MarkIT Holding AS

Consolidated annual report

Beginning of financial year:	**1 January 2019**
End of financial year:	**31 December 2019**

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Core activity	IT services

Appended documents

1. Independent auditors' report
2. Proposal for covering the loss
3. List of operating activities

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CEO Letter for Markit Annual Report 2019

Markit was founded with a passion to bring positive change to IT purchasing. Our mission is to help corporate IT buyers save time and money by making IT purchasing simple and transparent. Or as our slogan puts it - Take the chasing out of IT purchasing.

We pioneered an innovative business model which integrates the key IT distributors in every country to reach at least 80% coverage of IT products offered in the market. The result is a real time marketplace where products are sourced directly from the distributors for a fair and transparent fee. Every item purchased is e-tendered among multiple suppliers.

In addition to aggregating the market, our software offers extensive functionality for corporate IT buyers to address their key needs. It saves time every step of the way from search and finding products, making orders, tracking delivery, user and company management, workflow to savings reports and much more.

We have scaled across Europe, Americas and Asia. We have integrated the key distributors in all these markets and our database now includes live feeds from more than 300 key suppliers. It means around a million unique products with an average of four offers or each item. It is the biggest database of IT products in the world.

With a dedicated legal entity in every country and localized software Markit is especially useful for international companies who can centralize purchasing while having local “next business day” delivery and billing in 35 countries.

Our clients achieve process related time savings from 40% to 80% and direct monetary savings from 10% to 30%, improved control and transparency over their IT purchasing. We are happy and excited to be able to work together with some the world’s leading companies like Michelin, Siemens, ABB, Danfoss, Saint-Gobain, Deloitte, Spotify, TransferWise, Johnson & Johnson, Ernst & Young, Telenor, Carlsberg, Maersk, Flex and ByteDance.

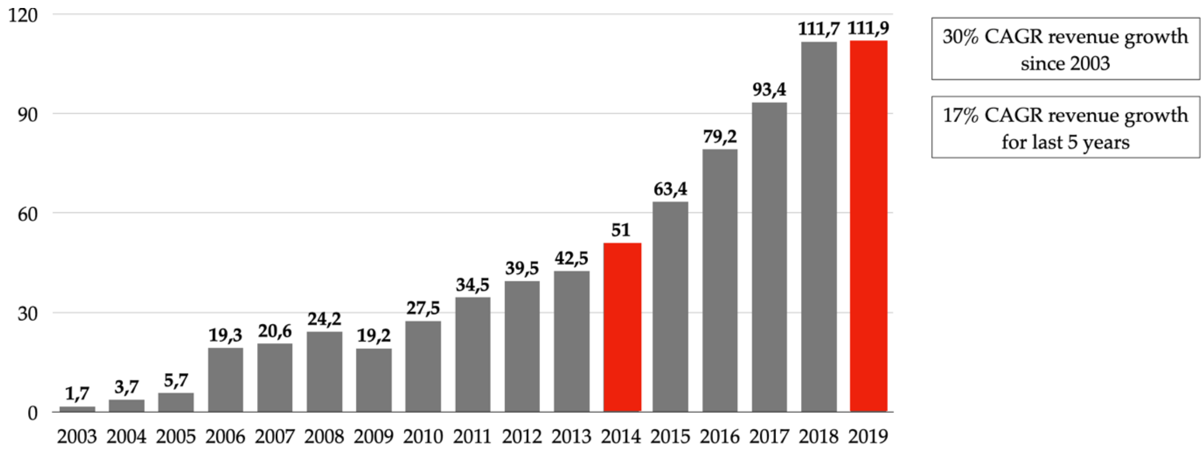
A persistent focus on increasing client value has translated into solid revenue growth of 30 % since founding and in the past five years +17% annually. In 2018 the company reached in 10-year vision and the milestone of 100 million EUR with 100 people making our Revenue Per Employee (RPE) one of the highest in our industry and in Forbes 2000 in general.

After completing our initial vision, we immediately set sights on a new one. By 2028 we aim to be the leading IT purchasing platform for MNC’s and reach 1 billion EUR in revenue with 500 employees and presence in 80 markets globally.

Being at the beginning of a new phase in the company development, 2019 was year of making changes and laying foundations for future growth.

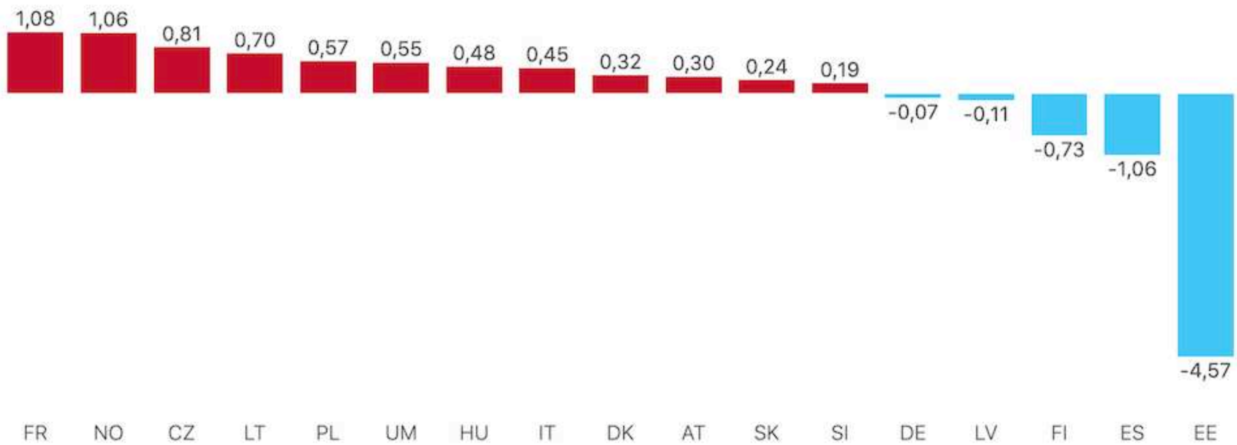
Our revenue grew just slightly from 111,7 to 111,9 million EUR. However, that does not mean a lack of growth in Markit in general.

Sales revenue growth



Out of our 18 key markets, 16 countries had solid year of growth which was counterweighted by the revenue decline in Finland and Estonia, where we made significant changes in personnel and direction. Stopping several low profitability engagements and government contracts. Businesses in both countries are strong and will return to growth in 2020.

Sales revenue growth by countries (in millions)



Financial performance

The 2019 fiscal year was a challenging year, but also a year of success. It was only second year in Markit 17 year history when revenue decreased or grew meaningfully below long term average. Markit Holding consolidated revenue grew by **0.1%** compared to year earlier reaching **111,9** million euros. We continued to add new customers and our new customer revenue growth was similar with previous years. We believe short-term success is important, but even more important is our long-term sustainable growth.

2019 was the ninth consecutive year of growth after the global financial crisis. Since its foundation in 2003, Markit has increased its revenues by 30% per year on average.

During 2019 we delivered to our customers **192.7 thousand** orders in **35 countries**. **61%** from these orders were processed fully automatically without anyone “touching” them. We have served **2049** loyal customers (annual increase of 7%) and our account managers made more than **5 thousand** customer meetings.
The main customers of Markit are local large enterprises and multinational companies. Many of them are the world’s leading companies, who are using Markit’s B2B purchasing platform in multiple European countries. Among these companies are Michelin, Spotify, Western Union, Telenor Norge, Johnson & Johnson, ABB, Deloitte Advisory, Danfoss and many more. From the Fortune 500 list of leading global companies already 17% are currently using Markit services.

EBITDA of 2019 with 0,82 million euros had decreased from 1,544 million euros in 2018 because of additional growth investments made in 2019.

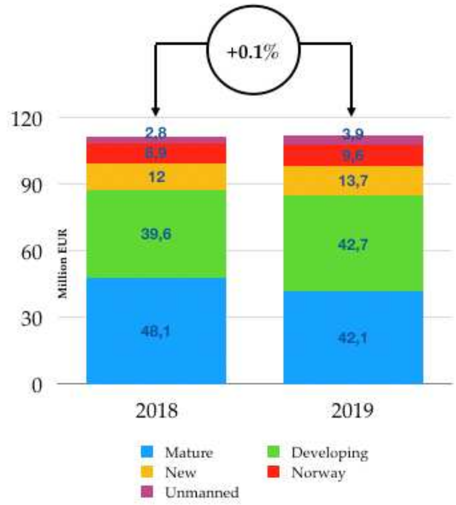
Consolidated depreciation and amortization expense and finance costs totaled 1.48 million euros in 2019 (in 2018 1,23 million euros). Depreciation and amortization expense and finance costs include 300 thousand euros pure non-cash cost generated by depreciation of intangible assets which were created during management buyout of one of Markit’s financial investors.

Consolidated profit before tax decreased from 0,32 million euros in 2018 to loss of 0,67 million euros in 2019. This decrease is attributable to the additional investments made at the end of the 2018 and miss of revenue growth targets.

Total of amount of corporate tax liability grew to 0.38 million euro in 2019 from 0.25 million euro in 2018 as some of our mature countries delivered larger profits.

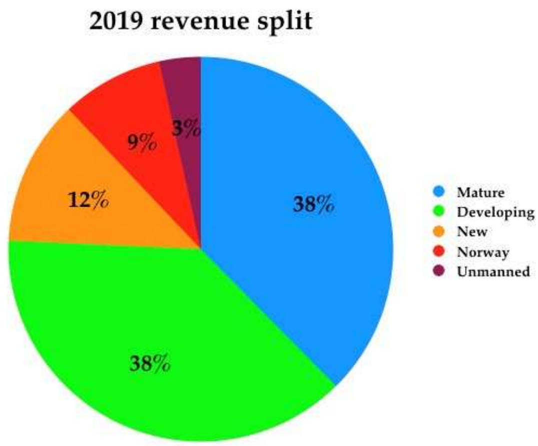
Loss after tax amounted to 1,050 million euros in 2019 (in 2018 profit 0.06 million euros).

Reportable business segments



In absolute terms, the largest contributor to our 2019 sales growth was the **Developing countries segment** with a 3.2 million euro increase in revenue or 8% growth year on year. **Czech Republic stood out** in this group as the fastest growing country for Markit companies. Czech Republic delivered 8% year-on-year sales growth and 14.1% gross profit growth. In addition to Czech Republic in the Developing country group Poland showed good growth with revenue up by 4.2% year-on-year.

Our Mature country group revenue decreased by 12.5% due to team changes and realignments of customer portfolio. As a group, this **Mature countries' segment** represented 37.5% of Markit sales in 2019. After stellar 2018 our Estonian subsidiary had a challenging year during which revenue decreased by 21.8%. Revenue in Finland also decreased by 9.6%, but gross profit only by 1.3%. This was a result of stopping cooperation with very low margin customers. Sales in Latvia was almost flat comparing to 2018 (-1% year on year), but Lithuania grew by 8.6%.



In 2019 our expanded **New countries segment** (Italy, France, Germany, Slovakia, Denmark and Romania) delivered 16.1% growth compared to the same period last year by adding 1.9 million euros to our organic sales growth. France again was a bright spot in this segment with 57% year-on-year revenue growth. Our Italian and German subsidiaries stayed on revenue growth path. Italy grew by 14.8% year on year and Germany had a slight decrease of 1.7 %. Country managers in our newly added expansion countries Denmark, Slovakia and Romania were ramping up business activities and it has shown tangible results already in 2019. More is to come in 2020.

Our **Norwegian** subsidiary delivered acceptable growth by adding 14.1% in revenue to 2018 result.

Our **Unmanned countries segment** continued satisfactory business development and delivered same revenue as in 2018. On surface it is very modest achievement for Unmanned team, but result was impacted by removing Denmark, Slovakia and Romania from this reporting segment. Main task of this team is to grow business in unmanned countries to the level when we can fund hiring of new country managers with locally generated profits. That means every year they “loose” fastest growing countries and need to start things all over again.

Liquidity and capital resources

Markit Holding’s operating activities generated positive cash inflow of 3,022 million euros in 2019, compared to a negative cash flow of -0,22 million euros in 2018.

At 31 December 2019, Markit Holding had consolidated net interest-bearing debt of 6,96 million euros, against a 7,1 million euros at 31 December 2018. During 2019 Markit repaid all debt with maturities in 2019 and we do not have to repay material amounts of debt before June 2020.

Markit Holding’s business model allows us to work with negative working capital. During 2019 negative working capital increased from -2,2 million euros in 2018 to -4,5 million euros. We foresee an increase in negative working capital as long as Markit continues to make material investments in new countries.

Important comments on the financial information

In the following, we present a few comments on Markit’s financial data, statement of financial position and key financial ratios. As the business model of Markit is unique, it is also important to take into consideration a few aspects which differ from those of the more traditional business models when analyzing the data presented.

Negative working capital

Markit’s statement of financial position reflects that accounts payable exceed accounts receivable. This is because our average payment term with vendors is 45 days while the average payment term with customers is 32 days. This is very positive from the point of view of cash flow which does not need external financing, but it may be confusing at first when reading the statement of financial position.

Negative Tangible Net Worth

Based on the MarkIT business model, investments of the company’s shareholders equity can be categorized into four main segments: investments in organic growth through the company’s European offices (direct costs), strategic acquisitions (goodwill), software which is the main “product” of MarkIT (intangible assets) and pan-European branding and trademark (intangible assets).

Minimum amount of tangible assets

As the MarkIT business model is basically virtual – the company does not need logistics centers, warehouses or inventories, the ratio of assets to revenue is very good. The company can generate significant revenue and profit from mature markets. It is also important to note that MarkIT is not burdened with the high risks of keeping physical stocks of goods and the need to write them down in the statement of financial position at the end of each reporting period that is the usual practice and requirement for traditional sellers of IT products.

