

ANNUAL REPORT

beginning of financial year: 01.01.2018

end of the financial year: 31.12.2018

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Management report

Marsh Kindlustusmaakler AS ("the Entity") started its economic activity in February 1997. The Entity's main activities are insurance brokerage and insurance related consultations.

The main goal for the financial year 2018 was to increase revenues consistently considering impacts of the general business environment. The 21st financial year resulted with a profit of 152 618 EUR and the Entity's total assets amounted to 6 million EUR. The Entity's net sales increased 9,6%.

Some significant financial ratios:

Operating profit margin 11,2% (operating profit 228 542 EUR / net sales 2 047 637 EUR). Operating profit margin for the year 2017 was 17,3%

Profit margin 7,5% (net profit 152 618 EUR / net sales 2 047 637 EUR). Profit margin for the year 2017 was 14,6%

ROE (return on equity) 24,4% (net profit 152 618 EUR / owners' equity 625 245 EUR). ROE for the year 2017 was 35,9%

Current ratio 1,1 (current assets 5 781 705 EUR / current liabilities 5 395 168 EUR). Current ratio in 2017 was 1,1

In 2018, insurance premiums in the amount of 21,5 million EUR were mediated by the Entity (23,6 million EUR in 2017).

Marsh Kindlustusmaakler AS made no research and development expenditures during the financial year.

The main goal for the financial year 2019 is to increase revenues consistently, considering the business environmental effects. Implementation of efficient methods for developing service environment will be continued in order to retain the profitability.

Mart Mere

Chairman of the Management Board

Jul

The annual accounts

Statement of financial position

(In Euros)

	31.12.2018	31.12.2017	Note
Assets			
Current assets			
Cash and cash equivalents	1 956 029	1 952 797	2
Receivables and prepayments	3 825 676	3 966 088	3
Total current assets	5 781 705	5 918 885	
Non-current assets			
Property, plant and equipment	238 708	255 054	5
Total non-current assets	238 708	255 054	
Total assets	6 020 413	6 173 939	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	5 395 168	5 413 313	8
Total current liabilities	5 395 168	5 413 313	
Total liabilities	5 395 168	5 413 313	
Equity			
Issued capital	63 912	63 912	10
Statutory reserve capital	6 391	6 391	
Retained earnings (loss)	402 324	417 111	
Annual period profit (loss)	152 618	273 212	
Total equity	625 245	760 626	
Total liabilities and equity	6 020 413	6 173 939	

Income statement

(In Euros)

	2018	2017	Note
Revenue	2 047 637	1 868 730	11
Other income	1 224	1 594	
Other operating expense	-530 916	-500 408	
Employee expense	-1 273 057	-1 029 227	12
Depreciation and impairment loss (reversal)	-16 346	-16 030	
Operating profit (loss)	228 542	324 659	
Other financial income and expense	-3 924	-1 447	
Profit (loss) before tax	224 618	323 212	
Income tax expense	-72 000	-50 000	13
Annual period profit (loss)	152 618	273 212	

Notes

Note 1 Accounting policies

General information

The financial statements of Marsh Kindlustusmaakler AS (hereinafter also referred to as "the Entity") for the financial year 2018 are prepared according to the Accounting Act of the Republic of Estonia and EFRS.

The financial statements have been prepared based on cost, except for the revaluation of certain assets and financial instruments.

The principal accounting policies adopted are set out below.

For the 2018 annual report we have used category of reporting forms available for small businesses.

Cash and cash equivalents

The balance sheet line "Cash" comprises bank accounts and short-term demand deposits (due within three months).

Foreign currency transactions and assets and liabilities denominated in a foreign currency

Foreign currency transactions are recorded at the rates of exchange quoted by the European Central Bank at the transaction date. Foreign currency monetary items that are carried at fair value are retranslated into euros at the official foreign currency exchange rates prevailing on the balance sheet date. Non-monetary items, which are not carried at fair value (i.e. prepayments, tangible and intangible assets) are not retranslated; instead, foreign currency exchange rates prevailing on the transaction date are used. Gains and losses from foreign currency transactions are recorded in the income statement on net basis.

Receivables and prepayments

Receivables from policy holders are recorded at amortized cost, i.e. at their present value, from which doubtful accounts are deducted.

Plant, property and equipment and intangible assets

Assets held for use in supply of services or administrative purposes with a useful life of over one year are considered to be tangible assets. Tangible assets are recorded at cost, which comprises purchase price and other directly attributable expenditures.

Depreciation is calculated on the straight-line method. Depreciation rates are assigned separately to each tangible asset or its separately identifiable component depending on its estimated useful life. Paintings are not depreciated.

Improvements to tangible assets are capitalized if they comply with the definition of a tangible asset and the criteria for recognizing an asset on the balance sheet, including the participation of these costs in generating future economic benefits. Maintenance and repairs are expensed when incurred.

An asset is an intangible asset when it has useful life of more than one year and is controlled by the Entity, the cost of the asset can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Entity. Intangible assets are recorded at cost, which comprises purchase price and other directly attributable expenditures. Amortisation is calculated on the straight-line method.

