



AS Admiral Markets

Investment company

Unaudited interim report on the first 6 months of 2018

Admiral Markets AS

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Main area of activity	Investment services
Majandusaasta algus ja lõpp	01. January - 30. June
Members of the Management Board	Sergei Bogatenkov Dmitri Kuravkin Mindaugas Deksnys
Chairman of the Supervisory Board	Alexander Tsikhilov
Members of the Supervisory Board	Anatolii Mikhilchenko Anton Tikhomirov Dmitri Lauš
Auditor	PricewaterhouseCoopers AS

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Management Board declaration

Interim report of Admiral Markets AS for the first 6 months of 2018 consists of management report and financial statements.

The data and additional information provided by Admiral Markets AS in interim report for the first 6 months of 2018 is true and complete.

The accounting policies adopted in preparing the financial statements are in accordance with 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 flows of the entity.

The financial statements of the interim report on the first 6 months of 2018 are unaudited.

/ digitally signed/

Sergei Bogatenkov
Chairman of the Management Board

Tallinn, 28.08.2018

1. Management report

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 that 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.

Business activities

The main activity of Admiral Markets AS is the provision of investment services (trading with derivative products) to retail, professional and institutional clients. 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 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 to use 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. Under the trademark of Admiral Markets, 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 strategic objectives include product and service expansion, facilitating the provision of investment services to a larger audience.

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 investment companies that are part of the same consolidation group as Admiral Markets AS and offer investment services include Admiral Markets UK Ltd, Admiral Markets Pty Ltd and Admiral Markets Cyprus Ltd.

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 the business success of Admiral Markets AS.

As of 30.06.2018, Admiral Markets AS had a branch in Poland.

In the first half of the year, the Company stopped providing services through the branches of the Republic of Romania and the Czech Republic. The closure of the branches is related to the implementation of the strategy of Admiral Markets Group AS, the parent company of Admiral Markets AS.

Key events in 2018

Listing of bonds

On 08.12.2017, Admiral Markets AS announced the public offering, listing and admission to trading of subordinated bonds through Nasdaq Tallinn AS. Up to 50,000 bonds of Admiral Markets AS with a nominal value of EUR 100 per bond and an interest rate of 8% per annum were offered to the public. The bonds were offered in the Republic of Estonia, the Republic of Latvia and the Republic of Lithuania. Investors subscribed

for the bonds in the amount of EUR 1,826,800 and, consequently, on 28.12.2017 the investors received a total amount of 18,268 bonds in their securities accounts. The maturity date of the bonds is 28.12.2027 when Admiral Markets AS must redeem all the bonds. From 11.01.2018, it is possible to trade with the bonds of Admiral Markets on the Baltic Bond List, the regulated market organised by Nasdaq Tallinn AS.

Trainings

In 2018, Admiral Markets AS has continued to focus on training new and existing clients. During the first half of the year, the Company hosted a number of educational events: ranging from

multiple-day courses for a small group to large seminars for vast audiences. [Here is an example](#) of an investment seminar organised by Admiral Markets AS in May.

Online Content

Admiral Markets AS produced content for various online platforms. The Company's YouTube channel features more than five pieces of trading related content every week, where market

participants are provided with a market overview and real-time fundamental, technical and wave analyses of various financial instruments.

Trader Alex

This year the Company, together with the newspapers and online news portals Äripäev and Delovõje Vedomosti, launched an educational trading related blog called Trader Alex, which is based on their existing Investor Toomas blog. Trader Alex is a fictional character invented by Äripäev, Delovõje Vedomosti and Admiral Markets AS, who trades with real money on the

Admiral Markets account and describes his experience in the blog five times a week. Trader Alex is independent of Admiral Markets and the decisions are made by the blog's journalists. The project is educative and the goal of launching it is to show that trading is a complex and experience-requiring activity.

Marketing

The Company has taken on many marketing projects in 2018, such as launching the Operational Company (OC) switch project for improving risk management. The OC switch allows a client to switch between his trading accounts in different Admiral Markets group companies. To change

the trading account, the client needs to choose between different regulators. The OC switch is a section at the top of the client user interface inside Trader's Room which shows the currently selected regulator and allows a user to switch to another regulator.

