cash equivalents** | | (34,828,961) | (66,876,158) |
| **Cash and cash equivalents at beginning of the period** | | 4,289,856 | 29,416,259 |
| **Cash and cash equivalents at end of the period** | 26 | (30,539,105) | (37,459,899) |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

## 1. Incorporation and principal activities

Asbisc Enterprises Plc was incorporated in Cyprus on 9 November 1995 with limited liability. These condensed consolidated interim financial statements as at and for the six months ended 30 June 2016 ("interim financial statements") comprise the interim financial statements of the company and its subsidiaries (together referred to as the "group"). The group's and the company's principal activity is the trading and distribution of computer hardware and software. The main shareholder of the company is K.S. Holdings Limited, a company incorporated in Cyprus.

The Company is listed on the Warsaw Stock Exchange since 30 October 2007.

## 2. Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements and they should be read in conjunction with the audited financial statements for the year ended 31 December 2015. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

These interim financial statements were authorised for issue by the company's Board of Directors on 10 August 2016.

(b) Use of judgments and estimates

Preparing the interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by Management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

## 3. Significant accounting policies

The accounting policies adopted for the preparation of the condensed consolidated interim financial statements for the six months ended 30 June 2016 are consistent with those followed for the preparation of the annual financial statements for the year 2015 except for the adoption by the group of all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2016. The impact of the adoption of new and revised standards and interpretations on the group's condensed consolidated financial statements has not yet been fully assessed by the Board of Directors, therefore it is not currently known or reasonably estimable.

## 4. Effects of seasonality

The group's revenue and consequently its profitability are significantly lower during the first half of the year. The seasonality is driven by increased household expenditure during the Christmas period as well as the commencement of the academic period during the second half of the year resulting in a positive effect on demand for the group's products.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016

**5. Other gains and losses**

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| Profit on disposal of property, plant and equipment | 22,094 | 7,324 |
| Other income | 103,617 | 47,504 |
| Bad debts recovered | 1,227 | 4,067 |
| Rental income | 33,120 | 19,830 |
| | 160,058 | 78,725 |

**6. Profit/(loss) before tax**

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| Profit/(loss) before tax is stated after charging : | | |
| (a) Amortisation of intangible assets (Note 10) | 287,073 | 245,401 |
| (b) Depreciation (Note 9) | 764,094 | 1,025,890 |
| (c) Auditors' remuneration | 173,307 | 163,143 |
| (d) Directors’ remuneration – executive (Note 28) | 223,995 | 149,908 |
| (e) Directors’ remuneration – non-executive (Note 28) | 1,118 | 15,550 |

**7. Financial expense, net**

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| **Financial income** | | |
| Interest income | 69,343 | 44,058 |
| Other financial income | 196,146 | 150,260 |
| Net exchange gain | - | 7,729 |
| | 265,489 | 202,047 |
| **Financial expense** | | |
| Bank interest | 2,196,844 | 3,260,910 |
| Bank charges | 659,813 | 805,690 |
| Derivatives charges | 314,616 | 291,993 |
| Factoring interest | 1,976,270 | 2,005,096 |
| Factoring charges | 157,154 | 286,539 |
| Other financial expenses | 20,061 | 42,245 |
| Other interest | 579,575 | 729,952 |
| Net exchange loss | 633,985 | - |
| | 6,538,318 | 7,422,425 |
| Net | (6,272,829) | (7,220,378) |

**8. Tax**

| | For the six months ended 30 June 2016 US$ | For the year ended 31 December 2015 US$ |
|---|---|---|
| Receivable balance 1 January | (235,073) | (315,920) |
| Provision for the period/year | 218,425 | 677,306 |
| Under provision of prior year periods | 3,809 | 13,000 |
| Exchange difference on retranslation | (3,174) | 67,653 |
| Amounts paid, net | (290,117) | (677,112) |
| Net receivable balance 30 June/31 December | (306,130) | (235,073) |

| | For the six months ended 30 June 2016 US$ | For the year ended 31 December 2015 US$ |
|---|---|---|
| Tax receivable | (515,477) | (722,723) |
| Tax payable | 209,347 | 487,650 |
| Net | (306,130) | (235,073) |

