



Investment Company

Unaudited
interim report 2018

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2018

Admiral Markets AS

Unaudited interim report 2018

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Main area of activity	Investment services
Beginning and end date of interim report period	01. January - 31. December
Members of the Management Board	Sergei Bogatenkov Dmitry Kuravkin
Chairman of the Supervisory Board	Aleksander Tsikhilov
Members of the Supervisory Board	Dmitri Lauš Anton Tikhomirov Anatolii Mikhalchenko
Auditor	PricewaterhouseCoopers AS

Management Board declaration

The 2018 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 2018 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 2018 are unaudited.

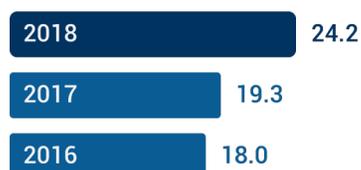
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Sergei Bogatenkov
Chairman of the Management Board
Tallinn, 28.02.2019

Highlights 2018

- Net trading income increased 25% to EUR 24.2 million
- EBITDA¹ was EUR 10.1 million
- Net profit was EUR 9.5 million
- EBITDA margin increased to 42%
- Net profit margin increased to 39%
- Cost to income ratio decreased to 63%

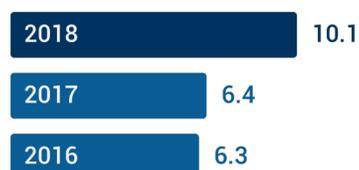
Net trading income

EUR 24.2m



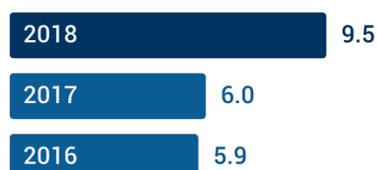
EBITDA

EUR 10.1m



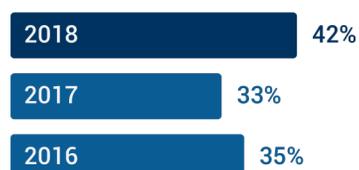
Net profit

EUR 9.5m



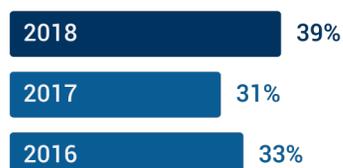
EBITDA margin

42%



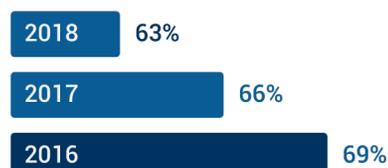
Net profit margin

39%



Cost to income ratio

63%



¹Earnings before interest, taxes, depreciation and amortisation

To the investors of Admiral Markets

2018 has been a year of growth for Admiral Markets Group AS and Admiral Markets AS, which is a subsidiary of Admiral Markets Group AS. Established in Tallinn, the Group is represented and known globally and competes on equal terms with the first-tier UK and Swiss companies.

Admiral Markets AS got all-time high revenues and profit in 2018. Net trading income increased to EUR 24.2 million in 2018, a rise of 25% compared to EUR 19.3 million a year earlier. The net profit of Admiral Markets AS reached EUR 9.5 million in 2018, a 58% increase compared to 2017. The ultimate owners of Admiral Markets AS received a 30.1% return on their shareholdings.

2018 was mostly characterised by strengthening and increasing Admiral Markets AS and other Group investment companies' positions in Europe. 2018 brought Admiral Markets AS record results thanks to our excellent customer service, the addition of new financial instruments with

the largest expansion of our products portfolio, access to 15 of the largest stock exchanges, the development of our trading technology as well as great marketing activities.

Our long-term goal as a Group is to become a leader in both providing services to trading-educated people, familiar with the modern financial and trading world, and in helping people to improve their knowledge of trading and financial markets. We bring great attention to increasing the knowledge of our clients as this means new business opportunities for us.

Admiral Markets AS serves to support the aim of the Group.

To accommodate the business growth over the past 12 months, and reflecting expectations of continued growth in the future, Admiral Markets AS relocated to its new headquarters.

2018 also marks the year of going public for Admiral Markets AS. This means that since January 11th, 2018, it has been possible to trade the bonds of Admiral Markets AS on the Baltic Bond List, the regulated market organised by Nasdaq Tallinn AS.

Many new regulations influenced 2018, but Admiral Markets AS started implementing the necessary changes before-hand. The European Securities Market Authority imposed one of the main regulatory changes, and the other was General Data Protection Regulation.