Key financial data of MarkIT Holding AS:

	2019	2018
Revenue	112 041 597	111 887 258
Net profit	-1 067 348	62 650
Total assets	40 915 764	37 010 013
Current assets	17 987 002	16 015 838
Total liabilities	28 400 838	23 503 666
Current liabilities	22 452 964	18 205 835
Non-current liabilities	5 947 873	5 297 831
Total equity	12 514 927	13 506 346

Current ratio	0,80	0,88
Debt ratio	0,69	0,64
Net margin	-1,0%	0,1%
Equity ratio %	31%	36%

Formulas used to calculate the ratios:

Current ratio = total current assets / total current liabilities

Debt ratio = total liabilities / total assets

Net margin = net profit/ revenue * 100

Equity ratio = equity / total assets * 100

We will keep Chasing Pur and moving forward inch by inch!

Andres Agasild
CEO, MarkIT

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* Pur defined: *in English | a low murmuring sound of contentment a cat makes or an engine working smoothly while making a similar sound. In Latin (pūrus, pūrē, puro, pur) Clean. Clear. Transparent.*

MARKIT

Corporate social responsibility @ Markit

We have a simple, ethical approach to business in its totality, which is guided by The Markiteers' Core Values of KINDNESS, HONESTY, LOYALTY, PROFESSIONALISM and TRANSPARENCY.
Markit's core values should be applied in every situation including in communication with clients, partners, suppliers, state officials, colleagues and in fact, anyone we encounter during the normal course of doing business. This is the basis of how Markit is managed and lead.

A transparent approach

Whilst we do not have formal written corporate social responsibility (CSR) policies, for the past three years, we have compiled a printed "Outlook Book" which is given to each employee during our annual Employee Summit. Outlook can be considered as an employee handbook with a code of conduct which also includes corporate sustainability guidelines. It transparently describes the mission, vision and strategy of the company, outlines our main values and principles, key milestones achieved and goals for next period(s), management structure and procedures, HR principles, career planning, general guidelines we expect all employees to follow in their everyday activities.

Our people

Our business and execution philosophy is well summarized using the positive business cycle concepts:
(1) The primary function of company is to serve its clients according mission and value created. (2) When company succeeds in this, the result is financial success and profits. (3) Profits can be re-invested to create even more value and to support **the development and happiness of the team.** The company grows and develops as a positive cycle starts to repeat itself.
Every area should be well measured. We have some ways to measure the value we create – savings reports and business cases. The financial results are measured using KPIs and Balanced Scorecard. To measure and manage the commitment and happiness of the team we have introduced the Seven Questions methodology. One cannot fully put a "number" on these things, but the methodology helps to spot areas for improvement. In order to have happy people, it is important to ensure that every employee understands the company's and team's goals, every employee likes what he or she does, every employee has necessary tools and support, they receive positive emotions from work, they are able to grow, they are fairly compensated and have reasonable work-life balance. Latest survey conducted, revealed the average result of 8.4 out of 10.
Markit is an equal opportunities employer and obviously, we follow all applicable employment laws in each country of operation. We do not prefer or reject anyone in terms of their sex, race, religion or belonging to minority groups. **What matters is a person's professional capability and sharing of our core values.**

In 2018 we implemented a completely new methodology of hiring and improved the hiring process. Very important is the visibility of the process and assessment criteria to ensure clarity to each party. Personnel selection is crucially important – to find and hire great people who share our values.

When hiring or firing the consent of three people is required to ensure fairness: the direct supervisor, Head of Function and CEO. Hiring criteria for success:

1. **PRODUCTIVE -** achieves consistently great results
2. **PROBLEM SOLVER -** defines and solves problems well and quickly
3. **COMPETENT** – in its area of activity and creates added value for customer and/or to the company
4. **CREATIVE -** persistent until finds the creative solutions to problems
5. **LEADERSHIP QUALITY -** is able to energize himself and others, take risks, leads by example
6. **MARKITEER -** mission driven, ethical and kind (giver v. consumer), values transparency and loyalty.

Clear team structure and roles add clarity and provide understandable **CAREER PLANNING**. In our biggest team -the sales team, there are four clear roles, a division of duties, a way of working together, learning and developing in place.

1. For larger accounts KAMs and AMs are working in pairs, combining business development and quality of execution.
2. AMs can learn from KAMs and develop on the job. Thus, becoming independent with some accounts as we move forward.
3. Customer service personnel can also develop to AMs in a few years and we can hire new talent into CS and give them space to develop.
4. Everyone is involved with prospecting through networking, recommendations etc. Specialized prospecting roles are in place.

Each Markiteer participates in a **Helping Clients Succeed training program**. The aim is to embed a deeper understanding of Markit's mission and sales methodology to help clients succeed in reducing the total cost of their IT device requirements (not simply to sell IT

equipment) whilst being kind, honest, loyal, professional and transparent with everyone and in every situation.
Majority Markiteers can use **flexible working hours** and to work **remotely** depending on their role and personal circumstances. Our revenue per employee of 1 000 thousand EUR indicates that Markiteers are extremely productive. High productivity comes from happy employees.
Every Markiteer has access to, and is encouraged to use, a developer task management tool where they add **suggestions** and requests **for system and service improvements**. Across all business functions about 2000 suggestions were made and reviewed in 2019. This participatory and agile development technique breeds a sense of product ownership in every Markiteer.
To celebrate our success and that of our clients, and to engender team spirit and ongoing commitments to our values, Markiteers are each year brought together at an annual summit. The intent of **Markit Summit** is always the same – inform, inspire, entertain and reward.
Markit also cares about the general **working environment** of its employees. We have come up with a good set of standardizations available to the whole group and have worked out our **“office concept”** with physical assets that can be applied. The concept gives answers to what an office in Markit means, where the office should locate, how it should look like and feel. We want to create a working environment which inspires people and bring them together as a team. We have a “Markit style” offices in Tallinn, Riga, Vilnius, Warsaw, Prague, Vienna and we want to keep going by re-vamping two offices per year.
Another measurements of **happiness** and **loyalty** in an organisation is **employee turnover**. Over the past 5 years our turnover rate average was 5.9% compared to the software and technology sector average of 13%. During 2019, 15 anonymous employee reviews on Glassdoor in 2019 gave Markit 4.9/5, with 100% approval for our CEO. We also operate an open-door policy to accept complaints and suggestions.

Our product @ environment

Our slogan encapsulates the product development mission: **TAKE THE CHASING OUT OF IT PURCHASING**
An ongoing iterative approach sees on average 100 product improvements per annum. Each improvement is geared towards making our systems and services deliver more transparent value to our clients and especially, to reduce the total cost of their IT purchasing. 60-70% of developers’ time is spent on new features and improvements. This ethical, user-centric approach is also inherently eco-friendly for several reasons.
Local-to-Local Delivery in 35 Countries
Markit’s IT purchasing solution allows clients to centrally order products, with local delivery, directly from distributors. By receiving orders directly from a local distributor, rather than a reseller or retailer, the client is significantly cutting the distance that the product has travelled and the number of times it has been handled and re-stored. Buying locally wherever possible also reduces, or even eliminates, the need for cross border deliveries.
The Markit model reduces the distance IT products travel before they reach our clients, and this therefore reduces the amount of CO2 emitted. As a side bonus, delivery times

are cut too. Our average delivery time per order (across 35 countries where we have operations) was just 2.53 days in 2019.

Basket Optimisation

Once a client has selected the IT products that they need from our marketplace of 3 million unique SKUs they add them to a shopping basket. At this point, a feature unique to Markit kicks in. They are presented with 3 options.

- **The lowest cost.** The selection is based on the best available prices of in-stock items, where the both, price and availability are displayed in real time.
- **The fastest delivery.** In some cases, the best price may come from a distributor that is further away than another who offers a fractionally higher price. By choosing the fastest delivery they may be reducing the distance your goods travel.
- **Lowest number of shipments.** With larger orders containing multiple product lines it’s often the case (when choosing the best price) that the deliveries will come from multiple sources which involves multiple shipments and more instances of goods received/shipment handling. By choosing the least number of shipments you reduce handling frequency and the number of deliveries, thus reducing CO2 emissions in the process.

Of course, each order is unique and while we can’t guarantee every single faster, or reduced-shipment, order will reduce CO2 emissions, it’s logical that in many cases that this is exactly what happens.

Consolidated statement of financial position

(in EUR)

	Note No	31.12.2019	31.12.2018
ASSETS			
Current assets			
Cash and cash equivalents	4	3 006 050	1 286 350
Receivables and prepayments	5,6,21	14 611 323	14 356 382
Inventories	8	369 628	373 106
Total current assets		**17 987 002**	**16 015 838**
Non-current assets			
Goodwill	10,25	18 631 197	16 973 333
Other intangible assets	10	4 109 132	3 904 104
Property, plant and equipment	9	188 434	116 738
Total non-current assets		**22 928 763**	**20 994 175**
TOTAL ASSETS		**40 915 764**	**37 010 013**
LIABILITIES			
Current liabilities			
Borrowings	11	1 779 714	2 349 920
Payables and prepayments	12	20 673 250	15 922 274
Total current liabilities		**22 452 964**	**18 272 194**
Non-current liabilities			
Borrowings	11	5 211 936	4 764 430
Payables and prepayments	12	735 938	467 042
Total non-current liabilities		**5 947 873**	**5 231 472**
TOTAL LIABILITIES		**28 400 838**	**23 503 666**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital at nominal value	18	1 704 689	1 704 689
Share premuim		2 265 733	2 265 733
Statutory capital reserv		53 592	53 592
Retained earnings		9 524 446	9 367 343
Loss from current financial year		-1 067 348	-89 682
Unrealised currency differences		33 815	54 193
Total Equity attributable to shareholders of parent company		**12 514 927**	**13 355 868**
Minority interest		0	150 479
TOTAL EQUITY		**12 514 927**	**13 506 346**
TOTAL LIABLITIES and EQUITY		**40 915 764**	**37 010 013**

The notes 1-28, set out on pages 17-59 are an integral part of these financial statements.

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Initials I.S. Date 19.06.2020

Consolidated statement of comprehensive income
(in EUR)

	Note No	2019	2018
Operating income			
Sales revenue	13	111 938 641	111 729 451
Other revenue	14	102 956	157 807
Total operating income		**112 041 597**	**111 887 258**
Operating expenses			
Cost of sales	15	-101 643 894	-101 774 774
Other operating expenses	16	-3 902 055	-3 937 789
Personnel expenses	17	-5 570 016	-4 433 388
Depreciation, amortization and impairments	9, 10	-726 964	-500 158
Other expenses	14	-139 138	-196 859
Total operating expenses		**-111 982 067**	**-110 842 968**
OPERATING PROFIT/-LOSS		**59 530**	**1 044 290**
Financial income	18	142 799	138 163
Financial expenses	18	-889 419	-867 151
PROFIT/-LOSS BEFORE INCOME TAX		**-687 089**	**315 302**
Corporate income tax expense	7	-380 259	-252 652
NET PROFIT/-LOSS of FINANCIAL YEAR		**-1 067 348**	**62 650**
incl. attributable to shareholders of Markit Holding AS		-1 067 348	-89 682
incl. attributable to minority interest		0	152 332
Other comprehensive income			
Exchange rate differences from translation of foreign subsidiaries		-20 378	5 721
incl. attributable to shareholders of Markit Holding AS		-20 378	5 721
incl. attributable to minority interest		0	0
Total comprehensive income of financial year		**-1 087 726**	**68 371**
incl. attributable to shareholders of Markit Holding AS		-1 087 726	-83 961
incl. attributable to minority interest		0	152 332

The notes 1-28, set out on pages 17-59 are an integral part of these financial statements.

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Consolidated cash flow statement

(in EUR)

	Note No	2019	2018
Cash flows from operating activities			
Net profit/-loss for financial year		-1 067 348	62 650
Adjustments for:			
Depreciation, amortisation and impairment	9;10	726 956	500 158
Accrued finance income and costs		644 206	274 514
Income tax expense		380 259	252 652
Other non-monetary transactions		2 487	-86 254
Change in receivables and prepayments related to operating activities		721 978	-433 696
Change in inventories		23 311	-89 787
Change in payables and deferred income		2 272 076	-143 316
Interest paid		-334 237	-334 900
Income tax paid		-355 330	-226 076
Total cash flows from operating activities		**3 014 358**	**-224 055**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	-81 278	-76 529
Purchase of intangible assets	10	-546 848	-230 514
Total cash flows from investing activities		**-628 126**	**-307 043**
Cash flows from financing activities			
Loans received		1 010 897	50 744
Repayments of loans received		-1 256 163	-274 094
Payment of finance lease liabilities	9;11	-330 554	0
Dividends paid		-150 479	-87 696
Total cash flows from financing activities		**-726 299**	**-311 046**
Total cash flows		**1 659 933**	**-842 144**
Cash and cash equivalents at beginning of the year	4	**1 286 350**	**2 241 811**
Net increase/decrease in cash and cash equivalents		**1 659 933**	**-842 144**
Effect of exchange rate differences		59 767	-113 317
Cash and cash equivalents at end of the year	4	**3 006 050**	**1 286 350**

The notes 1-28, set out on pages 17-59 are an integral part of these financial statements.