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

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| Provision for the period | 218,425 | (171,047) |
| Under provision of prior years | 3,809 | 12,687 |
| Deferred tax charge (Note 20) | (136,525) | 18,598 |
| Charge/(credit) for the period | 85,709 | (139,762) |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016

### 9. Property, plant and equipment

| | Land and buildings US$ | Computer hardware US$ | Warehouse machinery US$ | Motor vehicles US$ | Furniture and fittings US$ | Office equipment US$ | Total US$ |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **At 1 January 2015** | 22,510,892 | 6,827,184 | 169,457 | 3,120,517 | 2,673,615 | 3,253,253 | 38,554,918 |
| Additions | 1,935,613 | 328,696 | 198,990 | - | 50,811 | 90,412 | 2,604,522 |
| Disposals | - | (269,355) | - | (552,196) | (87,578) | (114,393) | (1,023,522) |
| Foreign exchange difference on retranslation | (1,091,328) | (449,694) | 520 | (314,559) | (252,719) | (361,533) | (2,469,313) |
| **At 31 December 2015** | 23,355,177 | 6,436,831 | 368,967 | 2,253,762 | 2,384,129 | 2,867,739 | 37,666,605 |
| Additions | 52,069 | 278,485 | 6,005 | 107,171 | 6,417 | 42,857 | 493,004 |
| Disposals | - | (180,807) | - | (192,058) | (1,820) | (43,388) | (418,073) |
| Foreign exchange difference on retranslation | 167,483 | 65,227 | 47 | 12,502 | 21,467 | 18,136 | 284,862 |
| **At 30 June 2016** | 23,574,729 | 6,599,736 | 375,019 | 2,181,377 | 2,410,193 | 2,885,344 | 38,026,398 |
| **Accumulated depreciation** | | | | | | | |
| **At 1 January 2015** | 3,157,883 | 5,087,177 | 89,933 | 1,926,623 | 1,809,913 | 2,124,715 | 14,196,244 |
| Charge for the year | 566,795 | 709,590 | 25,909 | 312,223 | 189,056 | 238,568 | 2,042,141 |
| Disposals | - | (258,328) | - | (387,553) | (29,578) | (114,393) | (789,852) |
| Foreign exchange difference on retranslation | (213,967) | (446,470) | 670 | (190,711) | (184,517) | (251,838) | (1,286,833) |
| **At 31 December 2015** | 3,510,711 | 5,091,969 | 116,512 | 1,660,582 | 1,784,874 | 1,997,052 | 14,161,700 |
| Charge for the period | 139,732 | 295,425 | 19,442 | 115,393 | 86,774 | 107,328 | 764,094 |
| Disposals | - | (180,807) | - | (192,058) | (1,820) | (43,388) | (418,073) |
| Foreign exchange difference on retranslation | 16,300 | 48,187 | 34 | 9,274 | 16,050 | 12,574 | 102,419 |
| **At 30 June 2016** | 3,666,743 | 5,254,774 | 135,988 | 1,593,191 | 1,885,878 | 2,073,566 | 14,610,140 |
| **Net book value** | | | | | | | |
| At 30 June 2016 | 19,907,986 | 1,344,962 | 239,031 | 588,186 | 524,315 | 811,778 | 23,416,258 |
| At 31 December 2015 | 19,844,466 | 1,344,862 | 252,455 | 593,180 | 599,255 | 870,687 | 23,504,905 |