Going digital will be the definition of success in future years as the level of competition for digital business is increasing. Therefore digital marketing skills and the creation of new methods to attract and retain clients is critical. We will focus on bringing attention to IT and developing advanced and unique technological solutions. By doing this, we will be able to deliver a new wave of innovative products to our clients, which is crucial for our transformation into a true high-technology company.

As best customer service is what distinguishes the big players from the small ones, we will seek opportunities to develop our customer service to an even higher level. We want to offer the best possible customer experience for our clients.

The present and future are mobile, meaning we are also present there, together with our client. User-friendly mobile solutions and their constant development is something we strongly believe in. Over the years we have developed successful and productive work processes. Combined with the best trading platforms, flexibility and speed are what characterise our workflow.

Our success in 2018 was possible due to the high commitment of our employees, their extremely good expertise and their dedication to achieving our overall goals. We put much effort into developing and retaining a strong team as success is always built on having the best people and applying their knowledge. Offering a competitive salary, training and self-development possibilities we can attract the best people to join our team. By obtaining the best skills concerning customer service and professionalism, we guarantee that Admiral Markets AS is a service provider ahead of the game in the industry. In the coming years, we will continue to seek opportunities to develop our customer service to an even higher level.

We highly appreciate cooperation with regulatory authorities as trustworthiness in business is essential for growth and expansion.

28th February 2019
Sergei Bogatenkov
Chairman of the Management Board

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Management report

Our company

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 (hereinafter as "Group") which operates under a joint trademark – Admiral Markets. Admiral Markets Group AS, the parent company of Admiral Markets AS, owns 100% of the shares of Admiral Markets AS.

The main activity of Admiral Markets AS is the provision of investment services (trading with derivative products) to retail, professional and institutional clients. Customers are offered Forex and leveraged Contract for Difference (CFD) products in the over-the-counter market as well as listed instruments. 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 provision of other support services, under White Label agreements, Admiral Markets AS, being the administrator and developer of the platform, provides all sister companies that are part of the same consolidation group the possibility of using the investment platform. In line with the Group's strategy, the sister investment companies of Admiral Markets AS hedge the risks arising from their customers' transactions in Admiral Markets AS, who is also their sole liquidity partner. Due to this, the results of Admiral Markets AS depend on other companies in the Group.

In addition to the services offered to retail, professional and institutional customers, Admiral Markets AS also acts as a provider of support services for its consolidation group companies, being responsible for all key middle and back-office functions:

- Administration and development of IT platforms in cooperation with AMTS Solutions OÜ and Runa Systems, the subsidiaries of Admiral Markets Group AS;
- Risk management;
- Liquidity provision – Admiral Markets AS is the sole liquidity provider for all investment companies in Admiral Markets Group AS;
- Marketing;
- Financial services;
- Compliance.

The licenced investment companies that are part of the same consolidation group as Admiral Markets AS are Admiral Markets UK Ltd, Admiral Markets Pty Ltd and Admiral Markets Cyprus Ltd. Admiral Markets AS has a licence granted by the Estonian Financial Supervisory Authority. Since Admiral Markets AS and other licenced investment companies that are part of the

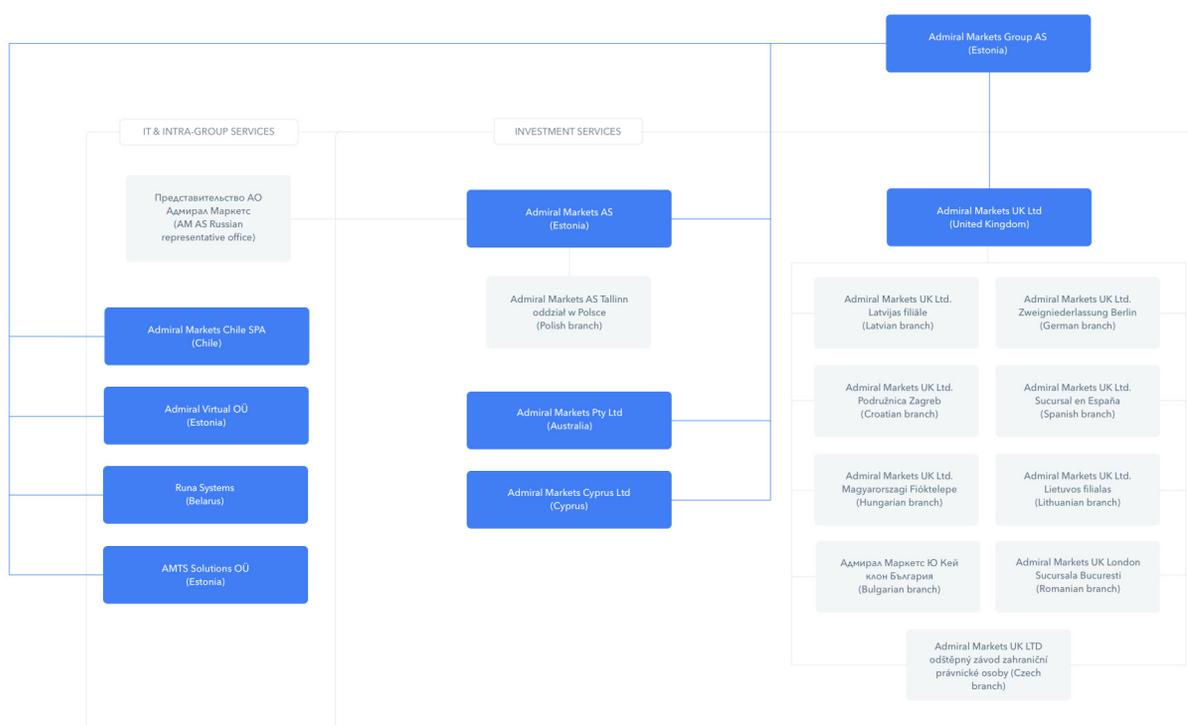
same consolidation group use the same joint trademark, the reputation of the trademark of Admiral Markets has a major direct impact on the financial indicators as well as business success of Admiral Markets AS.