Consolidated statement of changes in equity

(in EUR)	Equity attributable to Markit Holding AS shareholders							
	Share capital at nominal value	Share premium	Unrealised currency differences	Statutory capital reserve	Retained earnings	**Total**	Minority interest	**Total**
Balance as at 31.12.2017	**1 704 689**	**2 265 733**	**48 472**	**53 592**	**9 444 086**	**13 516 572**	**49 843**	**13 566 415**
Net profit/-loss for financial year	0	0	0	0	-89 682	**-89 682**	152 332	**62 650**
Other comprehensive income/ loss	0	0	5 721	0	0	**5 721**	0	**5 721**
Net profit for financial year	**0**	**0**	**5 721**	**0**	**-89 682**	**-83 961**	**152 332**	**68 371**
Other changes in equity	0	0	0	0	-40 743	**-40 743**	0	**-40 743**
Transactions with equity holders								
Dividends paid	0	0	0	0	-36 000	**-36 000**	-51 696	**-87 696**
Balance as at 31.12.2018	**1 704 689**	**2 265 733**	**54 193**	**53 592**	**9 277 661**	**13 355 868**	**150 479**	**13 506 347**
Net profit/-loss for financial year	0	0	0	0	-1 067 348	**-1 067 348**	0	**-1 067 348**
Other comprehensive income/ loss	0	0	-20 378	0	0	**-20 378**	0	**-20 378**
Net profit for financial year	**0**	**0**	**-20 378**	**0**	**-1 067 348**	**-1 087 726**	**0**	**-1 087 726**
Other changes in equity	0	0	0	0	246 785	**246 785**	0	**246 785**
Transactions with equity holders								
Dividends paid	0	0	0	0	0	**0**	-150 479	**-150 479**
Balance as at 31.12.2019	**1 704 689**	**2 265 733**	**33 815**	**53 592**	**8 457 098**	**12 514 927**	**0**	**12 514 927**

More detailed information on equity and other equity items is disclosed in Note 19.
The notes 1-28, set out on pages 17-59 are an integral part of these financial statements.

Notes to the consolidated financial statements

Note 1 General overview

MarkIT Holding AS is a company registered in the Republic of Estonia (10951541) with the registered office of Pärnu mnt.102c, Tallinn.
MarkIT Holding AS (hereinafter referred to as "the parent") and its subsidiaries (see Note 22) make up the Group (hereinafter referred to as "the Group"), the core activity of which is the retail sale of computers, computer peripheral devices and software. As at 31 December 2019, Group companies are located in Europe, North America, South America, Australia and Asia.

Note 2 Accounting policies used in the preparation of consolidated financial statements

2.1 Basis of preparation

The consolidated financial statements of MarkIT Holding AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter IFRS EU).

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group's functional and presentation currency is the euro (EUR).

The consolidated financial statements have been prepared and authorised for issue by the Management Board on 18th June 2020. The consolidated components are disclosed in Note 22. In accordance with the Commercial Code of the Republic of Estonia, the annual report shall be approved by the Supervisory Board of the company and authorised for issue by the general meeting of shareholders. The general meeting of shareholders has the right to make decisions regarding both the profit allocation as well as loss coverage and they may differ from the profit allocation proposal prepared by the Management Board and appended to the financial statements.

The consolidated financial statements have been prepared using the accounting policies outlined below and they have been consistently applied to all periods reported in the financial statements unless described otherwise.
The preparation of financial statements requires estimates from the management, that impact the choice of accounting policies, as well amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management also has to make decisions when applying the Group's accounting policies. Areas that require more severe and sophisticated decision making process or where assumptions and estimates have a significant impact on the consolidated financial statements are disclosed in Note 3.

2.2 Adoption of new or revised standards and interpretations

Changes in accounting policies and presentation

The consolidated financial statements are prepared in accordance with consistency and comparability principles, i.e. the Group always adheres to the same accounting policies and presentation. Changes to accounting policies and presentation are made only if required so by new or amended IFRS EU and their interpretations, or if a new accounting policy or

presentation gives a more objective overview of the Group's financial position, financial results and cash flows.
The accounting policies used for preparation of these financial statements are the same as the accounting policies used in the Group's consolidated financial statements for the financial year ended 31 December 2018, except for as described below.
From 1 January 2019, the Group applied IFRS 16 *Leases,* for the first time.

<u>The following new or revised standards and interpretations became effective for the Group from 1 January 2019:</u>

IFRS 16 Leases

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset as the start of the lease and if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low-value; and (b) depreciation of leased assets separately from interest on lease liabilities in the income statement. The principles of IFRS 16 for lessors shall essentially remain the same as those in IAS 17, i.e. the lessor shall continue to classify its lease agreements as operating and finance leases and recognise these types of leases differently. The Group's lease liabilities include office lease agreements.

IFRS 16 requires lessees to recognise new assets and liabilities under an on-balance sheet accounting model. Key metrics are affected by the recognition of new assets and liabilities, and differences in the timing and classification of lease income/ expense.

Operating expense is replaced with interest and depreciation, so key metrics like EBITDA has changed. Operating cash flows are higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

<u>Changes in accounting policies on initial application</u>

The group has adopted IFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. Therefore, the information about the comparatives for the 2018 reporting period are presented under the previous leasing standard IAS 17 and respective interpretations. The cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

On initial application the Group recognised right-to-use asset in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. The group measured the lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at the date of initial application, i.e. 1 of January 2019. On initial application, the Group applied 2% as weighted average lessee's incremental borrowing rate, to the leased premises.

Practical expedients on initial application

As a practical expedient, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 "Leases" and Interpretation 4 "Determining whether an Arrangement contains a Lease".

In applying IFRS 16 for the first time, the Group has decided to follow practical expedients permitted by the standard for leases previously classified as operating leases (office premises for the Group):

- applying a single discount rate to all office premises
- exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
- use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group had no finance leases under IAS 17 in previous periods.

Measurement of lease liabilities on initial application

Lease liabilities that are recognised in the statement of financial position on initial application, are presented below:

EUR	
Future minimum lease payments in relation to non-cancellable operating leases as at 31 December 2018	35 506
(Less): low-value leases not recognised as a liability	305
Discounted using the lessee's incremental borrowing rate of at the date of initial application 2%	34 823
Lease liability recognised in the statement of financial position as at 1 January 2019	34 823

Measurement of right-of-use assets on initial application

On initial application, the Group has measured the associated right-of-use asset at the amount equal to the lease liability, no monetary value to adjust it with any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

Adjustments recognised

The Group has recognised in the statement of financial position the following adjustments as at 1 January 2019 :

EUR	
Right-of-use assets – increase	34 823
Lease liabilities – increase	34 823

There are no other new or revised standards or interpretations that are effective for the first time for the financial year on or after 1 January 2019 that would be expected to have a material impact to the Group.

New Accounting Pronouncements

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods on or after 1 January 2020, and which the Group has not early adopted.

Definition of materiality – Amendments to IAS 1 and IAS 8

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Amendments to the Conceptual Framework for Financial Reporting (amendments become mandatory for the Group not before 1 January 2020)

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
Management assess the impact at every financial statement separately when prepared.

The other new or amended standards or interpretations that are not yet effective are not expected to have a significant impact on the Group.

2.3 Foreign currency translation

Functional and presentation currency

The financial statements of group companies have been prepared in the currency which is the currency of the key economic environment of each company (functional currency), i.e. the local currency. The consolidated financial statements had been prepared in euros. All financial figures have been rounded to the nearest full amount.

Foreign currency transactions and financial assets and financial liabilities denominated in foreign currencies

Foreign currency transactions are recognised using the official foreign exchange rates of the European Central Bank prevailing at the date of the transactions. Monetary financial assets and liabilities denominated in foreign currencies are translated into euros using the official exchange rates of the European Central Bank as at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the profit or loss of the period.

Financial statements of foreign entities

The financial results and positions of all Group companies whose functional currency differs from the Group's presentation currency are translated into the Group's presentation currency. The financial statements of foreign entities are translated into the Group's reporting currency, i.e. the euro as follows: assets and liabilities are translated using the official exchange rate of the European Central Bank prevailing at the balance sheet date. Revenue and expenses are translated using the historical exchange rate at the date of transaction while cash flows are translated using the average official exchange rate of the European Central Bank for the period.

Translation differences that are related to the net investment of foreign investments are recognised within other comprehensive income and are presented in the equity item *Currency translation reserve*.

2.4 Principles of consolidation

Business combinations

Business combinations are recognised using the purchase method as at the date of acquisition. The date of acquisition is the date at which the Group acquires control (see 2.5 Subsidiaries) over the entity to be acquired.

The cost of business combinations recognised under the purchase method (consideration transferred) is measured at fair value, the same way as the acquired identifiable assets, liabilities and contingent liabilities. The part of cost that exceeds the fair value of the acquired assets, liabilities and contingent liabilities is recognised as goodwill. In case the fair value of the net assets of the acquired subsidiary exceeds its cost, the difference (negative goodwill) is immediately recognised in the statement of comprehensive income for the period. The costs related to acquisition are recognised as expenses.

Consolidation

Consolidated financial statements include the financial information about the parent and its subsidiaries (see Note 22) which has been consolidated line-by-line. The receivables, liabilities, income, expenses and unrealised profits and losses that have arisen in the transactions between the parent and its subsidiaries have been eliminated.

The accounting policies of subsidiaries have been changed to match the accounting policies of the Group. The financial year of subsidiaries is the same as that of the parent. For translation of the income statements and cash flows of foreign entities into euros, the foreign exchange rate of the transaction date is used. The assets and liabilities denominated in foreign currencies are translated into euros using the official exchange rate of the European Central Bank prevailing at 31 December. Exchange rate differences that arise from translation of financial statements are recognised in equity.

In the unconsolidated financial statements of the parent (Note 26), investments in subsidiaries and associates are recognised at cost.

Non-controlling interest

For business combinations, non-controlling interest is recognised in proportion to the identifiable net assets to be acquired. The changes in the Group's ownership interest in its subsidiary which do not result in a loss of control, are recognised as equity transactions. If an interest in the carrying amount of the subsidiary's net assets acquired from non-controlling interest differs from the purchase price, the difference is recognised in equity. Gains and losses from sales to non-controlling interests are also recognised in equity.

2.5 Subsidiaries

Subsidiaries are all entities under the control of the Group. The Group has control over an entity when it receives or it has rights to the variable income from its participation in the entity and it can impact the amount of the profit through use of its influence over the entity. Subsidiaries are consolidated in the financial statements from the time control arises until it ceases. The Group uses the purchase method to account for business combinations. The consideration transferred on acquisition of subsidiaries consists of the fair values of the assets transferred, liabilities assumed by the acquirer and equity instruments issued by the Group. The consideration transferred also includes the fair value of the asset or liability under the contingent fee agreement. Acquisition-related expenditure is recognised as an expense. The acquired identifiable assets and liabilities as well as contingent liabilities are recognised at their fair value at the purchase date. For each business combination, the Group makes a selection whether to recognise a non-controlling interest in the company to be acquired either at fair value or in the proportionate share of the non-controlling interest in the identifiable net assets to be acquired. If the fair value of the consideration transferred, non-controlling interest in the company to be acquired and equity ownership in the company to be acquired that was held by the acquirer (as at the date of acquisition) exceeds the Group's ownership interest in the acquired identifiable assets and liabilities assumed, the difference is recognised as goodwill. If the previous amount for bargain purchases is smaller than the fair value of the net assets of the acquired subsidiary, the difference is immediately recognised in the statement of comprehensive income. In the consolidated financial statements, the financial information of all subsidiaries under the control of the parent has been consolidated line-by-line. The receivables, liabilities, income, expenses and unrealised gains and losses that have arisen in the transactions between the parent and its subsidiaries have been eliminated from the consolidated financial statements. If necessary, the accounting policies of subsidiaries have been changed to correspond to the accounting policies of the Group.

2.6 Cash and cash equivalents

In the statement of financial position and cash flow statement, cash and cash equivalents comprise cash on hand, bank accounting balances (except for overdraft) and term deposits with maturities of up to three months. Overdraft is included within short-term borrowings in the statement of financial position.

2.7 Financial instruments

Classification

The Group classifies its financial assets in the following measurement categories:

- assets that are subsequently measured at fair value (through the statement of comprehensive income or profit or loss), and
- assets that are measured at amortised cost.

Classification depends on the Group's business model for management of financial assets and the contractual terms of cash flows.

Initial recognition and derecognition

Regular way purchases and sales of financial assets are recognised at the transaction date, i.e. at the date at which the Group makes a commitment to purchase or sell the asset. Financial assets are derecognised when the rights to the cash flows from the financial assets expire or they are transferred and the Company transfers substantially all the risks and rewards.

Measurement
At initial recognition, financial assets are recognised at fair value plus transaction costs that are directly related to the acquisition of financial assets, other than those financial assets that are recognised at fair value through profit or loss. The transaction fees of financial assets recognised at fair value through profit or loss are recognised as expenses in the income statement.

Debt instruments
Subsequent recognition of debt instruments depends on the Group's business model for management of financial assets and their contractual cash flows. All the Group's debt instruments have been classified in the measurement category of amortised cost.

The assets that are held to collect contractual cash flows and whose cash flows contain solely payments of principal and interest on the principal amount outstanding are recognised at amortised cost. Interest income from such assets is included within finance income using the effective interest rate method. Upon derecognition, the gains or losses are included within other income/expenses in the income statement. Foreign exchange gains and losses as well as credit losses are recognised in separate income statement lines.

Equity instruments
The Group does not have any investments in equity instruments.

Impairment losses
The Group evaluates expected credit losses of debt instruments recognised at amortised cost and at fair value through the statement of comprehensive income on the basis of future information. The methodology for recognition of impairment losses depends on whether credit loss has significantly increased.

Measurement of expected credit losses takes into account: (i) unbiased and probability-weighted amount that is determined on the basis of evaluating several possible outcomes, (ii) time value of money and (iii) reasonable and supportable information that is available at the end of the year without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group measures impairment losses as follows:
- trade receivables in the amount that equals expected credit losses over their lifetime;
- cash and cash equivalents whose credit risk is evaluated as low (management considers the credit rating of at least one major rating agency as low credit risk) in the amount that equals 12-month expected credit losses;
- for all other financial assets, in the amount of 12-month expected credit losses if credit risk (i.e. solvency risk over the expected lifetime of the financial asset) has not significantly increased after their initial recognition; if risk has significantly increased, credit losses are measured in the amount that equals the expected credit losses over their lifetime.

Financial liabilities
All financial liabilities (trade payables, loans and other short and long-term borrowings) are initially recognised at their cost that also includes all directly attributable expenditure. They are subsequently measured at amortised cost, using the effective interest rate method.
The amortised cost of current financial liabilities normally equals their nominal value; therefore, current financial liabilities are stated in the balance sheet at their redemption value.

