



Investment company

Unaudited interim report 2017

Admiral Markets AS

Unaudited interim report on 2017

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Main area of activity	Investment services
Beginning and end date of interim report period	01. January - 31. December
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Chairman of the Supervisory Board	Anatolii Mikhalchenko
Members of the Supervisory Board	Dmitri Laush Anton Tikhomirov Aleksandr Ljubovski Aleksander Tsikhilov
Auditor	PricewaterhouseCoopers AS

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Management Board declaration

The 2017 interim report of Admiral Markets AS consists of the management report and financial statements.

The data and the additional information provided by Admiral Markets AS in the interim report are true and complete.

The accounting policies adopted in preparing the financial statements are in accordance with the International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the financial position, financial performance and cash flow of the entity.

The financial statements of the interim report of 2017 are unaudited.

/digitally signed/
Sergei Bogatenkov
Chairman of the Management Board

Tallinn, 15.02.2018

1. Management report

Overview

ADMIRAL MARKETS AS was founded in 2003. In 2009, the Estonian Financial Supervisory Authority granted Admiral Markets AS the activity licence no. 4.1-1/46 for the provision of investment

services. The Company is part of an international group which operates under a joint trademark – Admiral Markets. The parent company of Admiral Markets AS is Admiral Markets Group AS.

Objectives and business activities

The main activity of Admiral Markets AS is the provision of investment services (trading with derivative products) to private persons and companies. The Company's activities are primarily targeted at experienced traders, and therefore, the Company focuses on the improvement of general trading skills and training of new enthusiasts. In addition to the provision of support services, under White Label agreements, Admiral Markets AS being the administrator and developer of the platform, also provides all the active investment sister companies, that are part of the same consolidation group, the possibility to use the investment platform. In line with the Group's strategy, the investment sister companies of Admiral Markets AS hedge the risks arising from their clients' transactions in Admiral Markets AS, who is also their sole liquidity provider. Under the Admiral Markets trademark, clients are offered Forex and leveraged Contract for Difference (CFD) products in the over-the-counter market and instruments listed on recognised exchanges. The Company's strategic objectives include the expansion of the range of products and services facilitating the provision of investment services to a larger audience.

The investment companies that are part of the

same consolidation group as Admiral Markets AS and actively provide investment services include: Admiral Markets UK Ltd, Admiral Markets Pty Ltd and Admiral Markets Cyprus Ltd. The fifth investment company within the consolidation group, Admiral Markets Chile SpA, is not providing investment services since 31.05.2017. Within the member states of the European Union and countries of the European Economic Area, Admiral Markets UK Ltd is the main investment company that provides services to retail customers. The reason for this preference is primarily the high reputation of the United Kingdom business environment and the existence of a broader investor protection (Financial Services Competition Scheme - FSCS). Admiral Markets AS has the role of a significant intra-group service provider. Since Admiral Markets AS and other investment companies that are part of the same consolidation group use the same joint trademark, the reputation of the trademark of Admiral Markets has a major direct impact on the financial indicators as well as business success of Admiral Markets AS.

As of 31.12.2017, Admiral Markets AS has 3 branches: Romania, Poland and Czech branches, as well as a representative office in Russia.

Organisation

The Company's management is responsible for the organisational structure and technical organisation of Admiral Markets AS.

Admiral Markets AS is run by five members of the Supervisory Board and three members of the Management Board. The Supervisory Board and the Management Board are actively participating

in the daily activities of the business and have clear responsibility areas.

The total remuneration calculated for the management in 2017 was EUR 309 661 (2016: EUR 386 619), which includes all taxes. On 31.12.2017 the obligation in front of the Company's management was vacation compensation in the amount of 24 370 euro (31.12.2016: EUR 5 678). On 31.12.2017 and on 31.12.2016, the Company did not have any long term obligations in front of the Management Board or Supervisory Board (annuities, severance payments etc). In 2017 the total remuneration paid to the Supervisory Board was EUR 145 380 (2016: EUR 116 347).

To manage its activities, the Company mainly uses specialists and experts employed under employment contracts, but it also purchases

services from professionals in compliance with the terms and procedures laid down in the legislation, relevant guidelines and established internal procedures on the basis of the decisions made by the Supervisory Board and the Management Board.

At the end of first half of 2017, the Company had 124 employees (2016: 119 employees). The employees were allocated between Admiral Markets AS, its branches and representative offices as follows: Admiral Markets AS - 109 employees, the Polish branch – 8 employees, the Czech branch - 4 employees and the Russian representative office – 3 employees. In the reporting period, remunerations paid to employees including social security taxes amounted to EUR 5, 256, 709 (2016: EUR 4,097,259).