Currently Admiral Markets AS has a branch in Poland and a representative office in Russia. In June 2018 two branches of Admiral Markets AS, established in the Republic of Romania and in the Czech Republic, were closed. The closure of the branches is related to the strategy implementation of Admiral Markets Group AS. As part of the strategy, Admiral Markets UK Ltd has established several branches within the European Union, including the establishment of a branch in the Republic of Romania and the Czech Republic.

Other companies that are part of the same consolidation group as Admiral Markets AS are Runa Systems, Admiral Markets Chile SpA, AMTS Solution OÜ and Admiral Virtual OÜ. The latter was established in June 2018. In July 2018, 75% of shares in Vorld OÜ (formerly BCNEX OÜ) was sold and since then Vorld OÜ is an associate company of Admiral Markets Group AS, the parent company of Admiral Markets AS. Runa Systems and AMTS Solution OÜ offer IT and other intra-group services. Admiral Markets Chile SpA and Admiral Virtual OÜ are inactive at the moment.

ADMIRAL MARKETS GROUP AS STRUCTURE

The structure of Admiral Markets Group AS, the parent company of Admiral Markets AS as of 31.12.2018:



Admiral Markets Group AS owns 100% of the shares of all its subsidiaries as of 31.12.2018, except for AMTS Solutions OÜ, where Admiral Markets Group AS has 62% ownership.

Economic environment

Global Economy

Since 2009, the markets have been flooded by billions to overcome the credit and liquidity crises resulting from the global financial crisis, with these funds intended to help the respective economies regain momentum.

However, this funding did not always have the intended effect, with the quantitative easing (QE) program of the US Federal Reserve (the FED) ballooning the economy's balance sheet from below 1 trillion USD before 2008 to over 4 trillion USD at the end of 2014, while the European Central Bank's (ECB) QE program from 2015 until the end of 2018 pushed their balance sheet up to over 4.6 trillion euro.

As a result, yields were driven sharply lower, and in the eurozone German bonds still trade with a negative yield up to nine years maturity (Feb 2019).

But with the end of the ECB QE program in December 2018, following the end of the FED QE program at the end of 2014, the European and global economy as a whole enter a very interesting period in terms of economic growth.

The main question is: can the global economy continue growing without the help of the liquidity provided from global central banks? This question becomes even more important with growing fears around a further escalation of the trade wars between US President Trump and China, as well as Trump and the EU.

While trade barriers and protectionist policies in a globalised world naturally result in an economic downturn, a strengthening US dollar, not only by a more restrictive FED, but also a natural appreciation as a result of the economy's protectionist policies, could accelerate capital outflows from emerging markets. This could then result in a downward spiral for the global economy, driving major economies such as China, the EU and the US into a recession.

These tendencies can already be seen in several countries and it seems only a question of when the global economy will face a period of slower economic growth.