Minimal acquisition cost 950 euro

Useful life by assets group (years)

Assets group name	Useful life
Buildings	40
Office equipment	3
Office furniture, inventory	10

Accounting program

3

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all significant risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under operating lease are not reported on the balance sheet. Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease irrespectively from disbursements.

Financial liabilities

All financial liabilities (trade payables, accrued expenses and other short and long-term payables) are initially recognized at their acquisition cost, which also includes all expenses directly related to the acquisition. Subsequent recognition is done at amortized cost.

The amortized cost of short-term financial liabilities is generally equal to their nominal value, therefore short-term financial liabilities are recognized in the balance sheet in the amount payable. Amortized cost of long-term financial liabilities is calculated using the effective interest rate method.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, i.e. represents amounts receivable for services provided, net of discounts. Sales of services are recognized in the period when the service was provided, provided that collection of related receivables is probable, and income and expenses incurred in respect of the transaction can be measured reliably.

Revenue consists of income from services sold and brokerage fees. The brokerage fees from insurers are recognized as revenue based on issued invoice for the whole policy term at the month of the policy start date, at latest. Consultation fees for services related to risk analysis are recognized as revenue based on issued invoices at the month the service was provided.

Interest income is recognized on a cash basis.

Taxation

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends, fringe benefits, gifts, donations, non-business related expenses and transfer pricing corrections.

The income tax due on dividend distribution is recognized as a liability and income tax expense in the income statement in the same month when respective disbursements are declared irrespective of the period for which they are declared or when they are actually paid.

The obligation to pay income tax arises on the 10th day of the month following the payment of dividends. The dividend distribution is taxed at a rate of 20/80 net payable.

Related parties

Parties are considered related if one party is controlled by another, or one party has significant influence over another, including the parent Entity, associate and other group companies, the members of the Supervisory Council and the Management Board, their families and the companies in which they hold majority interest or have significant influence.

The parent company of the Entity, holding 100% of voting power, is Marsh A/S, Denmark, which belongs to Marsh & McLennan Companies, Inc. group.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2018	31.12.2017
Bank accounts	1 956 029	1 952 797
Total cash and cash equivalents	1 956 029	1 952 797

Note 3 Receivables and prepayments

(In Euros)

	31.12.2018	Within 12 months
Accounts receivable	3 800 593	3 800 593
Accounts receivables	3 800 743	3 800 743
Allowance for doubtful receivables	-150	-150
Prepayments	25 083	25 083
Deferred expenses	25 083	25 083
Total receivables and prepayments	3 825 676	3 825 676
	31.12.2017	Within 12 months
Accounts receivable	3 943 253	3 943 253
Accounts receivables	3 943 794	3 943 794
Allowance for doubtful receivables	-541	-541
Prepayments	22 835	22 835
Deferred expenses	22 835	22 835
Total receivables and prepayments	3 966 088	3 966 088

Balance of trade receivables as of 31.12.2018 includes receivables from other group companies in the amount of 21 294 EUR (31.12.2017 27 470 EUR, respectively). Additional information is presented in the note 14 to the financial statements. Amount of impaired receivables in 2018 was 150 EUR (2017: 541 EUR).

Note 4 Tax prepayments and liabilities

(In Euros)

	31.12.2018	31.12.2017
	Tax liabilities	Tax liabilities
Value added tax	2 502	15 746
Personal income tax	20 175	8 404
Fringe benefit income tax	893	0
Social tax	113 405	58 318
Contributions to mandatory funded pension	2 106	879
Unemployment insurance tax	3 347	1 420
Total tax prepayments and liabilities	142 428	84 767

Note 5 Property, plant and equipment

(In Euros)

	Buildings	Computers and computer systems	Machinery and equipment	Other property, plant and equipment	Total
31.12.2016					
Carried at cost	326 779	25 252	25 252	128 173	480 204
Accumulated depreciation	-119 298	-23 991	-23 991	-89 288	-232 577
Residual cost	207 481	1 261	1 261	38 885	247 627
Acquisitions and additions	0	0	0	23 457	23 457
Other acquisitions and additions		0	0	23 457	23 457
Depreciation	-8 074	-1 261	-1 261	-6 695	-16 030
31.12.2017					
Carried at cost	326 779	23 442	23 442	100 740	450 961
Accumulated depreciation	-127 372	-23 442	-23 442	-45 093	-195 907
Residual cost	199 407	0	0	55 647	255 054
Depreciation	-8 074	0	0	-8 272	-16 346
31.12.2018					
Carried at cost	326 779	23 442	23 442	100 740	450 961
Accumulated depreciation	-135 446	-23 442	-23 442	-53 365	-212 253
Residual cost	191 333	0	0	47 375	238 708

In 2018 no any fixed asset has been written-off.