Bonds Listing on the Exchange

On 08.12.2017 Admiral Markets AS announced the public offering, listing and admission to trading of the subordinated bonds. Publicly, up to 50,000 bonds "Admiral Markets allutatud võlakiri 28.12.2027" were offered, with a nominal value of EUR 100 per bond and with an interest rate of 8 percent per year. The bonds were offered in Estonia, Latvia and Lithuania.

The subscription period was from 8 December 2017 to 19 December 2017. Investors subscribed for the bonds in the amount of EUR 1,826,800 and consequently, on 28 December 2017 the investors received a total amount of 18, 268 bonds in their securities accounts. The maturity date of the bonds is 28 December 2027, when Admiral Markets AS shall redeem all the bonds. As of 11.01.2018 its is possible to trade with the bonds of Admiral Markets AS on Nasdaq Tallinn stock exchange.

Financial results

in EUR million	2017	2016
Net income from trading	19,3	18,0
Operating expenses	12,8	12,5
Net profit	6,0	5,9
Cost-to-income ratio	66%	69%
<i>in EUR million</i>	31.12.2017	31.12.2016
Total assets	30,6	24,1
Equity	27,5	22,8
Cash and cash equivalents	22,1	18,0
Off-balance sheet assets	3,3	4,4

Main financial ratios

Indicator	2017	2016
Net profit in the accounting period, EUR mln	6,0	5,9
Net profit per share, EUR	14,8	14,5
Return on equity, %	23,9	29,4
Equity ratio	1.1	1.1
Return on assets, %	22,3	26,4
Short-term liabilities current ratio	21,9	17

Equations used for the calculation of ratios:

Net profit per share, in EUR = net profit / average number of shares

Return on equity (ROE), % = net profit / average equity * 100

Equity ratio = average assets / average equity

Return on assets (ROA), % = net profit / average assets * 100

Short-term liabilities current ratio = current assets / current liabilities

The ratios are calculated as an arithmetic average of closing balance sheet figures of the previous and current reporting period, and the indicators of the income statement are shown as at the end of the reporting period.

1.2. Risk management and capital adequacy

As of 31.12.2017, the own funds of Admiral Markets amounted to EUR 23.1 million (31.12.2016: EUR 15.4 million). At the end of the reporting period,

Admiral Markets was well capitalised, the capital adequacy level was 21.2% (31.12.2016: 19.0%).

Own funds

in EUR	31.12.2017	31.12.2016
Paid-in share capital	2,585,600	2,585,600
Statutory reserve capital transferred from net profit	258,550	258,550
Retained earnings of previous periods	18,582,581	12,694,780
Intangible assets	-93,282	-128,538
Total Tier 1 own funds	21,333,449	15,410,392
Subordinated liabilities	1,826,800	0
Total Tier 2 own funds	1,826,800	0
Total own funds	23,160,249	15,410,392

Capital requirements

in EUR	31.12.2017	31.12.2016
Credit institutions and investment companies under standard method	6,448,231	4,852,019
Retail claims under standard method	5,782,529	3,419,414
Other assets under standard method	4,748,860	3,513,367
Total credit risk and counterparty credit risk	16,979,620	11,784,800
Foreign currency risk under standard method	39,675,940	24,377,500
Equity portfolio risk under standard method	5,667,939	10,473,073
Commodities risk under standard method	6,354,175	3,810,895
Total market risk	51,698,054	38,661,468
Credit valuation adjustment risk under standard method	3,892	6,172
Operational risk under base method	34,005,024	30,572,948
Total risk position	102,686,590	81,025,388
Capital adequacy	21.2%	19.0%

2. Interim Financial Statements

Statements of Financial Position

(in EUR)	Note	31.12.2017	31.12.2016
ASSETS			
Current assets			
Cash and cash equivalents	4	22,001,637	18,018,135
Financial assets at fair value through profit and loss	3	3,361,109	2,421,927
Short-term loans, receivables and prepayments	5	4,222,126	2,822,597
Total current assets		29,584,872	23,262,659
Non-current assets			
Long-term loans and receivables		525,818	492,560
Tangible assets		398,065	239,069
Intangible assets		93,282	128,537
Total non-current assets		1,017,165	860,166
TOTAL ASSETS		30,602,037	24,122,825
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit and loss	3	176,930	51,782
Liabilities and prepayments	6	1,175,613	1,075,312
Provisions		0	244,000
Total current liabilities		1,352,543	1,371,094
Long-term liabilities			
Issued bonds		1,826,800	0
Total long-term liabilities		1,826,800	0
TOTAL LIABILITIES		3,179,343	1,371,094
EQUITY			
Share capital	8	2,585,600	2,585,600
Statutory reserve capital		258,550	258,550
Retained earnings		24,578,544	19,907,581
TOTAL EQUITY		27,422,694	22,751,731
TOTAL EQUITY AND LIABILITIES		30,602,037	24,122,825