The Eurozone

The Eurozone economy grew 0.2% in the final three months of 2018, unrevised from a preliminary estimate and matching the third quarter rate. It was the weakest growth rate since the second quarter of 2014, mainly due to a negative contribution from external demand. Among the bloc's largest economies, Germany and Italy posted contractions, while France's growth picked up and Spain's expansion remained solid. In combination with the end of the QE program of the ECB from January 2019 onwards, the rising political tensions, especially in France, uncertainties around the Brexit deal and the slowing German economy, the outlook for 2019 is not very bright with several indications and estimates pointing to a recession in the Eurozone.

The United States

The US economy advanced an annualised 3.4% quarter-on-quarter in the third quarter of 2018, slightly below earlier estimates of 3.5% growth. It follows a 4.2% expansion in the previous period, which was the highest since the third quarter of 2014. Personal consumption expenditures (PCE) and exports were revised down, while private inventory investment was revised up. The main question that arose towards the end of 2018 was whether the ongoing rate hike cycle of the FED, in combination with the reduction of the FED's balance sheet, would cause an economic slowdown and ongoing turbulence in the US equity markets.

At the first FED rate decision in January 2019, the FED declared that it would be prepared to adjust the balance sheet runoff 'in light economic and financial developments' after it already lowered its expectations for US economic growth to 2.3% for 2019, down from 2.5% at the September FED meeting. The FED justified these lowered expectations with the global economic slowdown and volatility in financial markets. That said, a growth rate of 2.3% is probably a bit optimistic, given that the flexibility in regards to the balance sheet runoff points to economic scepticism. Therefore, US economic growth for 2019 of 2.0% for 2019 is more realistic.

The United Kingdom

When reviewing 2018 economic activity, the economic growth in the United Kingdom met expectations, and was 0.6% in the third quarter of 2018. Nevertheless, the CBI Business Optimism indicator in the UK decreased to -23 in the first quarter of 2019 from -16 in the previous three-month period. It was the lowest reading since the

third quarter of 2016, when the UK voted to leave the EU, and a clear sign of how the uncertainty surrounding Brexit continues to affect the country's economy. Into the end of 2018, no deal between the EU and UK was found in regard to an orderly Brexit. And even if one is found, the slowing economy in Germany leaves the UK's GDP growth vulnerable to slowing again in 2019. The IMF expects the UK economy to grow around 0.1% by the end of the first quarter of 2019, and 0.4% in 2019.

China

The same is true for the Chinese economy, which grew by 6.4% over the last quarter of 2018, pointing to the lowest growth rate since the global financial crisis 2008, amid an intense trade dispute with the US, which weakened domestic demand and alarming off balance sheet borrowings by local governments. Over the entire calendar year, the economy grew by 6.6%, which was its weakest pace since 1990. The IMF estimates the Chinese GDP Annual Growth Rate will be 6.3% in 2019.

Significant global events in 2018

Significant events in 2018:

- US President Trump triggers a trade war
- Still no agreement between the EU and UK found regarding UK leaving the EU
- United States leaves the Iran nuclear deal
- US democrats win back the house in midterm elections
- Yellow vest protests in France against president Macron
- Leaders of North Korea and South Korea agree to an official end to the Korean War

Estonian Economy

The Estonian economy advanced 0.4% quarter-on-quarter in the three months to September of 2018, slowing from a 1.4% expansion in the second quarter.

Year-on-year, it advanced 4.2% in the third quarter of 2018, following an upwardly revised 3.8% growth in the previous period.

It was the highest annual growth rate since the last quarter of 2017, amid a strong rebound in fixed investment (4.2% vs. -0.6% in the second quarter). Meanwhile, private consumption rose at a softer pace (4.1% vs. 5.2%) and government spending contracted further (-0.8% vs -0.5%).

Net exports contributed negatively to the GDP growth, as imports increased by 6.1% (vs. 8% in the second quarter), while exports grew much softer at 0.8% (vs. 6.5%). On the production side, the main contributors to economic growth were construction, manufacturing, professional, scientific and technical activities, information and communication, and transportation and storage. Eesti Pank estimates the Estonian GDP Annual Growth Rate to be at 3.2% in 2019, but amid recession fears rising for the eurozone with a slowing tendency for the years to come.