The amortised cost of non-current financial liabilities is calculated using the effective interest rate method.
Financial liabilities are classified as current when they are due within twelve months after the balance sheet or when the Group does not have an unconditional right to defer the payment of the liability for later than twelve months after the balance sheet date. The borrowings whose due date is less than twelve months after the balance sheet date but that are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue are recognised as short-term borrowings. The borrowings that the creditor has the right to recall at the balance sheet date due to a breach of contractual terms are also classified as short-term.

Factoring
Factoring is a transfer of claims (sale) where, depending on the terms of the factoring agreement, the buyer has the right to resell the claim to the seller for a period of time (factoring with recourse) or there is no resale right and substantially all the risks and rewards of the claim are transferred from seller to buyer (non-recourse factoring).
If the sellerof this claim retains the claim repurchase obligation, the transaction is recognized as a financing transaction (ie, a loan taken as collateral for the claim) and not as a sale. The receivable is not considered to have been sold as a result of factoring, but is recognized in the balance sheet until the receivable or the right of recourse have expired. The factoring obligation arising from the factoring transaction is recognized similarly to other loan liabilities.
If there is no repurchase obligation and control over the claim and its associated risks and rewards is transferred to the buyer, the transaction is recognized as a sale of the claim. The cost of selling receivables is recognized either as a finance charge (similar to interest expense) or as a write-down of a receivable, depending on whether the factoring transaction was made for the purpose of cash flow management or credit risk mitigation.

Derivative financial instuments
Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.
Derivative fair values on the balance sheet are classified as non-current when the remaining maturity is more than 12 months and as current when the remaining maturity is less than 12 months.
Changes in the fair value of derivative instruments are included in profit or loss for the year.
Derivatives, which do not qualify for hedge accounting, are recognised at fair value through the income statement either under operating expenses or financial items.

2.8 Cash flow statement

Cash flows are recognised under the indirect method – for determining the cash flows from operating activities, the operating profit has been adjusted by eliminating the effect of non-monetary transactions and changes in the balances of current assets and current liabilities related to business operations.
Cash flows from investing and financing activities are recognised under the direct method.

2.9 Inventories

Inventories are initially recognised at cost, consisting of the purchase costs and other costs incurred in bringing the inventories to their present location and condition. In addition to the

purchase price, the purchase costs of inventories also include customs duties, other non-refundable taxes and direct transportation costs related to the purchase, less discounts and subsidies.
The cost of inventories is calculated using FIFO method.
Inventories are measured in the balance sheet at the lower of cost and net realisable value. Net realisable value is the estimated sales price used in the normal course of business, less the estimated expenses necessary for making the product ready for sale and completing the sale. The impairment losses of inventories to their net realisable value are included in the item *Goods, raw materials and services* in the period when the impairment loss was recognised.

2.10 Property, plant and equipment

Property, plant and equipment are assets used in the operations of the Group with a useful life of over one year and a cost of over EUR 639.
An item of property, plant and equipment is initially recognised at cost which consists of the purchase price (incl. custom duties and other non–refundable taxes) and other costs directly attributable to the acquisition that are necessary for bringing the asset to its operating condition and location. An item of property, plant and equipment is carried in the balance sheet at cost less any accumulated depreciation and impairment losses.
The straight-line method is used for determining depreciation, using the following estimated useful lives:

- Machinery and equipment 2-4 years
- Other fixtures 2-4 years

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount; the asset is no longer used or is reclassified as a non-current asset held for sale. At each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual value is reviewed.
At each balance sheet date, management assesses whether there is any known indication of the impairment of non-current assets. If the circumstances which may lead to impairment of non-current assets are known, management determines the recoverable amount of the non-current asset (i.e. higher of the two indicators: fair value of the asset less costs to sell and its value in use). If the asset’s recoverable amount is smaller than its carrying amount, the items of property, plant and equipment are written down to their recoverable amounts. Impairment losses of prior periods are reversed if there has been a change in the estimates that were used for determining the recoverable amount and the latter has increased. Gains and losses from the sale of non-current assets, determined by subtracting the carrying amount from the sales proceeds, are included within operating income and expenses in the income statement.

2.11 Intangible assets, incl. goodwill

Intangible assets are initially recognised at cost, comprising its purchase price and any directly attributable costs. After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation is determined on a straight-line basis using the following estimated useful lives:

- Software, patents, licenses and other intangible assets 10-15 years

Direct costs related to the Group’s own IT development are recognised as intangible assets in full and indirect costs are recognised partially (salaries of employees involved in development, service costs, rental costs of equipment and premises). Development costs are amortised over the period of 15 years beginning with 1 January 2019. The previous life of development costs was 5-15 years and each year the life of the carrying amount was extended by 1 more year. Beginning with 1 January 2019, the life of annual capitalised costs is calculated according to the remaining life of the asset.

Goodwill is not subject to amortisation. Goodwill is recognised in the balance sheet at cost less any impairment loses. Goodwill is written down to its recoverable amount if the latter is lower than the carrying amount.

2.12 Impairment of assets

At each balance sheet date, an assessment is made of whether there is any evidence of impairment of assets. This applies to items of assets that are not inventories and deferred tax assets. Whenever there is any indication of impairment, an impairment test is performed.

Impairment of financial assets
Impairment losses for financial assets are recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence of potential impairment includes significant financial difficulties of the debtor, bankruptcy or failure to fulfil their obligations to the Group. The amount of the impairment loss is the difference between the carrying amount and the present value of future expected cash flows from the receivable, discounted at the initial interest rate of the receivable and it is recognised as an expense in profit or loss.

Impairment of non-financial assets, including goodwill
A loss arising from impairment of non-financial assets is recognised when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount of this asset or cash-generating unit. An impairment loss is recognised as an expense in profit or loss of the reporting period.
Potential impairment losses of goodwill are tested at least once a year at the end of the financial year. If there are any events or changes in estimates that would cause the carrying amount of goodwill to decrease, the test is performed more frequently. Impairment losses are determined by evaluating the recoverable amount of the cash-generating unit to which goodwill has been allocated.
For the purpose of impairment testing, goodwill is allocated to those cash-generating units and groups of units of the Group where it expects to generate economic benefits from a specific business combination. The losses related to impairment of goodwill are recognised in profit or loss of the reporting period.

Reversal of impairment losses
If the reason for the decline in value no longer exists, the previous impairment loss is reversed. Changes in the circumstances for recognition of impairment losses are analysed at least once a year at the end of the reporting period. Impairment losses are reversed and the carrying of the asset is increased up to the amount that would have been determined (net of amortisation or depreciation) had no impairment been recognised for the asset in prior years. Reversals of impairment losses are recognised immediately in the same income statement line where a previous impairment loss was recognised. Impairment losses on goodwill are not reversed.

2.13 Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of the transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognises revenue when control over goods or services is passed to the customer.

Revenue from the sale of goods
The Group sells various IT equipment and peripheral devices primarily to businesses through its online procurement environment.

Products are considered to have been delivered when they have been sent to the agreed location, the risks related to the damage or destruction of goods have been passed to the customer and the customer has accepted the products according to the sales agreement, the requirement for acceptance has expired or the Group has objective evidence that all requirements of acceptance have been fulfilled.

The Group recognises the receivable when the goods have been delivered because an unconditional right to receive consideration arises at that moment.

Financing components
The Group has no agreements where the period between the transfer of promised goods or services to the customer and the receipt of payment from the customer is longer than one year. Hence, the Group does not adjust the transaction price for the effect of the time value of money.

2.14 Employee payables

Employee payable include, inter alia, performance pay arising from employment contracts which is calculated in accordance with the Group's financial results and the fulfilment of the goals set for employees. Performance pay is included within the expenses of the reporting period and as a liability to employees when the payment is made in the next reporting period. In addition to the performance pay, this obligation also includes social taxes and unemployment insurance calculated on it.
Employee payables also include accrued holiday pay calculated in accordance with employment contracts and current legislation. In addition to the holiday pay, this payable includes also the social tax and unemployment insurance payment calculated on it.
Employment termination benefits are recognised as expenses when the Company is clearly committed to fulfil a detailed formal plan for termination of the employment relationship before the date of normal retirement or offer better termination benefits to encourage voluntary redundancy and it is not possible to withdraw it.

2.15 Provisions and contingent liabilities

Provisions are recognised in the statement of financial position when the Group has a current obligation (legal or contractual) related to an event that occurred before the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation but the timing or amount of the obligation are not definitely known.

Provisions are recognised in the statement of financial position based on management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to management is necessary as at the balance sheet date for meeting the obligation arising from the provision or transfer to the third party. Provisions are recognised at a discounted value (at the present value of payments relating to the provision), unless the effect of discounting is immaterial. The expense related to provisions is recognised in the statement of comprehensive income of the period.

Other liabilities whose realisation is not probable or whose accompanying costs cannot be determined reliably but that in certain circumstances may become obligations are disclosed in the notes to the financial statements as contingent liabilities.

2.16 Corporate income tax and deferred income tax

Income tax assets and liabilities and income tax expenses and income include current (payable) and deferred income tax. Current income tax is included within current assets or current liabilities, and deferred income tax within non-current assets or non-current liabilities.

According to the Estonian legislation, the annual profit earned by entities is not taxed in Estonia. Instead of income tax that is payable on annual profits, Estonian companies pay corporate income tax on dividends. Gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price are taxed on similar bases. In Estonia, the tax rate on net dividends is 20/80. The corporate income tax arising from the payment of dividends is recognised as an income tax expense in the period in which dividends are declared. Since 2019, it is possible to use the tax rate of 14/86 on the payment of dividends. This reduced tax rate can be applied to dividend payments totalling up to average dividend payments over the last three financial years that were taxed with the 20/80 tax rate. In calculating the average dividend payment of the previous three financial years, the year 2018 is the first year to be taken into consideration. Since income tax is paid only on distributed profits on a cash basis, no temporary differences arise between the tax bases and the carrying amounts of assets and liabilities that could result in deferred tax assets and liabilities.

The income tax payable on dividends is recognised as an income tax expense in the statement of comprehensive income and as a provision in the statement of financial position at the time dividends are declared, regardless of the period for which they are declared or when they are actually distributed. The obligation to pay income tax arises on the 10th day of the month following the disbursement of dividends.
Income tax of subsidiaries is calculated in accordance with the legislation of their domiciles.

In foreign countries other than Latvia, a company's net profit is subject to income tax. Taxable profit is calculated on the basis of companies' pre-tax profit that is adjusted in income tax returns for temporary and permanent differences as stipulated in local income tax legislation. For foreign subsidiaries, deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. A deferred income tax asset is recognised in the statement of financial position only if it is probable that future taxable profit will be available against which the deductions can be made.

According to the income tax law effective in Latvia until 2017, the profits of Latvian companies were subject to income tax. Thus, deferred income tax was recognised in the consolidated financial statements on temporary differences between the tax bases and carrying amounts of

the assets and liabilities of the Latvian subsidiaries. According to the new income tax law, from 1 January 2018, the profit that was generated after the year 2017 is taxed upon its distribution with the tax rate of 20/80. As a result of adoption of the new law, differences between taxable bases and carrying amounts of assets and liabilities no longer exist, and thus no deferred tax assets or liabilities are recognised for the Latvia subsidiaries.
As at 31 December 2019 (and as at 31 December 2018), the subsidiaries have no off-balance sheet tax assets or liabilities.

2.17 Share capital, share premium and equity reserves

Ordinary shares are classified as equity. Share capital is the nominal value of shares issued. In accordance with the articles of association of MarkIT Holding, its minimum share capital is EUR 320,000 and maximum share capital is EUR 1,704,689.
Share premium is the difference between the issue price and the nominal value of shares.
The currency translation reserve comprises all exchange differences that arise on the translation of the financial statements of foreign subsidiaries from their functional currency to the parent company's presentation currency. On the disposal of foreign subsidiaries, the related cumulative exchange differences are taken to profit or loss when a gain or a loss is recognised on disposal.
The statutory capital reserve is recognised in accordance with the requirements of the Estonian Commercial Code and it is made up of annual net profit transfers. At least one twentieth of net profit is transferred to the statutory capital reserve until it makes up at least one tenth of the company's share capital. The statutory capital reserve can be used to cover losses and increase share capital. It may not be used to make distributions to shareholders.

2.18 Share-based transactions

To provide incentives to management and employees, MarkIT Holding AS implemented a share option plan that grants the right to acquire the ordinary shares of MarkIT Holding AS (equity-settled share-based payments) subject to meeting certain terms and conditions. The amounts received for shares during a share issue less any directly attributable transaction costs are recognised in equity as share capital and share premium.

2.19 Leases

The group leases various offices globally. Rental contracts are typically made for unfixed period. Some contracts have fixed period from 12 months to 3 years, but may have extension options.
Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Accounting principles until 31 December 2018

Finance leases are such lease agreements that transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other lease agreements are recognised as operating leases.
Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Accounting principles - Group as a lessee from 1 January 2019

The group is as lessee in all lease agreements. The group leases offices and low value office equipment.

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. A lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The group revises the lease term if there is a change in the non-cancellable period of a lease.

At the commencement date, a lessee shall recognzie a right-of-use asset and a lease liability. The lessee shall measure the right-of-use asset at cost. The cost shall comprise of the amount of the initial measurement of the lease liability, any lease payments made at of before the commencement date, less any incenitves received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use asset is recorded as part of Property, plant and equipment in the statement of financial position.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar econonomic environment with similar terms, security and conditions.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: (a) fixed payments, less any lease incentives receivable, (b) variable lease payments that depend on an index or a rate, (c) amounts expected to be payable by the lessee under residual value guarantees, (d) exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (e) payments of penalties for terminating the lease.