Statements of Comprehensive Income

(in EUR)	Note	2017	2016
Net profit from trading of financial assets at fair value through profit or loss with clients and liquidity providers		27,794,610	24,852,520
Brokerage fee income		71,638	653,267
Brokerage and commission fee expense		-8,653,308	-7,325,048
Other trading activity related expenses		132,110	-227,899
Net income from trading	9	19,345,050	17,952,840
Other income and expenses		403,974	163,433
Interest income and expenses		109,053	70,567
Losses from foreign exchange rate changes		-826,195	391,350
Personnel expenses		-5,256,709	-4,483,878
Operating expenses	10	-7,247,722	-7,751,332
Depreciation of fixed assets		-200,213	-308,156
Profit before income tax		6,327,238	6,018,149
Income tax		-331,275	-130,348
Profit for the accounting period		5,995,963	5,887,801
Other comprehensive income for the accounting period		0	0
Comprehensive income for the accounting period		5,995,93	5,887,801
Basic and diluted earnings per share		14,84	14,57

* Some balances are presented with adjusted amounts; for more information refer to Note 12.

Statements of Cash Flows

(in EUR)	Note	2017	2016 * adjusted
Cash flow from operating activities			
Profit for the accounting period		5,995,963	5,887,801
Adjustments for:			
Depreciation of fixed assets		200,213	308,156
Gains on the sale of property, plant and equipment		-37,083	-11,191
Change in provisions		0	17,060
Interest income and expense		-109,053	-70,567
Allowance for doubtful receivables		57,836	421,157
Other corrections		0	39,620
Adjusted operating profit		6,107,876	6,592,036
Change in receivables and prepayments relating to operating activities		-1,090,557	-476,994
Change in restricted cash balance		-89,791	178,730
Change in liabilities and prepayments relating to operating activities		-18,551	-1,687,669
Interest received		40,797	40,438
Corporate income tax paid		-331,275	-122,368
Net cash from operating activities		4,618,499	4,523,813
Cash flow from investing activities			
Disposal of tangible and intangible assets		52,447	37,353
Purchase of tangible and intangible assets		-324,805	-146,378
Net purchases and disposals of investments at fair value through profit or loss		-950,137	0
Issued bonds		1,826,800	0
Loans granted		-220,000	-1,450,000
Repayments of loans granted		220,000	113,272
Net cash used in investing activities		604,305	-1,445,753
Cash flow from financing activities			
Dividends paid		-1,325,000	-460,000
Net cash used in financing activities		-1,325,000	-460,000
TOTAL CASH FLOWS		3,897,804	2,618,060
Cash and cash equivalents at the beginning of the period		17,776,764	15,165,375
Change in cash and cash equivalents		3,897,804	2,618,060
Effect of exchange rate changes		-4,093	-6,671
Cash and cash equivalents at the end of the period**	4	21,670,475	17,776,764

* Some balances are presented with adjusted amounts; for more information refer to Note 12.

** Except restricted cash; for more information refer to Note 4.

Statement of Changes in Equity

(in EUR)	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 01.01.2016 *adjusted	2,585,600	258,550	14,479,780	17,323,930
Dividends paid	0	0	-460,000	-460,000
Profit for the accounting period	0	0	5,887,801	5,887,801
Other comprehensive income for the accounting period	0	0	0	0
Total comprehensive income for the accounting period	0	0	5,887,801	5,887,801
Balance as at 31.12.2016 *adjusted	2,585,600	258,550	19,907,581	22,751,731
Balance as at 01.01.2017	2,585,600	258,550	19,907,581	22,751,731
Dividends paid	0	0	-1,325,000	-1,325,000
Profit for the accounting period	0	0	5,995,963	5,995,963
Other comprehensive income for the accounting period	0	0	0	0
Total comprehensive income for the accounting period	0	0	5,995,963	5,995,963
Balance as at 30.06.2017	2,585,600	258,550	24,578,944	27,422,694

* Some balances are presented with adjusted amounts; for more information refer to Note 12.

3. Notes to the interim financial statements

Note 1. General information

ADMIRAL MARKETS AS is an investment company since 05.06.2009. The Company's head office is located at Ahtri 6a, Tallinn, Estonia.