Financial review

Main Financial Indicators of Admiral Markets AS

	2018	2017	Change	2016	2015*	2014
Income statement						
Net trading income, mln EUR	24.2	19.3	25%	18.0	16.5	13.2
Operating expenses, mln EUR	-15.2	-12.7	20%	-12.5	-19.4	-11.3
EBITDA, mln EUR	10.1	6.4	58%	6.3	-2.3	2.5
EBIT, mln EUR	9.8	6.2	58%	5.9	-2.5	2.2
Net profit (loss), mln EUR	9.5	6.0	58%	5.9	-2.5	2.2
EBITDA margin, %	42%	33%	9	35%	-14%	19%
EBIT margin, %	40%	32%	8	33%	-15%	17%
Net profit (loss) margin, %	39%	31%	8	33%	-15%	17%
Cost to income ratio, %	63%	66%	-3	69%	118%	86%
Business volumes						
Cash and cash equivalents, mln EUR	22.2	22.0	1%	18.0	15.6	17.8
Debt securities, mln EUR	10.8	3.3	227%	2.4	0	0
Shareholders' equity, mln EUR	35.6	27.4	30%	22.8	17.3	19.8
Total assets, mln EUR	39.4	30.6	29%	24.1	20.4	21.9
Off-balance sheet assets (client assets), mln EUR	3.6	3.3	9%	4.4	7.8	15.5
Number of employees	123	124	-1%	119	122	101

*Without the extraordinary allowance for doubtful receivables arising from the Swiss franc price fluctuation operating expenses and net profit in 2015 were EUR 9.4 million and EUR 7.5 million respectively

Equations used for the calculation of ratios:

EBITDA margin, % = EBITDA / Net trading income

EBIT margin, % = EBIT / Net trading income

Net profit margin, % = Net profit / Net trading income

Cost to income ratio, % = Operating expenses / Net trading income

Key financial ratios

	2018	2017	Change
Net profit per share, EUR	23.4	14.8	8.6
Return on equity, %	30.1%	23.9%	6.2
Equity ratio	1.1	1.1	-
Return on assets, %	27.1%	21.9%	5.2
Short-term liabilities current ratio	17.3	21.9	-4.6

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 from the previous and current reporting period, and the indicators of the income statement are shown as at the end of the reporting period.

Capitalisation

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

As at 31.12.2018, the own funds of Admiral Markets AS amounted to EUR 27.2 million (31.12.2017: EUR 21.8 million).

The level of own funds of Admiral Markets AS grew mainly due to the inclusion of 2017 profit in the composition of own funds. At the end of the reporting period, Admiral Markets AS was well capitalised, the capital adequacy level was 26.7% (31.12.2017: 21.3%) and met all regulatory capital requirements in both 2018 and 2017.

Own Funds

(in thousands of euros)	31.12.2018	31.12.2017
Paid-in share capital	2,586	2,586
Statutory reserve capital transferred from net profit	259	259
Retained earnings of previous periods*	23,253	17,258
Intangible assets	-745	-93
Total Tier 1 capital	25,352	20,008
Subordinated debt securities	1,827	1,827
Total Tier 2 capital	1,827	1,827
Net own funds for capital adequacy	27,179	21,835

*Retained earnings of previous periods as of 31.12.2017 has been adjusted by dividends paid to the owners in February 2018 (Note 10).

Capital Requirements

(in thousands of euros)	31.12.2018	31.12.2017
Credit institutions and investment companies under standardised approach	5,810	6,448
Retail claims under standardised approach	4,330	5,783
Other items under standardised approach	5,510	4,749
Total credit risk and counterparty credit risk	15,650	16,980
Currency risk under standardised approach	37,677	39,676
Position risk under standardised approach	6,483	5,668
Commodity risk under standardised approach	7,972	6,354
Total market risk	52,132	51,698
Credit valuation adjustment risk under standardised method	13	4
Operational risk under basic indicator approach	34,017	34,017
Total capital requirements for capital adequacy calculation	101,812	102,699

Capital Adequacy

	31.12.2018	31.12.2017
Capital adequacy	26.7%	21.3%
Tier 1 capital ratio	24.9%	19.5%

Interim Financial Statements

Statement of Financial Position

(in thousands of euros)	Note	31.12.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents	3	22,205	22,002
Financial assets at fair value through profit and loss	4	10,997	3,361
Short-term loans, receivables and prepayments	5	1,639	4,247
Inventories		61	0
Total current assets		34,902	29,610
Non-current assets			
Long-term loans	6	2,500	451
Long-term investments		0	50
Tangible assets		1,267	398
Intangible assets		745	93
Total non-current assets		4,512	992
TOTAL ASSETS		39,414	30,602

LIABILITIES
Current liabilities

Financial liabilities at fair value through profit and loss	4	176	177
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Liabilities and prepayments	7	1,843	1,175
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Total current liabilities		2,019	1,352
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Long-term liabilities

Subordinated debt securities	8	1,827	1,827
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Total long-term liabilities		1,827	1,827
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TOTAL LIABILITIES		3,846	3,179
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EQUITY