New instruments

Over 4,000 new stocks and 100 exchange-traded funds (ETFs) for trading were introduced on the Admiral Invest accounts in Admiral Markets AS and Admiral Markets UK Ltd, to diversify the Admiral Markets business and provide clients with broader investing opportunities. The Admiral Markets investing offering is characterised by many highly competitive advantages, such as free real-time market data and low service fees. About 800 new ETFs are in the pipeline.

Over 3,000 stock CFDs and 80 ETF CFDs were introduced on the Admiral.MT5 account, empowering derivative offerings and making an

emphasis on MetaTrader 5, which is a successor of the world's most popular trading platform, MetaTrader 4. Admiral Markets MetaTrader 5 offering is currently represented by CFDs on currency pairs, indices, commodities, stocks, ETFs, bonds and cryptocurrencies and thus is one of the most diverse in the online trading industry.

The new offering provides top-volume stocks and exchange-traded funds (as well as the majority of the CFDs based on the same underlying assets) from the following exchanges: Austria (VIE), Belgium (Euronext), Denmark (CSE), Finland (NASDAQ), France (Euronext), Germany (Xetra),

the Netherlands (Euronext), Norway (NASDAQ), Portugal (Euronext), Spain (BME), Sweden (NASDAQ), Switzerland (SWX), United Kingdom

(LSE) and the United States (AMEX, NASDAQ and NYSE).

Admiral Markets app

Admiral Markets launched the native mobile application for iOS and Android platforms with basic functionality. Admiral Markets App is simple and secure. It gives clients access to an extensive product offering – CFDs on Forex currency pairs, stocks, indices, commodities, cryptocurrencies, and ETFs.

Developed by Admiral Markets, the app has a user-friendly interface and allows clients to trade

on a mobile device comfortably. Clients can open a trading account that best suits their needs and trade in real-time with the world's most popular financial instruments on MetaTrader 4 or MetaTrader 5 platform, demo or live, monitor their account and market quotes, manage and protect positions, use best tools, interact with support chat, make in-app deposits and scan credit cards and documents.

Market news and analysis services

Dow Jones Newswires are now delivered on Admiral Markets' trading platform, providing clients with comprehensive business insights, market commentary, economic event data and expert analysis. The Company's aim at providing clients with more products and tools from the Dow Jones is to enable clients to track economic

and corporate events, and much more.

Trading Central's content has been added to Admiral Markets MetaTrader Supreme Edition platform, providing clients with technical analysis and screening of a large number of markets for trading opportunities.

Bubble-o-Meter

Admiral Markets deployed a new web-based cryptocurrency tool called Bubble-o-Meter for all markets and OCS. The business objective of this new tool is to support company cryptocurrency CFD offerings by providing users and clients with

an interactive tool that allows the comparison of different cryptocurrencies. Bubble-o-Meter allows clients and users to compare Bitcoin with other cryptocurrencies and tokens. Bubble-O-Meter helps to highlight the fact that there

are coins – including those in the top 10 – that are overpriced relative to Bitcoin by such a large magnitude that they may dwarf the speculative part of Bitcoin itself.

This new tool provides a simple, fast and effective way to analyse cryptocurrency prices. Also, it will help clients and users to understand how to value cryptocurrencies in general.

Regulation

The first half of 2018 has been eventful in terms of new regulations introduced in the financial sector.

The new European financial area regulation MiFID II entered into force in January 2018. The Company was actively working on preparations for complying with MiFID II regulations in 2017.

In addition, the European Securities and Markets Authority's (ESMA) restrictive measures on the provision of CFDs to retail investors within the European Union are applicable from 1 August 2018. According to the Markets in Financial Instruments Regulation, the ESMA can only impose temporary measures that will be in force for three months from the date of their publication. Before the end of the three-month period, the ESMA will assess the need for further measures to be taken over the next three months.

Primary measures impacting Admiral Markets are restrictions imposed on trading leverage: 1:30 for Forex currency pairs, 1:20 for Index and Gold CFDs, 1:10 for Commodity CFDs and 1:2 for Cryptocurrency CFDs.

Throughout the existence of the Company, Admiral Markets has focused on improving the knowledge and experience of traders by offering different types of training and seminars to increase knowledge and skills. The client portfolio of the Company has a considerable number of professional clients who have so far been treated as ordinary clients. In light of the above, and taking into account ESMA's actions, Admiral Markets allows clients who meet the criteria of a professional client to become professional clients. ESMA's regulations do not apply to professional client trades.