### 10. Intangible assets

| | Computer software US$ | Patents and licenses US$ | Total US$ |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2015** | 7,315,063 | 1,095,656 | 8,410,719 |
| Additions | 687,396 | 1,164,805 | 1,852,201 |
| Disposals/ write-offs | (18,204) | (23,733) | (41,937) |
| Foreign exchange difference on retranslation | (133,040) | (4,634) | (137,674) |
| **At 31 December 2015** | 7,851,215 | 2,232,094 | 10,083,309 |
| Additions | 301,508 | 30,651 | 332,159 |
| Foreign exchange difference on retranslation | 16,411 | 8,833 | 25,244 |
| **At 30 June 2016** | 8,169,134 | 2,271,578 | 10,440,712 |
| **Accumulated amortisation** | | | |
| **At 1 January 2015** | 5,926,972 | 1,045,280 | 6,972,252 |
| Charge for the year | 297,030 | 235,292 | 532,322 |
| Disposals/ write-offs | (7,282) | (14,223) | (21,505) |
| Foreign exchange difference on retranslation | (124,600) | (27,462) | (152,062) |
| **At 31 December 2015** | 6,092,120 | 1,238,887 | 7,331,007 |
| Charge for the period | 163,157 | 123,916 | 287,073 |
| Foreign exchange difference on retranslation | 14,848 | 8,205 | 23,053 |
| **At 30 June 2016** | 6,270,125 | 1,371,008 | 7,641,133 |
| **Net book value** | | | |
| At 30 June 2016 | 1,899,009 | 900,570 | 2,799,579 |
| At 31 December 2015 | 1,759,095 | 993,207 | 2,752,302 |

### 11. Available-for-sale financial assets

The details of the investments are as follows:

| | Country of incorporation | Participation % | Cost US$ | Impairment US$ | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|---|---|---|---|
| E-Vision Ltd | Cyprus | 18% | 90,000 | (90,000) | - | - |
| Asekol s.r.o. | Czech Republic | 9.09% | 9,580 | - | 9,580 | 9,580 |
| Regnon S.A. | Poland | 0.01% | 2,214 | - | 2,214 | 2,214 |
| | | | 101,794 | (90,000) | 11,794 | 11,794 |

**12. Inventories**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Goods in transit | 9,531,294 | 9,746,106 |
| Goods held for resale | 100,092,887 | 91,463,696 |
| Provision for slow moving and obsolete stock | (4,505,855) | (4,288,149) |
| | 105,118,326 | 96,921,653 |

Movement in provision for slow moving and obsolete stock

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| On 1 January | 4,288,149 | 1,898,689 |
| Net movement for the period/year | 208,276 | 2,497,744 |
| Exchange difference | 9,430 | (108,284) |
| On 30 June/31 December | 4,505,855 | 4,288,149 |

**13. Trade receivables**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Trade receivables | 188,580,781 | 223,539,664 |
| Allowance for doubtful debts | (6,570,704) | (6,073,505) |
| | 182,010,077 | 217,466,159 |

**14. Other current assets**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Deposits and advances to service providers | 654,544 | 599,117 |
| Employee floats | 32,497 | 40,330 |
| VAT and other taxes refundable | 8,304,934 | 6,568,663 |
| Other debtors and prepayments | 7,941,504 | 6,487,710 |
| | 16,933,479 | 13,695,820 |

**15. Share capital**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| **Authorised** | | |
| 63,000,000 (2013: 63,000,000) shares of US$ 0.20 each | 12,600,000 | 12,600,000 |
| **Issued and fully paid** | | |
| 55,500,000 (2013: 55,500,000) ordinary shares of US$ 0.20 each | 11,100,000 | 11,100,000 |

**16. Short term borrowings**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Bank overdrafts (Note 26) | 50,636,924 | 18,093,347 |
| Current portion of long term loans | 940,231 | 934,818 |
| Bank short term loans | 23,855,907 | 24,308,125 |
| Short term obligations under finance leases (Note 19) | 41,451 | 34,520 |
| | 75,474,513 | 43,370,810 |
| Factoring creditors | 32,535,447 | 43,299,321 |
| | 108,009,960 | 86,670,131 |

**Summary of borrowings and overdraft arrangements**

As at 30 June 2016 the group enjoyed factoring facilities of US$ 76,785,793 (31 December 2015: US$ 66,864,392).