Share capital	10	2,586	2,586
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Statutory reserve capital		259	259
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Retained earnings		32,724	24,579
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TOTAL EQUITY		35,568	27,423
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TOTAL EQUITY AND LIABILITIES		39,414	30,602
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Statement of Comprehensive income

(in thousands of euros)	Note	2018	2017
Net gain from trading of financial assets at fair value through profit or loss with clients and liquidity providers		34,081	27,795
Brokerage fee income		85	71
Brokerage and commission fee expense		-9,960	-8,653
Other trading activity related income		74	167
Other trading activity related expense		-44	-35
Net income from trading	12	24,236	19,345
Other income		475	502
Other expense		-98	-98
Interest income		166	109
Interest expense		-147	0
Net gain (loss) on exchange rate changes		380	-826
Personnel expenses		-5,082	-5,257
Operating expenses	13	-9,843	-7,248
Depreciation of fixed assets		-283	-200
Profit before income tax		9,804	6,327
Income tax		-334	-331
Profit for the reporting period		9,470	5,996
Comprehensive income for the reporting period		9,470	5,996
Basic and diluted earnings per share		23.44	14.84

Statement of Cash Flows

(in thousands of euros)	Note	2018	v
Cash flow from operating activities			
Profit for the accounting period		9,470	5,996
Adjustments for:			
Depreciation of fixed assets		283	200
Gains on the sale of property, plant and equipment		0	-37
Interest income		-166	-109
Interest expense		147	0
Allowance for doubtful receivables		0	58
Corporate income tax expenses		334	331
Other financial income and expenses		-380	826
Adjusted operating profit		9,688	7,265
Change in receivables and prepayments relating to operating activities		1,809	-1,372
Change in derivatives assets		-55	11
Change in restricted cash balance		120	-90
Change in payables and prepayments relating to operating activities		-611	-143
Change in the derivative liabilities		-1	125
Changes in inventories		-61	0
Interest received		4	43
Interest paid		-73	0
Corporate income tax paid		-334	-331

Net cash from operating activities		10,486	5,508
Cash flow from investing activities			
Disposal of tangible and intangible assets		2	35
Purchase of tangible and intangible assets		-893	-325
Loans granted	6	-300	-220
Repayments of loans granted		0	220
Acquisition of bonds		-8,536	-3,487
Proceeds from disposal of bonds		1,278	2,297
Acquisition of shares		0	-50
Net cash from/used in investing activities		-8,449	-1,530
Cash flow from financing activities			
Dividends paid	10	-1,325	-1,325
Proceeds from subordinated debt securities issued	8	0	1,827
Net cash used in financing activities		-1,325	502
TOTAL CASH FLOWS			
		712	4,480
Cash and cash equivalents at the beginning of the period	3	21,670	17,777
Change in cash and equivalents		712	4,480
Effect of exchange rate changes on cash and cash equivalents		-388	-586
Cash and cash equivalents at the end of the period *	3	21,994	21,671

* Except restricted cash; for more information refer to Note 3.

Statement of Changes in Equity

(in thousands of euros)	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 01.01.2017	2,586	259	19,908	22,752
Dividends paid	0	0	-1,325	-1,325
Profit for the reporting period	0	0	5,996	5,996
Total comprehensive income for the reporting period	0	0	5,996	5,996
Balance as at 31.12.2017	2,586	259	24,579	27,423
Balance as at 01.01.2018	2,586	259	24,579	27,423
Dividends paid	0	0	-1,325	-1,325
Profit for the reporting period	0	0	9,470	9,470
Total comprehensive income for the reporting period	0	0	9,470	9,470
Balance as at 31.12.2018	2,586	259	32,724	35,568

* For more information of share capital refer to Note 10.

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 Maakri 19/1, Tallinn, Estonia.

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

The interim financial report should be read in conjunction with the Company's annual report as at 31 December 2017. The accounting policies used in the preparation of the interim financial report are the same as the accounting policies used in the annual report for the year ended 31 December 2017, except for accounting principles related to new IFRS standards adopted by the European Union, which became effective from 1 January 2018. The changes in accounting principles are disclosed in Note 1, subsection "Changes in accounting policies". The new standards that became effective since 1 January 2018 have not had an impact on the interim financial report of the Company.

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

The interim financial statements are presented in thousands of euros, unless otherwise stated.

Changes in accounting policies

Financial assets

Accounting policies from 1 January 2018

Classification

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

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments (Loans and debt securities)

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

The Company's debt instruments have been classified into the following measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss.