Subsequent measurement
After the commencement date, a lessee measures the right-of-use asset applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, a lessee shall measure the lease liability by:
a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee recognises in profit or loss interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes in lease payments, there may be need to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:
(a) there is a change in the lease term. A lessee shall determine the revised lease payments on the basis of the revised lease term; or
(b) there is a change in the assessment of an option to purchase the underlying asset. A lessee shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:
a) there is a change in the amounts expected to be payable under a residual value guarantee. A lessee shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The lessee shall remeasure the lease liability to reflect

those revised lease payments only when there is a change in the cash flows (ie when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. The lessee shall use an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

A lessee shall account for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The group's consolidated statement of profit or loss and other comprehensive income includes the following amounts relating to leases:

	2019	Note
Interest expense (included in finance cost)	**4 059**	18
Expense relating to leases of low-value assets (included in operating expenses)	**3 665**	16

The total cash outflow for leases in 2019 was EUR 3 665.

2.20 Related parties

In preparation of the consolidated financial statements of MarkIT Holding AS, related parties include:

a. owners (parent company and persons who control or have significant influence over the parent);
b. members of management and supervisory boards of Group companies
c. close family members of the persons mentioned above and the companies under their control or significant influence.

The transactions and balances with related parties are disclosed in Note 24.

2.21 Events after the reporting date

The consolidated financial statements include significant circumstances that impact the evaluation of assets and liabilities which became evident between the reporting date and the date at which the financial statements were prepared but that are related to the transactions of the reporting period or prior periods.

Events after the reporting date which have not been taken into account for evaluation of assets and liabilities but which have a significant impact on the results of the next financial year are disclosed in the notes to the consolidated financial statements.

2.22 Change in financial data presentation

Preparing 2019 annual report, the management decided to change data presentation format in Note 16, in order to give more informative overview of the Group's Other Operating expenses.

Data in 2018 report		**Changed format of presentation in 2019 report**	
Staff costs	616 925	Personnell expenses	616 925
Office and rental expenses	342 805	Office and utilities	412 053
Communication and data communication services	300 208	Communication expenses	54 466
Travel and enterntainment expenses	441 660	Travel expenses	375 710
		Representation expenses	65 950
Marketing expenses	168 929	Marketing expenses	168 929
		Sales related expenses	338 183
Outsourced services and consultations	1 048 178	Services and consultations	1 469 616
		Other administration expenses	311 067
Other expenses	1 019 084	Other expenses	124 890
	3 937 789		3 937 789

Note 3 Significant accounting estimates and judgements

Preparation of financial statements in accordance with IFRS EU requires management to make judgements, estimates and assumptions which affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses. Although the estimates are based on management's best knowledge, historical experience and specific facts, actual results may significantly differ from management's estimates.
Estimates and the underlying assumptions are regularly reviewed. Changes related to accounting estimates are recognised in the period of the change in which the estimates were changed if the changes were related only to the reporting period. If these changes also relate to future periods, they are reflected both in the reporting and future periods. Management believes that the underlying assumptions are appropriate and the financial statements prepared on the basis of these assumptions give a true and fair view of the Company's financial position and financial performance.

The key estimates and assumptions that impact the amounts of assets and liabilities upon application of accounting policies are described below:

3.1 Revenue recognition

Management has assessed the Group's business model in order to implement IFRS 15 requirements, by considering whether the Group is a principal or an agent. The Group is a reseller who has developed a simple and transparent B2B (Business to Business) Internet platform, that integrates more than 300 of the world's leading IT distributors for reselling various IT products. Sales of goods to a customer is combined with a specially designed service, providing customers an efficient solution for managing and centralizing IT purchases, including the purchase-, sales- and shipping processes.

The target group, among other customers, are large international concerns with the need to order centrally and ship locally. This is what the business model of Markit Group allows in more than 30 countries and gives through its simplicity and speed a strong advantage in competition.

More than 18% of “Fortune 500” and “Forbes Global 2000” companies already use Markit's B2B online platform to make their IT purchases.
Management has based its assessment on three main indicators, that are used to identify if the company is a principal or an agent:
- Primary responsibility for the execution of an agreement terms with the customer
- Inventory risks
- Control over pricing

The Group's customers are both, global concerns as well companies operating in the local market. Depending on the customer's profile and scope of business, both the product groups and the markups that will apply to customers on the Markit platform will be agreed upon. Better prices on Markit B2B platform, may be a subject to delivery time restrictions, etc., leaving customers always the possibility to choose themselves, which distributor’s offer and related terms and conditions they deem most favourable.
At the same time, those prices offered by distributors are the result of agreements between them and Markit. Thus, the distributor does not have the right to determine unilaterally the price at which his products are sold on the Markit’s platform. Based on the above, the management has assessed that the Group's control over pricing, supports the recognition of revenue as a principal.

The Group does not maintain a significant amount of inventory in its physical warehouse, therefore, the Group does not have any significant risk of inventory obsolescence, impairment or physical damage. Exposure to inventory risks arises during shipment of goods approved as an order, from distributor’s warehouse to a customer, where the Group is responsible for the entire delivery process. Although, it is limited inventory risk, this includes, but is not limited to, taking full responsibility for all damages caused by misleading information on the platform, also for physical damage during transportation of goods, and also direct communication with the distributor in case of any RMA (return merchandise authorization) claim. Although, in certain cases the Group can pass these costs and obligations to the distributor, the management has assessed that the risks associated with inventory are to a certain extent carried by the Group.

Management has also estimated that the primary responsibility for executing the contract with the customer, rests with the Group, as the customer has placed an order on the Markit’s B2B platform and the Group is responsible for the transportation of these goods and for the communication with the distributor. IT resale is divided into groups, from "information exchangers" until traditional resellers. The Markit Group sells its product on a "transactional" market, providing information about price and availability, facilitating transactions, providing credit, bills its customers, assures customer’s support, and taking partly stock risks. In addition, consolidating transactions and invoices. The customer receives a full service from Markit and has only 1 legal transaction partner, Markit.

In conclusion, management has assessed that the Group is a principal in the light of the criterias in IFRS15 and has recognized its revenue on a gross basis.

3.2 Goodwill

The Group tests goodwill acquired in a business combination for impairment at least once a year. For this purpose, management estimates the value of the cash-generating units to which goodwill has been allocated. To estimate value in use, management has forecast the expected future cash flows of the cash-generating units and assigned an appropriate discount rate to calculate the present value of these cash flows. Valuations for 2018 and 2019 are showed in Note 10.

3.3 Intangible assets

The Group owns internally developed software (online e-procurement environment market.eu), whose fair value was estimated by the Management Board in the course of a business combination in 2016. Management has evaluated the useful lives of intangible assets and their residual values on the basis of the business volume, future outlook and prior experience in this field.

Note 4 Cash and cash equivalents

	31.12.2019	31.12.2018
Cash on hand	418	1 344
Cash in transit	9 912	0
Bank accounts	2 995 720	1 285 006
Total cash and cash equivalents	**3 006 050**	**1 286 350**

There are no restrictions on the use of cash and cash equivalents.
The risks related to financial instruments are disclosed in Note 21.

Note 5 Receivables and prepayments

	31.12.2019	31.12.2018
Trade receivables	13 971 595	13 586 122
incl. Accounts receivable	*14 004 584*	*13 676 226*
incl. Allowance for doubtful receivables	*-32 989*	*-90 104*
Tax receivable (Note 6)	124 215	166 637
Currency future derivatives in market value	11 564	0
Other short-term receivables	503 949	603 623
Total receivables and prepayments	**14 611 323**	**14 356 382**

The Company’s trade receivables are related to various countries and their due dates are 32 days on average. For managing operational cash flows, the Company uses recourse factoring, and the liability related to its prepayment is recognised as a secured liability in Note 11.
There was no additional cost in 2019 from doubtful receivables (2018: EUR 88 604). Doubtful receivables written off in 2019 EUR 6 571 (2018: EUR 8 484). The credit risk related to receivables is disclosed in Note 21.
As at 31 December 2019, there were no related parties trade receivables, nether were at 31.12.2018. See Note 25.

Note 6 Prepaid taxes and taxes payables

	31.12.2019		31.12.2018	
	Prepayment	**Payable**	**Prepayment**	**Payable**
Value added tax	64 080	601 866	142 240	442 107
Corporate income tax	38 070	101 185	24 397	89 921
Payroll taxes	0	224 185	0	202 049
Contribution to statutory funded pension	0	16 703	0	15 944
Other local taxes	22 064	5 613	0	26 601
Total prepaid taxes and taxes payable	**124 215**	**949 551**	**166 637**	**776 622**

Tax authorities have the right to review the tax accounting of Group companies during 5 years from the time of submitting the tax return and upon detecting errors, assign an additional tax amount, interest and fine. Tax authorities have carried out single-case inspections in some Group companies during 2014-2019. The management of the Group estimates that there are no known circumstances that would lead to assignment of significant taxes during a potential tax audit.

Note 7 Corporate income tax

The components of the Group's income tax expense in the financial year ended 31 December were as follows:

	2019	**2018**
Income tax expense for the period	297 614	254 765
Deferred income tax expense	82 645	-2 113
Total income tax expense	**380 259**	**252 652**

Note 8 Inventories

	31.12.2019	**31.12.2018**
Goods purchased for resale	289 736	309 163
Prepayments for goods	58 992	63 943
Demo stock	4 931	0
Goods at third party stock	15 968	0
Total inventories	**369 628**	**373 106**

During the reporting period, the Group wrote down inventories in the amount of EUR 14 000 (2018: EUR 8 015). The write-down is recognised in the income statement item *Goods, raw materials and services*.
The balances of goods purchased for resale are shown at net realisable value; there are no additional marketing costs upon their disposal. There were no reversals of inventory write-down costs in 2019 neither in 2018.

Note 9 Property, plant and equipment

	Office equipment	IT equipment	Right of use assets	Pre-payments	Total
Acquisition value 31.12.2017	**214 829**	**63 056**	**0**	**0**	**277 885**
Additions in 2018	48 644	32 175	0	788	**81 607**
Disposals	0	-1 246	0	0	**-1 246**
Write-offs	-13 109	-35 965	0	0	**-49 074**
Reclassification	-108 262	109 837	0	0	**1 575**
Acquisition value 31.12.2018	**142 102**	**167 857**	**0**	**788**	**310 747**
Additions in 2019	21 349	91 633	393 292	0	**506 273**
Disposals	0	-932	0	0	**-932**
Write-offs	-10 363	-16 954	0	0	**-27 317**
Other changes	107	452	0	6	**565**
Reclassification	0	797	0	-794	**3**
Acquisition value 31.12.2019	**153 194**	**242 853**	**393 292**	**0**	**789 339**
Accumulated at depreciation 31.12.2017	**-152 823**	**-28 026**	**0**	**0**	**-180 849**
Depreciation in 2018	-22 540	-36 009	0	0	**-58 549**
Depreciation at disposal	0	1 246	0	0	**1 246**
Depreciation at write off	10 615	35 280	0	0	**45 895**
Reclassification	94 837	-96 589	0	0	**-1 752**
Accumulated depreciation at 31.12.2018	**-69 911**	**-124 098**	**0**	**0**	**-194 009**
Depreciation in 2019	-24 324	-47 778	-361 043	0	**-433 145**
Depreciation at disposal	0	2 113	0	0	**2 113**
Depreciation at write off	7 949	16 607	0	0	**24 556**
Other changes	-108	-313	0	0	**-421**
Accumulated depreciation at 31.12.2019	**-86 394**	**-153 468**	**-361 043**	**0**	**-600 905**
Book value at 31.12.2017	**62 006**	**35 030**	**0**	**0**	**97 036**
Book value at 31.12.2018	**72 191**	**43 759**	**0**	**788**	**116 738**
Book value at 31.12.2019	**66 800**	**89 385**	**32 249**	**0**	**188 434**

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Initials I.S. Date 19.06.2020

Note 10 Intangible assets

	Software	Goodwill	Projects in progress	TOTAL
At 31 December 2017				
Acquisition value	**5 160 618**	**16 973 333**	**0**	**22 133 951**
Accumulated amortization	**-1 238 151**	**0**	**0**	**-1 238 151**
Book value	**3 922 467**	**16 973 333**	**0**	**20 895 800**
Changes in 2018				**0**
Acquisitions	179 624	0	241 185	**420 809**
Write off at at purchase value	-4 229	0	0	**-4 229**
Amortization	-441 609	0	0	**-441 609**
Write off cost	3 273	0	0	**3 273**
Reclass of assets	3 393	0	0	**3 393**
At 31 December 2018				
Acquisition value	**4 179 107**	**16 973 333**	**241 185**	**21 393 625**
Accumulated amortization	**-516 188**	**0**	**0**	**-516 188**
Book value	**3 662 919**	**16 973 333**	**241 185**	**20 877 437**
Changes in 2019				
Acquisitions	489 099	1 657 864	28 050	**2 175 013**
Write off at at purchase value	-2 872	0	0	**-2 872**
Reclass of assets	231 592	0	-241 185	**-9 593**
Amortization	-302 527	0	0	**-302 527**
Write off cost	2 872	0	0	**2 872**
At 31 December 2019				
Acquisition value	**4 896 926**	**18 631 197**	**28 050**	**23 556 173**
Accumulated amortization	**-815 844**	**0**	**0**	**-815 844**
Book value	**4 081 082**	**18 631 197**	**28 050**	**22 740 329**

The goodwill arose in 2016 when part of the ownership in the company was purchased by Chasing Pur and later MarkIT merged with Chasing Pur. During the purchase analysis, management also set the fair value of the internally developed software markit.eu at EUR 3, 985,000.
New goodwill in the amount of EUR 1,657,864 is connected to the purchase of last minority shares in subsidiary in Norway. See more about Goodwill addition in Note 22.

Impairment testing
Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually (or more frequently if any event or change in circumstances indicates that the goodwill may be impaired) and if their recoverable amount is less than their carrying amount , the asset is written down to its recoverable amount. For the purpose of calculating recoverable amount, goodwill is allocated to the cash-generating units.