Privacy policy

In regards to the General Data Protection Regulation (GDPR), which came into effect in the first half of 2018, the Company has reviewed the applicable internal systems and processes. Considering the importance of the regulation, Admiral Markets AS has also organised several trainings on GDPR to its employees.

To improve customer interaction, Admiral Markets introduced a new email implementation system - MailerLite. MailerLite is client friendly and makes it easier to subscribe and unsubscribe from newsletters. The newsletter is now more client oriented.

Awards

In the first half of 2018, Admiral Markets won several awards. The key market in Germany received the Fairest/Best Price-Value Ratio of German CFD Brokers award by the financial magazine "Focus Money", second place in CFD Broker of the Year 2018 award by Broker Wahl, first place in the selection of the Best Forex Broker 2018 by OnlineBroker-Portal.de and five out of five

possible stars in the 2018 CFD Broker Customer Survey hosted by the Deutsches Kundeninstitut (DKI) 2018. In Poland, Admiral Markets won the FxCuffs 2018 Prize in the category of Foreign Forex Broker of the Year 2018, the most significant investment conference in Central and Eastern Europe.

People

360-degree feedback

The Company started 360-degree feedback surveys for employee evaluation. The 360-degree feedback gives a broad perspective of how employees are perceived by the people around them. It is a process whereby subordinates, colleagues, managers and the employee him/herself evaluate the employee with respect to particular professional competences. This provides feedback on the performance of tasks by the employee from different viewpoints and contrasts a regular appraisal interview.

This feedback encourages employees to invest in personal development, increases their responsibility, raises self-awareness and also improves performance. The feedback survey supports the Company's annual appraisal interviews, which allows the Company to determine the strengths and weaknesses of employees and, through that, provide subsequent growth and development opportunities and to collect feedback from employees about their current role and future career plans.

Financial training events

The Company also continued its financial training *Fundamentals of Financial Markets* and provided its employees with the opportunity to complement

their knowledge on financial markets and instruments. During training events, participants gain a better understanding of the functioning of

financial markets, the behaviour and strategy of traders, various financial instruments and many other things. Since the people participating in these training events have varying levels of

base knowledge concerning financial markets, the training events are divided into two groups: beginners and advanced participants.

Fontes salary survey

Admiral Markets AS participated also this year in the salary survey organised by Fontes. The objective of the salary survey is to provide input for the Company's salary system and support the Company's management in making remuneration decisions. Admiral Markets AS uses the survey as

a tool to assess the salaries paid by the Company against the salary market and to develop a suitable salary level pursuant to the specificity of the Company. The employees of Admiral Markets AS are experts in their field and we hold their satisfaction and motivation in high regard.

Family-friendly employer label

Admiral Markets has operated for many years and, as an organisation, has come a long way in order to understand what constitutes the responsibility of the employer and their effect on establishing a positive working environment. Admiral Markets feels it is extremely important that its employees have all the opportunities and conditions to successfully manage daily challenges, the fast pace of work, a continually changing environment and the complexity of the business areas. At the same time, keeping in mind that the working environment is comfortable and pleasant and takes into account people's social/family needs. For this reason, the Company prioritises flexible employment relationships,

good organisational climate, various benefits and good working relationships that have the support of Admiral Markets' management policies and organisational values. These policies form the basis of the Company's day-to-day activities.

This year, for the first time ever, Admiral Markets AS decided to enter the competition for family-friendly employers. Holding the label of being family-friendly would provide positive affirmation to the Company's current HR activities. Admiral Markets AS would be delighted to share its experience and draw inspiration from other employers.

Management

Admiral Markets AS is managed by a three member Management Board and four member Supervisory Board. The members of the Supervisory Board and Management Board participate actively in the Company's daily business operations and have clear responsibilities.

In the first six months of 2018, the remuneration of the management, including social security taxes, totalled EUR 82 thousand (2017: EUR 167 thousand).

Changes in the Management Board of Admiral Markets AS.

Admiral Markets AS Management Board members at the time of preparation of the interim report are Sergei Bogatenkov, Dmitry Kuravkin, and Mindaugas Deksnys.