The interim financial statements are unaudited and do not contain all the information required for the preparation of annual financial statements.

The interim report of Admiral Markets AS has been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting".

The interim financial statements are presented in euros and integers, unless otherwise stated.

Note 2. Risk management

Risk Management is part of the internal control system of Admiral Markets AS, and its objective is to identify, assess and monitor all of the risks associated with Admiral Markets in order to ensure the credibility, stability and profitability of Admiral Markets.

There have been no changes in the risk management policies since the year end.

Note 3. Financial assets and liabilities at fair value through profit or loss

Instrument	31.12.2017		31.12.2016	
	Asset	Liability	Asset	Liability
Bonds	3,332,837	1,826,800	2,382,700	0
Currency pairs	16,963	125,557	22,325	47,289
CFD derivatives	5,432	7,108	11,144	2,841
Indexes	0	540	3,595	904
Other	5,877	43,725	2,163	748
Total	3,361,109	2,003,730	2,421,927	51,782

Note 4. Cash and cash equivalents

Type of cash	31.12.2017	31.12.2016
Cash on hand	0	7,061
Cash in transit	28,075	386,732
Demand deposits	15,888,958	13,930,620
Cash on client accounts*	428,528	160,455
Cash on trading accounts**	5,656,076	3,533,267
Total cash and cash equivalents	22,001,637	18,018,135

*Cash at bank which is held as a technical reserve until settlement with clients. According to client contracts, this cash belongs to Admiral Markets AS and it can be transferred to the bank account of company at any time.

**Recognized as cash in trading accounts in banks and investment companies which includes, inter alia, EUR 331,162 in restricted cash, 31.12.2016: EUR 241,371. As at 30.06.2017, the balance of restricted cash has increased due to the change in trading conditions.

Note 5. Short-term loans, receivables and prepayments

	31.12.2017	31.12.2016
Financial assets		
Trade receivables	10,099,931	10,763,309
Doubtful receivables	-10,099,917	-10,763,289
Settlements with employees	25,394	3,072
Loans and receivables from group companies	3,013,380	2,141,958
Other short-term receivables	184,188	18,871
Subtotal	3,222,976	2,163,921
Non-financial assets		
Prepaid expenditure of future periods	248,040	228,559
Prepayments to suppliers	72,068	43,712
Prepaid taxes	679,042	386,405
Subtotal	999,150	658,676
Total	4,222,126	2,822,597

Information on doubtful receivables:	31.12.2017	31.12.2016
Doubtful receivables at the beginning of the accounting period	-10,763,289	-10,191,913
Receivables recognised as doubtful	-57,836	-421,157
Collection of previously recognized as doubtful receivables	55,826	17,178
Impact of exchange rate changes	251,453	-167,397
Doubtful receivables at the end of the reporting period	-10,513,847	-10,763,289

Note 6. Liabilities and prepayments

Type of liability	31.12.2017	31.12.2016
Financial liabilities		
Liabilities to trade creditors	621,017	401,060
Liabilities to related parties	21,716	15,003
Other accrued expenses	100,354	147,679
Subtotal	743,087	563,742
Non-financial liabilities		
Payables to employees	138,989	138,280
Taxes payable	293,537	373,290
Subtotal	432,526	511,570
Total	1,175,613	1,075,312

Note 7. Off-balance sheet assets

Off-balance sheet assets are funds of these clients who use the trading systems mediated by Admiral Markets AS. Because of the specific feature of the system, Admiral Markets AS deposits these funds in personalized accounts

in banks and in other investment companies. The Company does not use client funds in its business operations and accounts for them off-balance sheet.

Off-balance sheet assets	31.12.2017	31.12.2016
Bank accounts	3,314,968	4,355,083
Interim accounts of card payment systems	29,519	16,484
TOTAL	3,344,487	4,371,567

Note 8. Share capital

	31.12.2017	31.12.2016
Share capital	2,585,600	2,585,600
Number of shares (pc)	404,000	404,000
Nominal value of shares	6.4	6.4

Under the articles of association, the minimum share capital of the investment company is EUR 766,940 and the maximum share capital is EUR 3,067,759 in the range of which share capital can be increased and decreased without amending

the articles of association. All issued shares are fully paid.

In 2017, owners were paid dividends in the total amount of EUR 1,325,000, i.e. EUR 3.28 per share.

Statutory reserve capital

According to the Commercial Code of the Republic of Estonia the Company has transferred each year 1/20 of the net profit to the statutory reserve. The statutory reserve can be used to cover losses

and to increase the Company's share capital. The statutory reserve cannot be distributed as dividends to shareholders.