Markit Holding has carried out an impairment test for its goodwill at 31.12.2019 using market-based comparable valuation multiples. Under the market-based method, an entity is compared with a similar entity in the same sector whose shares are traded in a market or which has recently been sold, and for which there is sufficient information available about the transaction price. In this case, Bechtle AG, ATEA ASA, Dustin AB and CDW Corporation are treated as the Markit Holding peer group, and the price levels and various ratios of these companies have been compared. To determine the fair value, average valuation multiples of the peer group have been applied to the actual financial indicators of Markit Holding. This represents Level 3 in the fair value hierarchy.

The multiple used to assess Markit Holding was a peer group lowest EV/Sales ratio with 25% liquidity discount. The peer group multiple based market value was 26,1 million euros. The carrying amount of the assets tested for impairment amounted to 22,74 million euros. If the multiple used was 10% lower, i.e. EV/sales was 0.21, then the recoverable amount would be slightly higher than the carrying amount in the balance sheet. The recoverable amount determined as a result of the test conducted on 31.12.2019 was higher than the carrying amount.

Bechtle,ATEA and CDW data dated 31.12.2019
Dustin AB data dated 31.08.2019

	Seles mEUR	GP margin (%)	Net profit margin (%)	EV (mEUR)	EV/Sales
Bechtle AG	5130	14,5	3,10	5507	1,07
ATEA ASA	3740	21,1	1,45	1370	0,37
Dustin AB	1194	16,7	2,84	847	0,71
CDW Corporation	16100	16,9	4,10	21674	1,35
MarkIT	112	9,2	0	$\boxed{30,73}$	$\boxed{0,27}$

0,27 EV/sales with liquidity discount (lowest multiple)
0,66 EV/sales with liquidity discount (average multiple)

Enterprise value	30,73	mEUR
Cash	3,00	mEUR
Debt	7,60	mEUR
Potential market cap	26,14	mEUR

Note 11 Borrowings

	31.12.2019		31.12.2018	
	Long-term	Short term	Long-term	Short term
Investment loan 1a	0	0	0	595 757
Investment loan 1b	311 573	84 974	0	0
Investment loan 2	1 900 000	600 000	1 900 000	1 000 000
Investment loan 3	2 950 363	0	2 864 430	0
Shareholder loan	50 000	0	0	0
Factoring liability	0	1 011 251	0	737 893
Overdraft	0	43 034	0	4 297
Office lease obligations		32 249	0	0
Credit cards	0	8 206	0	11 973
Total	**5 211 936**	**1 779 714**	**4 764 430**	**2 349 920**

Due dates, amounts and interest rates of individually material borrowings:

	31.12.2019	31.12.2018	Interest rate	Due date
Investment loan 1a	0	595 757	6k euribor+2,45%	12/08/2019
Investment loan 1b	396 547	0	6k euribor+2%	15/08/2021
Investment loan 2	2 500 000	2 900 000	3%	31/12/2021
Investment loan 3	2 950 363	2 864 430	3k euribor+6,59%	31/12/2021
Shareholder loan	50 000	0	4%	10/01/2021
Factoring liability 1	854 078	707 067	3k euribor+1,95%	31/08/2020
Factoring liability 2	157 173	30 826	1k Wibor+2,2%	31/10/2020
Credit cards	8 206	11 973	18%	31/12/2020
Office lease oblgation	32 249	0	2%	31/01/2020
Overdraft	43 034	4 297	1D Pribor+1,95%	30/06/2020
Total interest-bearing liabilities	**6 991 650**	**7 114 350**		

The underlying currency of investment loans is euro. The Group's liquidity risk management is described in Note 20.
New investment loan was signed with SEB for EUR 1 981 953, to partially refinance existing loans and to finalise Markit Norway (previous business name ePartner) remaining 49% share purchase. The investment loan received from AS SEB Pank is secured by the commercial pledge of MarkIT Eesti AS in the amount of EUR 500 000, the guarantee from MarkIT Holding AS in the amount of EUR 2 000 000 and a surety bond issued by Foundation KredEx which covers 75% of the loan, i.e. up to EUR 1 486 464,75 subject to the terms and conditions of the surety bond contract signed between the bank and Foundation KredEx.

In 2019 EUR 431 953 was paid out of this new loan, to refinance the loan agreement which ended in August 2019 with 31.12.18 balance of EUR 595 757.

The Group has 4 **factoring liability** contracts. 2 contracts in Estonia from SEB bank. The third factoring contract is with Polish bank PEKAO. The forth contract is with Italian UBI Banca Popolare Commercio & Industria.

The overdraft agreement is signed by Czech subsidiary with Czech local Raiffeisenbank.

Note 12 Payables and prepayments

	31.12.2019	31.12.2018
Trade payables	16 900 562	14 036 943
Employee payables	665 992	569 381
Taxes payable (Notes 6 and 7)	949 551	776 622
Short term interest payable	68 350	66 359
Long term interest payable	735 938	467 042
Payable for shares (Note 22)	1 471 859	0
Other payables	176 168	147 075
Prepayments from customers	440 768	325 894
Total payables and deferred income	**21 409 188**	**16 389 316**

The Company's trade payables are related to different countries with due dates of 45 days on average. The credit risk related to trade payables is described in Note 20.
As at 31.12.2019, trade payables include payables to related parties in the amount of EUR 31 371 (2018: EUR 39,033), see Note 24.
As ta 31.12.2019, long term interest payable shows calculated additional interest payable on at loan repayment date. See Note 11.

Note 13 Revenue

The break-down of the Group's revenue by geographical regions is as follows:

Estonia	2019	2018
Estonia	16 343 562	20 913 946
Poland	14 281 677	13 710 901
Czech Republic	10 988 162	10 177 826
Latvia	9 851 810	9 961 226
Norway	8 896 056	7 834 525
Lithuania	8 804 930	8 103 200
Austria	7 582 136	7 281 452
Finland	6 848 844	7 577 269
Germany	4 344 884	4 419 011
Spain	3 752 949	4 815 774
Italy	3 504 891	3 051 773
Hungary	3 183 945	2 705 501
France	2 953 753	1 877 787
Slovenia	2 356 780	2 171 374
Denmark	1 522 461	1 198 571
Sweden	1 241 080	609 017
Romania	1 164 361	1 233 702
England	1 159 071	895 866
USA	557 601	415 545
Slovakia	540 812	302 290
Netherlands	442 475	403 102
Belgium	292 446	182 963
Croatia	271 935	51 951
Ireland	254 157	69 895
Other	797 865	1 764 984
Total	**111 938 641**	**111 729 451**

The break-down of the Group's revenue by activities is as follows:

Areas of activity/ products	2019	2018
Retail sale of computers computer peripheral units and software	110 038 934	110 233 812
Computer related consultations	1 899 707	1 495 638
Total	**111 938 641**	**111 729 451**

The Group has no obligation to repurchase the products sold, except in case of intermediating the warranty return of goods based on standard manufacturer's warranty obligation to the reseller of the product.
The Group has not applied any loss risk provision for warranty returns, because the distributors have obligations related to warranty returns. The distributors receive compensation from the respective manufacturer. Hence, the final risk is borne by the manufacturer.

Note 14 Other income and expenses

Other operating revenue	2019	2018
Foreign currency gain	74 197	149 479
Penalties, fines at purchases	6 825	174
Other revenues	21 884	8 155
	102 906	**157 808**

Other operating expense	2019	2018
Foreign currency loss	130 763	196 315
Penalties, fines at sales and taxes	771	1 125
Other expenses	6 103	6 343
Fixed assets sales loss	1 281	111
	138 918	**203 895**

Note 15 Goods, raw materials and services

	2019	2018
Cost of sales	100 088 400	100 216 433
Transport	1 555 493	1 558 341
Goods, raw materials and services	**101 643 894**	**101 774 774**

Note 16 Other operating expenses

	2019	2018
Personnell expenses	921 919	616 925
Office and utilities	110 513	412 053
Communication	56 947	54 466
Travel	399 167	375 710
Representation expenses	151 116	65 950
Marketing	78 829	168 929
Sales related expenses	332 591	338 183
Services and consultations	1 782 759	1 469 616
Other administration expenses	5 329	311 067
Other expenses	62 885	124 890
Total other operating expenses	**3 902 055**	**3 937 789**

Note 17 Staff costs

	2019	2018
Salary expenses	4 548 634	3 554 271
Social security costs	1 021 383	879 117
Total staff costs	**5 570 016**	**4 433 388**

Average number of employees	2019	2018
Employees working under employment contracts	109	94
Members of the Group's management and control bodies	2	2
Total number of employees	**111**	**96**

Note 18 Financial income and expense

Financial income	2019	2018
Finance derivatives gain	11 564	0
Realised currency gain	10 535	23 924
Unrealised currency gain	117 177	112 112
Other financial revenues	3 522	2128
	142 799	**138 164**

Financial expense	2019	2018
Interest at loan obligation	-687 655	-715 874
Interest at lease liability	-4 059	0
Realised currency loss	-63 862	-38 641
Unrealised currency loss	-106 837	-107 707
Other financial expenses	-27 006	-4 930
	-889 419	**-867 152**

Note 19 Share capital

	31.12.2019	31.12.2018
Number of shares issued and fully paid for, pcs	17 046 890	17 046 890
Nominal value of a share (EUR)	0,10	0,10
Share capital (EUR)	1 704 689	1 704 689

The share capital of MarkIT Holding AS consists of 17 046 890 ordinary shares with the nominal value of 10 cents per share. Each ordinary share grants the holder the right to participate in profit distribution in proportion to the number of shares held. The decision regarding the amount to be distributed is made by the general meeting based on the Company's approved financial statements.

Note 20 Capital management

The Company's capital management objective is to ensure its ability to continue as a going concern, in order to guarantee return on investment to shareholders and maintain an optimal capital structure. In capital management, MarkIT Group places value on a stable capital structure, high return on assets and sufficient liquidity and in conjunction with this, also cash flow-based indicators, such as the amount and turnover of working capital.

Based on its business model, MarkIT can operate with negative working capital and thus reduce its need for interest-bearing loans. The Company has developed a simplified cash flow-based Days-To-Be-Financed indicator (DTBF: difference between the terms of cash inflows and outflows). This indicator is one of the key performance indicators (KPI) measured and monitored at Markit.

As at the end of the reporting period, the Group's loan liabilities totalled EUR 6,992 thousand, including long-term loans of EUR 5,212 thousand (2018: loan liabilities of EUR 7,114 thousand, including long-term loans of EUR 4,764 thousand). See Note 11.

The Group's management estimates that the Group's cash and cash equivalents in the amount of EUR 3,006 thousand (2018: EUR 1,286 thousand) are sufficient to preserve financial flexibility and independence that are very important for the Group.

The most important and overriding objective of the Group in capital management is to build a strong equity base to maintain the trust of its investors, creditors and suppliers and thereby support future internal and external growth. To maintain or improve its capital structure, the Group can regulate its dividend payments to shareholders, issue, repurchase or if necessary, cancel shares.

Between 31 December 2018 and 31 December 2019, there were no significant changes to capital management policies, guidelines or rules of procedure.

Note 21 Management of key risks

Through its activities, the Group is exposed to financial risks, of which the most important ones are liquidity, credit risk and market risk (incl. currency risk, interest rate risk and price risk). The management of financial risks is the responsibility of the Management Board of the parent and it includes identification, measurement and control of risks. The purpose of financial risk management is to mitigate risks and reduce the volatility of financial results. The Supervisory Board of the parent is responsible for overseeing the measures adopted by the Management Board. The Group analyses and controls risks systematically through a financial unit that is in charge of the financing of the parent as well as its subsidiaries and directly managing the related liquidity and interest risk. The managements and financial units of subsidiaries are also involved in analysis and control of risks.

The Group's financial instruments are divided into the following categories:

Class of financial instruments	Category	31.12.2019 Carrying amount	31.12.2018 Carrying amount
ASSETS			
Trade receivables (Note 5)	Amortised cost	13 971 595	13 586 122
Currency future derivatives in market value (Note 5)	Fair value through profit or loss	11 564	0
Other receivables (Note 5)	Amortised cost	503 949	603 625
Cash and overnight deposits (Note 4)	Amortised cost	3 005 632	1 286 350
Total financial assets		**17 492 740**	**15 476 097**
LIABILITIES			
Trade payables (Note 12)	Financial liabilities at amortised cost	16 900 562	14 036 943
Borrowings (Note 11)	Financial liabilities at amortised cost	6 991 650	7 114 350
Lease liability (Note 11)	Financial liabilities at amortised cost	32 249	0
Accrued expenses (Note 12)	Financial liabilities at amortised cost	1 646 055	1 249 857
Total financial liabilities		**25 570 515**	**22 401 150**

The Group has not disclosed the fair value of financial instruments because it approximates their carrying amount.

Credit risk

Credit risk is a potential loss that arises when customers fail to fulfil their contractual obligations. The Group is exposed to credit risk due to its business operations (primarily trade receivables) and transactions with financial institutions, incl. through cash and deposits in bank accounts.

To prevent and minimise credit risk related to a reduction in cash flows, the Group monitors and manages customers' settlement behaviour daily which enables it to apply appropriate measures without delay.

Group companies generally conclude purchase and sales contracts with parties who have previously been deemed to be creditworthy. To minimise credit risk, the solvency of a potential future contractual party is assessed on the basis of information available in the Commercial Register, the Tax and Customs Board or other public sources. The Group's customer base is generally stable and long-term.

When it becomes evident that there is risk of customer's insolvency, the Group assesses each receivable individually and decides whether to classify them as doubtful receivables. Normally, 50% of the receivables overdue more than 180 days and 100% of the receivables overdue more than 360 days are deemed as doubtful, unless the Group has sufficient evidence that the receivable is collectible or the payment schedule for the collection of those claims has been agreed and this payment schedule is followed according to due dates.