As at 1 January 2018 and 31 December 2018, the following financial assets of the Company were classified in this category:

- Cash and cash equivalents;
- Trade receivables;

- Loans;
- Other receivables.

- FVPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in the period in which it arises. The contractual interest earned is recognized in the statement of profit and loss line Net interest income.

As at 1 January 2018 and 31 December 2018, the following financial assets of the Company are measured FVPL:

- Bonds;

Equity instruments

The Company subsequently measures all equity investments at fair value through profit and loss. Changes in the fair value are recognised in other income/(expenses) in the statement of profit or loss as applicable.

Derivative financial instruments

Derivative financial instruments, including futures, forward contracts, options contracts and other instruments that are related to the change in underlying assets 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. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company does not apply hedge accounting.

Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Company applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Company uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Other fee and commission income is recognised at a point in time when the Company satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations.

The company operates a loyalty program where clients accumulate points, which entitle them to discounts on future services. Revenue from the award points is recognised when the points are redeemed or when they expire twelve months after the initial transaction. The amount of revenue is estimated based on the number of points redeemed relative to the total number expected to be redeemed. A contract liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire.

Revenue and expenses

Accounting policies from 1 January 2018

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Company's performance. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

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

Note 3. Cash and cash equivalents

Type of cash	31.12.2018	31.12.2017
Demand deposits	15,467	16,318
Cash on trading accounts*	6,738	5,656
Cash in transit	0	28
Total cash and cash equivalents	22,205	22,002

*Recognized as cash in trading accounts in banks and investment companies which includes, inter alia, EUR 211 thousand in restricted cash (2017: EUR 331 thousand). As at 31.12.2018, the balance of restricted cash has decreased due to the change in trading conditions.

Note 4. Financial assets and liabilities at fair value through profit or loss

Instrument	31.12.2018		31.12.2017	
	Asset	Liability	Asset	Liability
Bonds	10,813	0	3,333	0
Convertible loan	101	0	0	0
Currency pairs	51	116	17	125
CFD derivatives	15	44	5	7
Indexes	0	0	0	1
Other	17	16	6	44
Total	10,997	176	3,361	177

Note 5. Short-term loans, receivables and prepayments

	31.12.2018	31.12.2017
Financial assets		
Trade receivables	0	2
Doubtful receivables	0	-2
Settlements with employees	81	25
Short-term loans	225	0
Receivables from group companies	166	3,039
Other short-term receivables	122	184
Subtotal	594	3,248
Non-financial assets		
Prepaid expenditure of future periods	222	248
Prepayments to suppliers	138	72
Prepaid taxes	685	679
Subtotal	1,045	999
Total	1,639	4,247

Note 6. Loans granted

	Distribution by maturity			Interest rate	Due date	Base currency	Interest receivable as at 31.12.2018	Note
	31.12.2018	Up to 1 year	2-5 years					
Loan 1	25	25	0	12M Euribor+4%	03.2019	EUR	6	14
Loan 2	200	200	0	2%	12.2019	EUR	0	14
Loan 3	2,500	0	2,500	2%	12.2023	EUR	0	14
Total	2,725	225	2,500				6	

	Distribution by maturity			Interest rate	Due date	Base currency	Interest receivable as at 31.12.2017	Note
	31.12.2017	Up to 1 year	2-5 years					
Loan 1	25	25	0	12M Euribor+4%	03.2018	EUR	5	14
Loan 2	1,395	1,395	0	3-3.5%	12.2017	EUR	66	14
Loan 3	125	0	125	3%	12.2019	EUR	7	14
Loan 4	326	0	326	3%	02.2019	AUD	20	14
Total	1,871	1,420	451				98	

Note 7. Liabilities and prepayments

Type of liability	31.12.2018	31.12.2017
Financial liabilities		
Liabilities to trade creditors	824	621
Payables to related parties	460	22
Other accrued expenses	111	100
Subtotal	1,395	743
Non-financial liabilities		
Payables to employees	175	139
Taxes payable	273	293
Subtotal	448	432
Total	1,843	1,175

Note 8. Subordinated debt securities

In 2017 Admiral Markets AS issued 18,268 subordinated debt securities and listed these on 11.01.2018 on the Nasdaq Tallinn Stock Exchange. The maturity date for bonds is 2027.

The total number of shareholders at the end of the year was 299. Bondholder structure according to holders' groups as at 31.12.2018 was the following:

- Private persons: 55%
- Legal persons: 45%

The note contains changes in subordinated debt securities, including monetary or non-monetary movements and exchange rate effects, if they have occurred during the reporting period or comparable period. No non-monetary transactions were executed.