Note 6 Intangible assets

(In Euros)

	Computer software	Total
31.12.2016		
Carried at cost	42 014	42 014
Accumulated depreciation	-42 014	-42 014
Residual cost	0	0
31.12.2017		
Carried at cost	42 014	42 014
Accumulated depreciation	-42 014	-42 014
Residual cost	0	0
31.12.2018		
Carried at cost	42 014	42 014
Accumulated depreciation	-42 014	-42 014
Residual cost	0	0

Note 7 Operating lease

(In Euros)

Accounting entity as lessee

	2018	2017
Operating lease expenses	29 526	28 388
Future lease expense under non-cancellable lease contracts		
	31.12.2018	31.12.2017
Within 12 months	16 788	15 501
1 - 5 years	33 838	33 711

Marsh Kindlustusmaakler AS leases 4 vehicles under the terms of operating lease.



Note 8 Payables and prepayments

(In Euros)

	31.12.2018	Within 12 months
Trade payables	4 755 652	4 755 652
Employee payables	276 530	276 530
Tax payables	142 428	142 428
Other payables	5 997	5 997
Other accrued expenses	5 997	5 997
Prepayments received	214 561	214 561
Deferred income	214 561	214 561
Total payables and prepayments	5 395 168	5 395 168

	31.12.2017	Within 12 months
Trade payables	5 001 442	5 001 442
Employee payables	167 402	167 402
Tax payables	84 767	84 767
Other payables	5 748	5 748
Other accrued expenses	5 748	5 748
Prepayments received	153 954	153 954
Deferred income	153 954	153 954
Total payables and prepayments	5 413 313	5 413 313

Note 9 Trade payables

(In Euros)

	31.12.2018	31.12.2017
Payables to insurance providers	4 737 562	4 883 724
Payables to other group companies	12 510	111 158
Other payables	5 580	6 560
Total trade payables	4 755 652	5 001 442

Note 10 Share capital

(In Euros)

	31.12.2018	31.12.2017
Share capital	63 912	63 912
Number of shares (pcs)	1 000	1 000
Nominal value of shares	63.91	63.91

Note 11 Net sales

(In Euros)

	2018	2017
Net sales by geographical location		
Net sales in European Union		
Estonia	1 657 406	1 535 259
Other European Union net sales	320 530	254 630
Total net sales in European Union	1 977 936	1 789 889
Net sales outside of European Union		
United States of America	10 672	15 167
Other net sales outside of European Union	59 029	63 674
Total net sales outside of European Union	69 701	78 841
Total net sales	2 047 637	1 868 730
Net sales by operating activities		
Insurance mediation and related risk analysis	2 047 637	1 868 730
Total net sales	2 047 637	1 868 730

Note 12 Labor expense

(In Euros)

	2018	2017
Wage and salary expense	953 448	768 623
Social security taxes	319 609	260 604
Total labor expense	1 273 057	1 029 227
Average number of employees in full time equivalent units	16	17

Note 13 Income tax

(In Euros)

Income tax expense components	2018		2017	
	Taxable amount	Income tax expense	Taxable amount	Income tax expense
Declared dividends	288 000	72 000	200 000	50 000
Total	288 000	72 000	200 000	50 000

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends or distribution of profit in any other forms. Income tax should be calculated also on payments made from equity that are exceeding the monetary and non-monetary contributions made to the equity. According to the aforementioned Act the dividends and profit distributed in any other forms are subject to income tax with the tax rate (20/80) on the actual distribution (until 2014: 21/79).

The contingent tax liability that may occur if all distributable retained earnings should be distributed or in case the capital is decreased is not reported on the balance sheet. The income tax due on dividend distribution or any other distribution of equity is expensed in the income statement when respective disbursements are declared.

The Entity's distributable retained earnings as of 31 December 2018 amounted to 554 942 EUR. Consequently, the maximum possible dividend payout to shareholders is 443 954 EUR and tax liability which would become payable if retained earnings were fully distributed is 110

988 EUR.

Note 14 Related parties

(In Euros)

Name of accounting entity's parent company	Marsh A/S
Country where accounting entity's parent company is registered	Denmark
Group name where parent company belongs	Marsh & McLennan Companies Group
Country where group's parent company is registered	USA

Related party balances according to groups

	31.12.2018		31.12.2017	
	Receivables	Liabilities	Receivables	Liabilities
Other entities belonging into same consolidation group	21 294	10 500	27 470	111 158

Purchases and sales

	2018		2017	
	Purchases	Sales	Purchases	Sales
Other entities belonging into same consolidation group	328 125	35 411	361 408	54 042
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	0	990	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2018	2017
Remuneration	326 491	260 760

[Translation of Estonian original]

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Marsh Kindlustusmaakler AS

Opinion

We have audited the financial statements of Marsh Kindlustusmaakler AS (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of income for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance for the year then ended in accordance with Accounting Act and Estonian Financial Reporting Standard.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISAs (EE)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (Estonia), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Act and Estonian Financial Reporting Standard and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

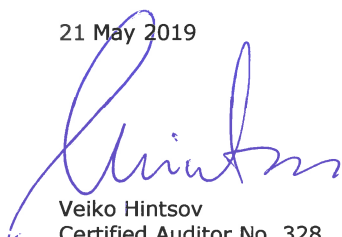
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (EE), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

21 May 2019



Veiko Hintsov
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