Maximum credit risk exposure:

	31.12.2019	31.12.2018
Bank accounts and deposits at banks (Note 4)	3 005 632	1 286 350
Trade receivables (Note 5)	13 971 595	13 586 122
Currency future derivatives in market value (Note 5)	11 564	0
Other receivables (Note 5)	503 949	603 625
Total	**17 492 740**	**15 476 097**

The main financial assets exposed to credit risk are trade receivables. Their break-down by due dates as at the reporting date was as follows:

	31.12.2019	31.12.2018
Not past due	12 047 410	11 331 193
1-30 days past due	1 575 640	1 791 100
31-180 days past due	326 453	226 517
181-360 days past due	44 185	138 920
over 360 days	10 896	98 292
Total	**14 004 583**	**13 586 122**

Recognition of trade receivables by country:

Country	31.12.2019	31.12.2018
Austria	856 319	1 026 489
Estonia	1 471 563	1 081 094
Spain	586 816	483 262
Italy	980 589	688 199
Latvia	641 802	587 778
Lithuania	740 098	1 204 547
Norway	860 601	1 313 088
Poland	2 431 436	1 896 696
France	764 176	623 847
Sweden	159 873	147 850
Denmark	149 054	147 672
Germany	485 559	496 890
Slovenia	271 969	255 834
Finland	830 865	1 428 316
Czech Republic	1 616 118	1 655 581
Hungary	572 886	287 421
UK	134 916	90 189
US	84 329	54 445
Romania	51 281	59 460
Other countries	314 331	57 464
Total	**14 004 583**	**13 586 122**

To measure expected credit losses of a financial assets, trade receivables have primarily been grouped according to the time past due. The Group has evaluated expected credit losses over a period of 24 months preceding 31 December 2019 and has evaluated country-based buyer behaviour. The Group has taken into account of the gross domestic product (GDP) and unemployment level of the countries where it sells its products.
The Group applies a simplified IFRS 9 method for measurement of expected credit losses, using the expected loss expense over the entire life of the receivables.

Due to the specifics of the Group's sales, the receivables from the provision of intermediation services are normally collected during a very short period of time, thus the write-down determined in accordance with the principles described above is insignificant as at 31 December 2019.

The Group preferrs banks and financial institutions with a credit rating of at least "A" as its contractual partners. As at 31 December 2019, cash and cash equivalents are held in several banks throughout the world which lowers the risk arising from the instability of the global economy on the one hand but impacts the administrative burden on the other hand.

As at 31 December 2019, the majority of cash balances were held in the following banks: Skandinaviska Enskilda Banken, Luminor Bank, Raiffeisenbank a.s, CaixaBank, PKO Bank Polski, UniCredit Bank Austria AG and Swedbank.

The Group's bank balances by currency, in EUR (Note 4):

	31.12.2019	**31.12.2018**
AUD	6 651	5 601
BGN	4 246	321
BRL	15 567	0
CAD	40 393	15 708
CHF	8 732	7 451
DKK	41 180	33 686
EUR	1 716 086	963 933
GBP	78 683	32 666
HKD	5 422	0
HRK	5 264	0
HUF	5 379	55 276
IDR	628	0
MXN	1 812	0
NOK	398 183	0
PLN	280 153	116 415
RMB	43 739	0
RON	304 814	15 978
RSD	6 230	0
SEK	4 445	28 737
SGD	1 194	8 603
TRY	1 648	631
USD	25 270	0
Total	**2 995 720**	**1 285 006**

Although cash and cash equivalents are also subject to the expected credit loss model of IFRS 9, the impairment loss identified was insignificant as at 31 December 2019.

Liquidity risk

The Group's liquidity, i.e. solvency reflects its ability to satisfy payment obligations to its creditors on a timely basis. Liquidity risk expresses potential risk that the Group is unable to meet is financial commitments on time. The Group's objective is to manage net cash flows in such a manner, that the proceeds from customers are collected before the purchase invoices associated with the same transaction are paid off. In order to monitor this, the Group uses an internal Days-To-Be-Financed indicator. The Group has also concluded factoring contracts in various countries to ensure flexibility should its net cash flow become negative at certain point in time. The Group also places great value on its relationships with creditors and credit insurers to ensure sufficiently large credit limits and the payment terms matching the sales.
Overdraft is used to fund working capital and long-term bank loans or finance lease agreements are used to acquire non-current assets.

Analyses of undiscounted financial liabilities by due date:

31.12.2019	**Note**	**Up-to-3 months**	**4-12 months**	**2-5 years**	**Total**
Investment loan 1b	11	16 132	69 052	315 356	**400 540**
Investment loan 2	11	31 250	677 431	1 971 806	**2 680 486**
Investment loan 3	11	70 924	218 571	3 426 107	**3 715 602**
Factoring liability	11	1 011 251	0	0	**1 011 251**
Credit card payable	11	8 206	0	0	**8 206**
Overdraft payable	11	43 034	0	0	**43 034**
Lease liability	11	32 249	0	0	**32 249**
Trade payables (Note 12)	12	16 900 562	0	0	**16 900 562**
Total		**18 113 607**	**965 053**	**5 713 269**	**24 791 930**

31.12.2018	**Note**	**Up-to-3 months**	**4-12 months**	**2-5 years**	**Total**
Secured investment loan 1a	11	73 985	530 496	0	**604 481**
Investment loan 2	11	418 750	656 250	1 987 000	**3 062 000**
Investment loan 3	11	47 317	145 822	4 391 387	**4 584 526**
Factoring liability	11	737 893	0	0	**737 893**

Credit card payable	11	11 973	0	0	**11 973**
Overdraft payable	11	4 297	0	0	**4 297**
Trade payables (Note 12)	12	14 036 943	0	0	**14 036 943**
Total		**15 331 159**	**1 332 568**	**6 378 387**	**23 042 114**

To estimate future cash flows, the floating interest rates prevailing at the balance sheet date have been used.

The Group has taken a long-term bank loan in the amount of EUR 2,700,000 from BPM Mezzanine Fund and the loan contract lays down certain terms and conditions, including financial covenants upon the non-compliance of which the creditor may request immediate repayment of the loan, i.e. significantly earlier than disclosed in the table above. The Group's management regularly monitors compliance with the loan covenants and as at 31 December 2019, the Group was in compliance with them.

Secured bank loan liabilities include a loan from SEB Pank AS with the interest rate of 6-month Euribor+2% per year with the due date of 15 August 2021. The loan is denominated in euros.

As at 31.12.2019 current liabilities of the Group exceeded current assets by 4 465 963 euros (31.12.2018: working capital was negative of 2 189 997 euros). Markit business model allows us to to keep business running also with negative working capital. Nevertheless, negative working capital increased, we forsee increase of negative working capital until Markit continues expanding in international market establishing new legal entities. Management estimates, that negative working capital has no long term nature and will not cause any negative economical impact for the Group in 2020.

Interest rate risk
arises from interest rate changes in the market. The Group's interest-bearing liabilities may change due to movements in market interest rates. If interest rates increase, an increase of interest expenses payable on liabilities may significantly impact the Group's profitability.
The Group's interest-bearing liabilities include investment loans, overdraft and factoring liabilities (Note 11). The borrowings are linked to EURIBOR, WIBOR and PRIBOR, as a result of which the Group is exposed to developments in international financial markets. To manage the Group's interest rate risk, the Group monitors movements in money market interest rate and estimates the trend of interest rate development. In recent years, EURIBOR has been negative and according to the estimate of analysts, in 2020 EURIBOR will not increase to such an extent that it would have a major impact on the Group's results of operations.
During the interest rate analysis, the Group considers various options for hedging risks, incl. refinancing of high interest loans, renewal of current positions and taking loans with fixed interest rates.

In case on 31 December 2019 the base interest is by 10 basis points lower or higher, interest expenses would be higher or lower by EUR 10 thousand. Loans with floating interest rate are linked to WIBOR, PRIBOR or EURIBOR (depending on the instrument, 3 to 6 months EURIBOR).

An overview of the Group's exposure to interest rate risk at 31 December 2019:

31.12.2019	Note	Less than 1 year	Later than 1 year	Total
Fixed interest rate				
Interest-bearing liabilities	11	640 455	1 950 000	2 590 455
Floating interest rate				
Interest-bearing liabilities	11	1 139 259	3 261 936	4 401 195
Total		**1 779 714**	**5 211 936**	**6 991 650**

31.12.2018	Note	Less than 1 year	Later than 1 year	Total
Fixed interest rate				
Interest-bearing liabilities	11	1 016 270	1 900 000	2 916 270
Floating interest rate				
Interest-bearing liabilities	11	1 333 650	3 397 831	4 731 481
Total		**2 349 920**	**5 297 831**	**7 647 751**

Currency risk
arises from changes in exchange rates. The Group's cash flows may fluctuate in the future due to exchange rate changes and hence the Group may incur significant additional expenses related to the translation of various currencies.
The purchase and sales agreements of Group entities are mostly concluded in local currencies. Thus, foreign currency risk is minimal in the Group's daily business operations. There is foreign currency risk that arises from the mutual transaction of the Group's subsidiaries and is related to a different exchange rate at the transaction date and the transfer date of the currency as well as the differences in the exchange rates of different financial institutions.
The Group has not used financial instruments to protect itself against foreign currency risks that may arise from future transactions, assets and liabilities. Except Group's internal loans are hedged with currency swaps.

As at 31 December 2019

	CZK	DKK	HUF	NOK	PLN	GBP	USD
Total financial assets	1 629 735	196 514	584 346	1 442 216	2 787 477	220 327	108 781
Total financial liabilities	-2 713 499	-304 913	-581 420	-1 323 173	-2 009 919	-124 804	-55 066
Net currency position	-1 083 764	-108 399	2 926	119 043	777 558	95 523	53 715
Possible change in exchange rate (%)[1]	*±6,4%*	*0,00%*	*±10,7%*	*±16,8%*	*±5,9%*	*±1,0%*	*-2,10%*
Effect of exchange rate change on profit	±69 324	±19	±312	±20 047	±45 775	±950	-1 147

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As at 31 December 2018

	CZK	DKK	HUF	NOK	PLN	GBP	USD
Total financial assets	1 673 839	42 877	355 592	1 681 496	2 101 933	130 690	39 815
Total financial liabilities	-2 599 273	-137 040	-321 948	-1 524 885	-1 685 265	-66 854	-39 103
Net currency position	-925 434	-94 163	33 644	156 611	416 668	63 836	712
Possible change in exchange rate (%)[1]	±0,3%	±0,2%	±0,7%	±3,7%	±0,9%	±1,1%	-3,00%
Effect of exchange rate change on profit	±2 778	±178	±4 441	±5 724	±3 901	±709	-22

[1] *Possible change is assessed as annual average on the basis of actual change of exchange rate*

Market risk
arises from the general economic situation in the Group's target markets. Economic crises and stock exchange crashes may impact all global markets. This manifests itself, for example, in the overall pessimistic mood of investors. In this case, the Group's success or failure does not depend on the activities of a particular company.

Inventory risk
Arising from the Company's business model, the Group does not hold any inventories and thus carries no obsolescence, impairment or physical damage risk (other than during transportation). At 31 December 2019, the warehouse balance made up 0.33% (2018:0.33%) of the Group's sales in 2019.
As the IT platform designed by Markit enables to take orders from distributors for a fixed term, Markit is exposed to inventory risk during transportation. All risks related to goods are transferred to the Group at the time the goods are dispatched from the distributor's warehouse.

Note 22 Subsidiaries

In 2019 ePartner became fully part of Markit Group and moved under the Markit brand and unified company name by becoming Markit Norway AS.
In 2019 Markit Eesti AS signed a share option obligation with IPEC to make final payment for minority shares in January 2020, as a result of which an option liability in the amount of 1 471 859 EUR was recognized (Note 12) and minority interest derecognized.

	Domicile	Area of activity	Ownership interest % 2019	2018
MarkIT Baltija UAB	Lithuania, Vilnius	Online IT procurement	100	100
MarkIT.cz, s.r.o.	Czech Republic, Prague	Online IT procurement	100	100
Markit d.o.o.	Slovenia, Ljubljana	Online IT procurement	100	100
IT Market Sweden AB	Sweden, Stockholm	Online IT procurement	100	100

MarkIT.sk, s.r.o.	Slovakia, Bratislava	Online procurement	IT	100	100
Markit Magyarorszag Kft.	Hungary, Budapest	Online procurement	IT	100	100
MarkIT.pl Sp, z.o.o.	Poland, Warsaw	Online procurement	IT	100	100
e-kanava OY	Finland, Tampere	Online procurement	IT	100	100
MarkIT Eesti AS	Estonia, Tallinn	Online procurement	IT	100	100
Markit GmbH	Austria, Vienna	Online procurement	IT	100	100
Markit B2B, S.L.	Spain, Barcelona	Online procurement	IT	100	100
Markit Latvija SIA	Latvia, Riga	Online procurement	IT	100	100
Markit B2B AS	Norway, Oslo	Online procurement	IT	100	100
Markit B2B ApS	Denmark, Copenhagen	Online procurement	IT	100	100
MarkIT B2B Ltd.	UK, London	Online procurement	IT	100	100
MarkIT B2B SARL	France, Paris	Online procurement	IT	100	100
MarkIT B2B GmbH	Germany, Munich	Online procurement	IT	100	100
MarkIT Italia srl	Italy, Milan	Online procurement	IT	100	100
MarkIT B2B Holland B.V.i.o.	Netherlands, Amsterdam	Online procurement	IT	100	100
MarkIT (Switzerland) GmbH	Switzerland, Bäch	Online procurement	IT	100	100
MarkIT Belux BVBA	Belgium, Duffel	Online procurement	IT	100	100
Markit Hellas Ltd	Greece, Athens	Online procurement	IT	100	100
MarkIT Bulgaria Ltd.	Bulgaria, Sofia	Online procurement	IT	100	100
MarkIT Bucharest srl	Romania, Bucharest	Online procurement	IT	100	100
MarkIT Iirimaa Ltd	Ireland, Dublin	Online procurement	IT	100	100
MRKT Portugal, Unipessoal Lda.	Portugal, Linda a Velha	Online procurement	IT	100	100
Markit Zagreb d.o.o.	Croatia, Zagreb	Online procurement	IT	100	100
Markit B2B North America, Inc.	United States of America, Newark	Online procurement	IT	100	100