In addition, the group as at 30 June 2016 had the following financing facilities with banks in the countries that the company and its subsidiaries are operating:

- overdraft lines of US$ 57,344,892 (31 December 2015: US$ 44,425,253)
- short term loans/revolving facilities of US$ 30,174,566 (31 December 2015: US$ 48,447,298)
- bank guarantee and letters of credit of US$ 9,201,244 (31 December 2015: US$ 8,725,281)

The Weighted Average Cost of Debt (cash lines and factoring lines) for the period was 8.3% (for 2015: 9.5%).

The factoring, overdraft and revolving facilities as well as the loans granted to the company and its subsidiaries by their bankers are secured by:

- Floating charges over all assets of the company
- Mortgage on land and buildings that the group owns in Cyprus, Czech Republic, Belarus, Middle East, Bulgaria, Slovakia and Ukraine
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted to subsidiary companies
- Assignment of insurance policies
- Pledged deposits of US$ 6,423,443 (31 December 2015: US$ 5,626,714)

**17. Long term borrowings**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Bank loans | 1,348,597 | 1,812,754 |
| Long term obligations under finance leases (Note 19) | 40,821 | 28,179 |
| | 1,389,418 | 1,840,933 |

**18. Other long term liabilities**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Pension provision | 303,723 | 366,588 |

**19. Finance leases**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Obligation under finance lease | 82,272 | 62,698 |
| Less: Amount payable within one year | (41,451) | (34,520) |
| Amounts payable within 2-5 years inclusive | 40,821 | 28,178 |

**20. Deferred tax**

| | For the six months ended 30 June 2016 US$ | For the year ended 31 December 2015 US$ |
|---|---|---|
| Debit balance on 1 January | (1,436,016) | (863,287) |
| Deferred tax credit for the period/year (Note 8) | (136,525) | (599,558) |
| Exchange difference on retranslation | (292) | 26,829 |
| Debit balance on 30 June/31 December | (1,572,833) | (1,436,016) |

| | For the six months ended 30 June 2016 US$ | For the year ended 31 December 2015 US$ |
|---|---|---|
| Deferred tax assets | (1,628,257) | (1,519,787) |
| Deferred tax liabilities | 55,423 | 83,771 |
| Net deferred tax assets | (1,572,834) | (1,436,016) |

**21. Other current liabilities**

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Salaries payable and related costs | 1,107,717 | 1,173,825 |
| VAT payable | 4,235,338 | 6,624,220 |
| Accruals and deferred income | 13,489,335 | 10,246,914 |
| Non-trade accounts payable | 2,890,682 | 1,812,747 |
| | 21,723,072 | 19,857,706 |

**22. Commitments and contingencies**

As at 30 June 2016 the group was committed in respect of purchases of inventories of a total cost value of US$ 2,822,236 (31 December 2015: US$ 2,010,060) which were in transit at 30 June 2016 and delivered in July 2016. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of purchase, title of the goods has not passed to the group at period/year end.

As at 30 June 2016 the group was contingently liable in respect of bank guarantees and letters of credit of US$ 9,201,244 (31 December 2015: US$ 8,725,281) which the group has extended mainly to its suppliers.

As at 30 June 2016 the group had no other capital or legal commitments and contingencies.

**23. Operating segments**

***1.1 Reportable segments***

The group mainly operates in a single industry segment as a distributor of IT products. The group's operating segments are based on geographic location, and the measure of segment profit is profit from operations. The group operates in four principal geographical areas – Former Soviet Union, Central Eastern Europe, Western Europe and Middle East & Africa.

***1.2 Segment revenues***

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| Central Eastern Europe | 201,536,681 | 230,650,898 |
| Former Soviet Union | 167,878,093 | 167,649,420 |
| Middle East & Africa | 80,440,433 | 79,473,619 |
| Western Europe | 29,631,274 | 24,289,108 |
| Other | 17,927,848 | 25,098,174 |
| | 497,414,329 | 527,161,219 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

**23. Operating segments (continued)**

***1.3 Segment results***

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| Former Soviet Union | 3,444,930 | (9,148,176) |
| Central Eastern Europe | 2,733,353 | 341,210 |
| Western Europe | 111,490 | (1,365,187) |
| Middle East & Africa | 471,620 | (835,003) |
| Other | 58,022 | (1,335,282) |
| **Profit/(loss) from operations** | 6,819,415 | (12,342,438) |
| Net financial expenses | (6,272,829) | (7,220,378) |
| Other gains and losses | 160,058 | 78,725 |
| **Loss before taxation** | 706,644 | (19,484,091) |