Subordinated debt	Issuance year	Amount	Interest rate	Maturity date
Subordinated bonds EE3300111251	2017	1,827	8%	28.12.2027

Note 9. 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	31.12.2018	31.12.2017
Bank accounts	3,148	3,315
Interim accounts of card payment systems	41	29
Stock	401	0
Total	3,590	3,344

Note 10. Share capital

	31.12.2018	31.12.2017
Share capital	2,586	2,586
Number of shares (pc)	404,000	404,000
Nominal value of shares	6.4	6.4
Basic and diluted earnings per share	23.44	14.84

Basic and diluted earnings per share are calculated as follows:

	31.12.2018	31.12.2017
Profit attributable to the equity holders of the Company	9,470	5,996
Weighted average number of ordinary shares (pc)	404,000	404,000
Basic and diluted earnings per share	23.44	14.84

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.

Each share grants one vote at the general annual meeting of shareholders of Admiral Markets AS.

In 2018, owners were paid dividends in the total amount of EUR 1,325 thousand, i.e. EUR 3.27 per share.

Note 11. Segment reporting

The Management Board is responsible for the allocation of resources and assessment of the results of operating segments. In 2018 and 2017, the Management Board monitored the operations of the Company as one operating segment.

The Company's internal reports prepared for the Management Board are drawn up on the basis of the same accounting principles and in a form that has been used in this annual report.

Note 12. Net income from trading

	2018	2017
Net gain from trading of financial assets at fair value through profit or loss with clients	36,472	32,947
Net loss from trading of financial assets at fair value through profit or loss with liquidity providers	-2,391	-5,153

Brokerage income	85	71
Brokerage and commission fee expense	-9,960	-8,653
Other trading activity related income	74	167
Other trading activity related expense	-44	-35
Net income from trading	24,236	19,345

Note 13. Operating expenses

Type of expense	2018	2017
Marketing expenses	-4,773	-3,406
IT expenses	-2,090	-1,709
Other outsourced services	-491	-253
VAT expenses	-493	-265
Rent and utilities expenses	-372	-338
Legal and audit services	-653	-493
Regulative reporting services	-183	-118
Transport and communication costs	-76	-86
Travelling expenses	-116	-73
Expenses of doubtful receivables	0	-2
Supervision fee of the Financial Supervision Authority	-62	-59
Other operating expenses	-534	-446
Total operating expenses	-9,843	-7,248

Note 14. 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. Mr. Alexander Tsikhilov has the ultimate control over the Company.

Revenue

	Relation	2018	2017
Revenue from brokerage and commission fees*	Companies in the same consolidation Group	34,254	28,948
Services	Companies in the same consolidation Group	265	434
Interest income	Senior management and companies related to them	5	1
Interest income	Parent company	62	67
Sale of property, plant and equipment	Companies in the same consolidation Group	0	2
Total transactions with related parties		34,586	29,452

* 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 the entity and to whom the entity pays a commission fee (see the next table).

Expenses

	Relation	2018	2017
Commission fees	Companies in the same consolidation Group	-9,554	-8,313
Services	Companies in the same consolidation Group	-288	-378
Services	Parent company	-423	-318
Total transactions with related parties		-10,265	-9,009

Loans and receivables

	31.12.2018	31.12.2017	Note
Loans and receivables from parent company (short-term)	0	1,505	5
Receivables from other companies in the same consolidation Group (short-term)	166	1,601	5
Loans from parent company (long-term)	2,500	451	6
Loans to companies related to higher management	200	0	6
Total receivables from related parties	2,866	3,557	

Payables

	31.12.2018	31.12.2017	Note
Payables to other companies in the same consolidation Group	460	22	7
Total payables to related parties	460	22	

The payments made and benefits granted to the management (gross) were EUR 423 thousand and EUR 310 thousand respectively in 2018 and 2017.

As at 31.12.2018, there were no unpaid salaries which were accrued. The Company is obligated to pay the severance to a member of the management board in the total amount equal to the remuneration, bonuses, compensations and other benefits paid to him during the last two months. No severance benefits were paid out in 2018.

Note 15. Events after the balance sheet date

There was a change in the Management Board of Admiral Markets AS, as Mindaugas Deksnys, the board-member of Admiral Markets AS, announced his wish to resign. The Supervisory Board of Admiral Markets AS decided to accept his resignation. His authorization as the member of the Management Board expires on 26.02.2019. Initially the Management Board of Admiral Markets AS will continue to consist of two members: the Chairman of the Management Board Sergei Bogatenkov and Dmitry Kuravkin.