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Markit Teknoloji Tedarik Ltd. Sti.	Turkey, Istanbul	Online IT procurement	100	100
Markit Procurement Canada Inc	Canada, Vancouver	Online IT procurement	100	100
Markit B2B Hongkong Limited	Hong Kong, PRC	Online IT procurement	100	100
Markit B2B Singapore Pte. Ltd.	Singapore, Rep. of Singapore	Online IT procurement	100	100
Markit B2B México, S. de R.L. de C.V.	Mexico City, Mexico	Online IT procurement	100	100
Markit B2B Australia Pty Ltd	Sydney, Australia	Online IT procurement	100	100
Markit B2B d.o.o. Beograd	Belgrade, Serbia	Online IT procurement	100	0
Markit d.o.o. Brazil Eireli	Sao Paolo, Brazil	Online IT procurement	100	0
PT Teknologi Pengadaan Indonesia MARKIT	Jakarta, Indonesia	Online IT procurement	100	0
MarkIT Eesti AS subsidiary				
Markit Norway AS	Oslo, Norway	Online IT procurement	100	100
Markit B2B Hongkong Limited subsidiary				
MARKIT B2B SHANGHAI CO. LTD	Shanghai, PRC	Online IT procurement	100	100

Note 23 Contingent liabilities

- As at 31 December 2019, Markit has existing bank guarantees in the amount of EUR 670,000 (31 December 2018: EUR 450,000). Bank guarantees are used as collateral to secure Group companies' credit commitments to suppliers.
- The bank guarantees from AS SEB Pank are secured by the commercial pledge agreement concluded in 2015 that covers the movable property in the amount of EUR 500,000. The pledge extends to all assets of the pledger, excluding cash or assets at credit institutions.
- The Group gives 1-3 year warranties to the products it sells. The warranty period corresponds to the warranty terms given by the manufacturer of the product and therefore, no additional provisions have been recognised.

Note 24 Related parties

Parent company of the consolidation Group is Markit Holding AS.

Sales and Purchases berween Related Parties

Companies related to owners and the Management Board :

	2019		2018	
	Purchases	**Sales**	**Purchases**	**Sales**
Goods	0	0	0	778
Services	392 332	0	347 464	0
Total	**392 332**	**0**	**347 464**	**778**

Balances with Related Parties

Companies related to owners and the Management Board :

	31.12.2019	**31.12.2018**
Current liabilities	31 371	39 033

Ultimate controlling party (Note 11) :

	31.12.2019	**31.12.2018**
Non current loan payable	50 000	0

Current loans received in 2019 from ultimate controlling party 225 000 EUR, fully paid in 2019. Non current loans received in 2019 50 000 EUR.

Remuneration of the members of the Management and Supervisory Boards
In 2019, the remuneration of the members of the Management and Supervisory Boards of Markit Holding AS (incl. social security tax) totalled EUR 252 thousand (2018: EUR 249 thousand).
The Group does not have any long-term commitments to related parties.

Note 25 Share-based transactions

To provide incentives to the management and the employees, MarkIT Holding AS has implemented a share option plan, which grants the right to acquire at a future date MarkIT Holding AS's ordinary shares (equity-settled share-based payment transactions) subject to meeting certain terms and conditions. The plan was approved by the shareholders in 2010. Once the options are vested they remain exercisable for a period of two years. Each option gives a right to acquire one share of AS Markit Holding at predetermined price, which was a fair value of the share of the Company at the time option was granted. During 2018 the employees transferred 1 414 891 options to OÜ Stars En Prix, the shareholder of Markit Holding AS, who is mainly owned by key employees. OÜ Stars En Prix (OÜ SEP) has a right to exercise these options at average price 0.3776 euros. The deadline of exercising those options was postponed and remains to be determined by the shareholders. The employees who transferred their rights received the shares of OÜ SEP in proportion of their options held.

In 2018, additional 132 966 options were vested and became exercisable at average price 0.4986 euros by February 2020.

In 2019 additional 66 483 options were vested and became exercisable at average price 0.8550 euros by January 2021.

In 2019 two new option contracts were signed, granting 261 259 options at an average price EUR 1.02.

Vested and exercisable options as at 31.12.2018	1 547 857
vested in 2019	66 483
lapsed in 2019	-
exercised in 2019	-
Vested and exercisable options as at 31.12.2019	1 614 340
granted new options in 2019	261 259
total amount of options outstanding as at 31.12.2019	1 875 599

Note 26 Separate financial statements

According to the Estonian Accounting act, the separate primary financial statements of the consolidating entity (parent) have to be disclosed in the notes to the consolidated financial statements. The parent's separate primary financial statements have been prepared using the same accounting methods and measurement bases that were applied in the preparation of the consolidated financial statements, except for investments in subsidiaries that are carried at cost in the separate primary financial statements.

Statement of financial position of the parent

	31.12.2019	**31.12.2018**
ASSETS		
Current assets		
Cash and cash equivalents	152 399	48 699
Trade receivables	730 061	865 160
Inventories	1 906	1 358
Total current assets	**884 366**	**915 217**
Non-current assets		
Long-term financial investments	8 808 187	6 752 094
Loans	223 555	1 028 026
Goodwill	13 963 125	13 963 125
Property plant and equipment	63 202	24 760
Intangible assets	4 106 909	3 880 504
Total non-current assets	**27 164 979**	**25 648 509**
TOTAL ASSETS	**28 049 345**	**26 563 726**
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	607 386	1 000 000
Trade payables	142 473	169 333
Payables to group companies	300 438	33 300

Other payables	8 102	247 736
Tax liabilities	58 546	75 803
Employee payables	224 527	217 451
Total current liabilities	**1 341 471**	**1 743 623**
Non-current liabilities		
Borrowings	20 174 011	16 888 108
Interest payable	3 244 466	2 564 439
Total non-current liabilities	**23 418 477**	**19 452 547**
TOTAL LIABILITIES	**24 759 948**	**21 196 170**
Equity		
Share capital at nominal value	1 704 688	1 704 688
Share premium	2 265 733	2 265 733
Retained earnings	1 397 135	2 941 605
Loss for the financial year	-2 078 159	-1 544 470
TOTAL EQUITY	**3 289 397**	**5 367 556**
TOTAL LIABILITIES AND EQUITY	**28 049 345**	**26 563 726**

Statement of comprehensive income of the parent

	2019	**2018**
Revenue	2 306 881	2 177 554
Other income	0	244
Good raw materials and services	-496 600	-362 281
Other operating expenses	-1 576 031	-1 353 669
Staff costs		
Wages and salaries	*-876 214*	*-815 354*
Payroll taxes	*-292 091*	*-265 041*
Total staff costs	-1 168 305	-1 080 395
Depreciation amortisation and impairment	-358 044	-451 806
Other expenses	-9 082	-2 514
Operating loss	**-1 301 182**	**-1 072 867**
Finance income and costs		
Dividend income on subsidiaries	341 718	614 636
Interest income/-expenses	-1 140 031	-1 085 577
Other finance income/-expense	21 336	-664
Total finance income and costs	**-776 977**	**-251 750**
Loss before income tax	**-2 078 159**	**-1 544 470**
Net loss for financial year	**-2 078 159**	**-1 544 470**

Cash flow statement of the parent

	2019	2018
Cash flows from operating activities		
Net loss	-2 078 159	-1 544 470
Adjustments for:		
Depreciation amortisation and impairment	358 044	451 806
Finance income and costs on an accrual basis	798 313	-614 636
Change in other non-monetary items	-5 585	165 149
Foreign exchange gains	-810	642
Change in receivables related to operating activities	277 870	-170 331
Change in inventories	-548	5 273
Change in payables related to operating activities	30 152	801 047
Interest paid	-431 565	-325 815
Total cash flows from operating activities	**-1 052 288**	**-1 230 922**
Cash flows from investing activities		
Purchase of property plant and equipment	-31 689	-14 902
Purchase of intangible assets	-546 848	-228 372
Acquisition of subsidiary/increase of capital	-475 319	-16 026
Loans granted	-1 863 239	-933 841
Interest received	33 700	49 820
Repayments of loans	1 157 914	483 092
Dividends received	215 718	306 018
Total cash flows from investing activities	**-1 509 762**	**-354 211**
Total cash flows from financing activities		
Loans received	4 227 801	2 331 928
Repayments of loans	-1 521 811	-779 932
Payment of finance lease	-40 239	0
Dividends paid	0	-36 000
Total cash flows from financing activities	**2 665 751**	**1 515 996**
Total cash flows	**103 700**	**-69 137**
Cash and cash equivalents at beginning of the year	**48 699**	**117 836**
Net increase/decrease in cash and cash equivalents	**103 700**	**-69 137**
Cash and cash equivalents at end of the year	**152 399**	**48 699**

Statement of changes in equity of the parent

	Share capital	Share premium	Retained earnings	Total
Balance as at 31.12.2017	**1 704 688**	**2 265 733**	**3 018 348**	**6 988 769**
Net loss for financial year			-1 544 470	**-1 544 470**
Dividend distribution			-36 000	**-36 000**
Other changes in equity			-40 743	**-40 743**
Balance as at 31.12.2018	**1 704 688**	**2 265 733**	**1 397 135**	**5 367 556**
Net loss for financial year			-2 078 159	**-2 078 159**
Balance as at 31.12.2019	**1 704 688**	**2 265 733**	**-681 024**	**3 289 397**
Carrying amount of holdings under control and significant influence				-8 808 187
Value of holdings under control and significant influence under equity method				15 823 872
Adjusted unconsolidated equity 31.12.2019				**10 305 082**

Note 27 Post Balance Sheet Events

COVID19

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact has gained momentum. While this is still an evolving situation at the time of issuing these consolidated financial statements, it appears that the negative impact on global trade may be more severe than originally expected. Certain currencies to which the Group is exposed have weakened, stock markets have declined, and commodity prices are significantly lower. Management considers this outbreak to be a non-adjusting post balance sheet event.

By the time this report is published, some crises driven impacts are already noticable. Demand for items related to home office set-up has increased taking sales revenue over the bar planned for Q1. From the other hand, high demand for certain items, has forced us to rearrange delivery routes to find demanded items from further locations. That has caused longer delivery times. Also, as Markit Group invests into new markets and due to that has to manage in working capital deficite, it is very importnat for us, taht our customers make payments on time. However, the crises situation has and will cause liquidity difficulties for quite many businesses among which are also Markit group customers. We have already received some notifications about delayed payments, until the end of crises. By now, the Group has had no serious impacts from these notifications, however, as the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group. To prepare for that, the management has regular meetings to be ready to act immediately.

The impact will be incorporated into the Group's financial statements of 2020.

Unlike in previous crisis (2008/09) when IT was part of cost cut, now IT is part of the solution. Companies and governments around the world need to switch from office work to home office work. In order to do that they need lots of new IT equipment : portable computers, headsets, printers, cables, routers and other stuff.

Markit is ideally positioned to help these customers. As having integrated e-procurement system of all European IT distributors.

Markit Norway shares

In 2015 Markit acquired 51% of ePartner A/S and ePartner has been since operating as a fully integrated part of Markit group of companies.
In January 2020 Markit Holding AS completed the full acquisition of remaining shares from IPEC AS and is now 100% owner of Markit Norway AS.

Note 28 Audit exemption of the daughter companies

MarkIT Iirimaa Limited is a 100% subsidiary company registered in Ireland (registration no. 493445). Under s. 357 of the Companies Act 2014 MarkIT Iirimaa Limited is exempt from the requirement to file audited financial statements as there is in force in respect of the whole of the 2019 financial year an irrevocable guarantee by Markit Holding AS of all amounts shown as liabilities in the statutory financial statements of the company in respect of 2019.

MarkIT B2B Limited is a Company registered in England and Wales with company no. 06919751. This Company is exempt from the rquirement of an audit as it has taken the exemption available under Companies Act s.479A(2) as Markit Holding AS has provided a guarantee.

Signatures of the Management Board to the 2019 annual report

The Management Board of MarkIT Holding AS has prepared the management report and consolidated financial statements for the year 2019.

18.06.2020

Andres Agasild
Chairman of the Management Board

Kairo Alloja
Member of the Management Board

Independent Auditor's Report

To the Shareholders of MarkIT Holding AS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of MarkIT Holding AS and its subsidiaries (together the Group) as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information. The other information comprises the CEO Letter for Markit Annual Report 2019, Corporate social responsibility @ Markit and List of operating activities (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group'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 the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of the Management Board'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

AS PricewaterhouseCoopers

Lauri Past
Auditor's certificate no.567

Kristiina Veermäe
Auditor's certificate no.596

19 June 2020
Tallinn, Estonia

Proposal for loss allocation

The Management Board of MarkIT Holding AS proposes to the General Meeting of Shareholders to cover the loss of 2019 in the amount of **EUR 1 067 348** from retained earnings.

The retained earnings as at 31 December 2019 totalled **EUR 8 457 098** .

Andres Agasild
Chairman of the Management Board

Kairo Alloja
Member of the Management Board

List of operating activities

Operating areas in 01.01.2019 – 31.12.2019

(in EUR)

Areas of activity/ products	2019	2018
Retail sale of computers computer peripheral units and software	110 038 934	110 233 812
Computer related consultations	1 899 707	1 495 638
Total	**111 938 641**	**111 729 451**

Müügitulu jaotus tegevusalade lõikes

Tegevusala	EMTAK kood	Müügitulu (EUR)	Müügitulu %	Põhitegevusala
Arvutite, arvuti välisseadmete ja tarkvara jaemüük spetsialiseeritud kauplustes	**47411**	**2306881**	**100.00%**	**Jah**

Sidevahendid

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Veebilehe aadress	**www.markit.ee**