***1.4 Segment capital expenditure (CAPEX)***

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| Former Soviet Union | 4,021,636 | 4,105,812 |
| Central Eastern Europe | 12,383,437 | 12,158,485 |
| Western Europe | 65,673 | 85,910 |
| Middle East & Africa | 3,311,610 | 3,406,971 |
| Unallocated | 8,017,080 | 8,056,001 |
| | 27,799,436 | 27,813,179 |

***1.5 Segment depreciation and amortisation***

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| Former Soviet Union | 129,202 | 259,072 |
| Central Eastern Europe | 373,325 | 407,195 |
| Western Europe | 18,297 | 7,865 |
| Middle East & Africa | 108,993 | 124,166 |
| Unallocated | 421,350 | 472,993 |
| | 1,051,167 | 1,271,291 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016

**23. Operating segments (continued)**

***1.6 Segment assets***

| | **As at 30 June 2016 US$** | **As at 31 December 2015 US$** |
|---|---|---|
| Former Soviet Union | 112,615,083 | 101,836,477 |
| Central Eastern Europe | 125,393,147 | 159,681,004 |
| Western Europe | 22,825,056 | 24,880,728 |
| Middle East & Africa | 52,162,414 | 50,096,896 |
| Total | 312,995,700 | 336,495,105 |
| Assets allocated in capital expenditure (1.4) | 27,799,436 | 27,813,179 |
| Other unallocated assets | 13,645,962 | 17,266,559 |
| Consolidated assets | 354,441,098 | 381,574,843 |

**24. Derivative financial liability**

| | **As at 30 June 2016 US$** | **As at 31 December 2015 US$** |
|---|---|---|
| Derivative financial liabilities carried at fair value through profit or loss | | |
| Foreign currency derivative contracts | 734,470 | 124,563 |

**25. Derivative financial asset**

| | **As at 30 June 2016 US$** | **As at 31 December 2015 US$** |
|---|---|---|
| Derivative financial assets carried at fair value through profit or loss | | |
| Foreign currency derivative contracts | 326,433 | 1,069,705 |

**26. Cash and cash equivalents**

| | **As at 30 June 2016 US$** | **As at 31 December 2015 US$** |
|---|---|---|
| Cash at bank and in hand | 20,097,819 | 22,383,203 |
| Bank overdrafts (Note 16) | (50,636,924) | (18,093,347) |
| | (30,539,105) | 4,289,856 |

The cash at bank and in hand balance includes an amount of US$ 6,423,443 (31 December 2015: US$ 5,626,714) which represents pledged deposits against secured borrowings.

### 27. Goodwill

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| At 1 January | 1,555,972 | 1,734,340 |
| Foreign exchange difference on retranslation | 27,627 | (178,368) |
| At 30 June/31 December (note i) | 1,583,599 | 1,555,972 |

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

| | As at 30 June 2016 US$ | As at 31 December 2015 US$ |
|---|---|---|
| ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo) | 387,073 | 381,349 |
| SHARK Computers a.s. | 1,196,526 | 1,174,623 |
| | 1,583,599 | 1,555,972 |

### 28. Transactions and balances of key management

| | For the six months ended 30 June 2016 US$ | For the six months ended 30 June 2015 US$ |
|---|---|---|
| Directors' remuneration - executive (Note 6) | 223,995 | 149,908 |
| Directors' remuneration - non-executive (Note 6) | 1,118 | 15,550 |
| | 225,113 | 165,458 |

### 29. Business combinations

**Disposals of subsidiaries to 30 June 2015**

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

| Name of disposed entity | Type of operations | Date liquidated | % liquidated |
|---|---|---|---|
| - Asbis Taiwan Co. Ltd | Information Technology | 13 April 2015 | 100% |

### 30. Fair values

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