Note 9. Net trade income

	2017	2016
Net gain from trading of financial assets at fair value through profit or loss with clients	32,947,215	29,666,927
Net loss from trading of financial assets at fair value through profit or loss with liquidity providers	-5,152,605	-4,814,407
Brokerage income	71,638	653,267
Brokerage and commission fee expense	-8,653,308	-7,325,048
Other trading activity related expenses	132,110	227,899
Net income from trading	19,345,050	17,982,840

Note 10. Operating expenses

Type of expense	2017	2016
Marketing expenses	-3,405,524	-2,696,358
IT expenses	-1,708,362	-1,516,489
Other outsourced services	-253,084	-724,639
VAT expenses	-264,708	-571,551
Office rent and utilities	-338,261	-372,501
Legal and audit services	-493,174	-192,019
Regulative reporting services	-118,237	-169,852
Transport and communication costs	-85,543	-106,278
Travelling expenses	-73,381	-89,850
Expenses of doubtful receivables	-2,011	-638,869
Other operating expenses	-505,437	-672,926
Total operating expenses	-7,247,722	-7,751,332

* Some balances are presented with adjusted amounts; for more information refer to Note 12.

Note 11. Transactions with related parties

Transactions with related parties are transactions with the parent company, shareholders, members of the management, their close relatives and entities that they control or over which they have significant influence. The parent company of Admiral Markets AS is Admiral Markets Group AS.

Revenue

	Relation	2017	2016
Revenue from brokerage and commission fees*	Companies in the same consolidation group	27,557,543	23,078,516
Services	Companies in the same consolidation group	433,874	109,355
Interest income	Companies in the same consolidation group	0	21,569
Interest income	Parent company	65,918	23,253
Interest income	Senior management and companies related to them	1,219	1,875
Other	Parent company	1,870	0
Sales of fixed assets	Companies in the same consolidation group	0	805
Total transactions with related parties		28,060,424	23,235,373

*The majority of clients have concluded trading contracts with the entities which are part of the same consolidation group that mediate their trading transactions with Admiral Markets AS and to whom Admiral Markets AS pays a commission fee (see the next table). In 2017 the income from trading and brokerage fees increased in connection with the growth in the trading volumes of the clients mediated by these entities.

Expenses

	Relation	2017	2016
Commission fees	Companies in the same consolidation group	8,312,884	6,722,953
Services	Companies in the same consolidation group	377,582	449,605
Services	Parent company	318,271	69,694
Total transactions with related parties		9,008,737	7,242,252

Loans and receivables

	31.12.2017	31.12.2016
Receivables from parent company (short-term)	1,505,377	1,529,206
Receivables from other companies in the same consolidation group (short-term)	1,601,341	612,752
Receivables from parent company (long-term)	450,818	467,560
Total receivables from related parties	3,557,536	2,609,518

Liabilities

	31.12.2017	31.12.2016
Liabilities to other companies in the same consolidation group	21,716	15,003
Total liabilities to related parties	21,716	15,003

Note 12. Error corrections

On 15 January 2015, the Swiss National Bank announced that it will terminate its ceiling where one euro equals 1.20 francs that had been in place for 3 years. The decision resulted in unprecedented volatility (i.e. a sudden change in the price sequence). This brought along with major monetary losses to clients who had opened trading positions evaluating that the franc weakens against the euro, but also great profits to clients who had opened an opposite

trading position. As a result, in 2015 client receivables of Admiral Markets AS increased. In 2016, significant circumstances were discovered that had importance in evaluating doubtful receivables in the previous year in the amount of EUR 3,441,181.

The error have been corrected retrospectively and the important information related to the adjustment has been disclosed in the tables below:

Impact of the error correction on the profit and loss statement:

Statement of Profit or Loss line item	2016 adjusted	Impact of error	2016 before adjustments
Operating expenses	-3 704 974	2,500,000	-6 204 974
Profit before income tax	2 623 907	2,500,000	123 908
Profit for the accounting period	2 580 464	2,500,000	80 464
Basic and diluted earnings per share	6.39		0.20

Impact of the error correction on the statement of cash-flows:

Statement of Cash Flows line item	2016 adjusted	Impact of error	2016 before adjustments
Adjustments:			
Profit for the accounting period	2 580 464	2,500,000	80 464
Allowance for doubtful receivables	0	-2,500,000	2,500,000

Impact of the error correction on the statement of equity:

Kasumiaruande rida	2016 adjusted	Impact of error	2016 before adjustments
Adjustments:			
Balance as at 01.01.2016	14,479,780	-3,441,181	17,920,961