On 02.02.2018, the Supervisory Board of Admiral Markets AS decided to appoint Mindaugas Deksnys as a new Management Board member, whereas Dmitri Lauš was recalled from his position as a Management Board member and appointed by the decision of the General Meeting as a member of the Supervisory Board.

Mindaugas Deksnys has a Master's degree in Business Administration (MBA) from Concordia University Wisconsin, USA. Between 2013 to 2016, Deksnys worked as a Director of the Lithuanian Branch of Admiral Markets AS and Admiral Markets UK Ltd. As of 2017, he is also a member of the Management Board of Admiral Markets Group AS, the parent company of Admiral Markets AS. Mindaugas Deksnys term of office as a Management Board member of Admiral Markets AS is valid until 02.02.2021.

Changes in the Supervisory Board of Admiral Markets AS.

The members of the Supervisory Board of Admiral Markets AS at the time of preparation of the interim report are Anatolii Mikhalchenko, Anton Tikhomirov, Alexander Tsikhilov, and Dmitri Lauš.

On 02.02.2018, the General Meeting of Admiral Markets AS decided to appoint Dmitri Lauš as a member of the Supervisory Board. Dmitri Lauš is the shareholder and co-founder of Admiral Markets Group AS. Dmitri Lauš has a Bachelor's degree in International Business Administration from the Estonian Business School. Within the consolidation group, Dmitri Lauš holds management positions in Admiral Markets UK Ltd, Admiral Markets Cyprus Ltd, VORLD OÜ and AMTS Solutions OÜ. He is also a Management Board member of non-profit organisations Admiral Invest Klubi, Digitaalklubi "FX" and MTÜ FinanceEstonia. In addition to the indirect shareholding in Admiral Markets Group AS, Dmitri Lauš holds 100% shares in Laush OÜ and Dear Innovations OÜ, as well as 50% indirect shares in AdmiralCrypto Investments OÜ and 34.84% indirect share in VORLD OÜ. Dmitri Lauš is also a Management Board member of the aforementioned companies.

On 14.05.2018, with the decision of the General Meeting of Admiral Markets AS, Aleksandr Ljubovski was recalled from his position as a member of the Supervisory Board. The changes in the management are part of the strategy of Admiral Markets AS and its parent company, focused on centralising the management of key processes, which ensures the transparency and effectiveness of the management structure.

Organisation

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

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 2018, the Company had 128 employees (2017: 119 employees). The employees were allocated between Admiral Markets AS-i, its branch and representative office as follows: Admiral Markets AS – 118 employees, the Polish branch – 7 employees and the Russian representative office – 3 employees. In the reporting period, remuneration paid to employees including social security taxes amounted to EUR 2.7 mln (2017: EUR 2.6 mln).

1.1. Economic environment

Global economy

The Global Economy sped up in the first quarter of 2017, which led to some revisions in the GDP growth forecast. According to Euromonitor International, the forecasted global GDP is to increase by 3.8% annually in 2018-2019.

The Eurozone

The Eurozone expanded in the first three months of 2018, according to TradingEconomics, following the 0.7% advance from the previous period. GDP growth rate has been positive, mostly due to household final consumption expenditure (0.3%), gross fixed capital formation (0.1%) and inventory changes (0.2%).

The United States

The largest national economy, the United States, has advanced to an annual rate of 4.1% in the second quarter of 2018. The figure has beaten the revised 2.2% expansion in the previous period and came within market expectations. This is the most substantial growth rate since the third quarter of 2014.

The United Kingdom

The United Kingdom's economy expanded by 0.2% in the first quarter of 2018, slightly above the second estimate of 0.1% and following a 0.4% expansion in the previous period. The most significant contribution has come from household spending (0.2%) and net trade (0.1%).

China

China's economy has expanded by 1.8% quarter-on-quarter in the second quarter of 2018. The previous expansion was 1.4%, and the last forecast of 1.6% growth has been beaten. However, China still needs more growth to achieve its 6.5% target in 2018.

Significant global events in 2018

Significant events in 2018:

- March 2018 - Presidential election in Russia where Vladimir Putin won his fourth term;
- April 2018 - Raul Castro ended nearly six decades of Castro reign on the island of Cuba;
- May 2018 - Prince Harry married the US actress Meghan Markle at Castle Windsor;
- June 2018 - Historical Meeting between Donald Trump and Kim Jong-un.

Estonian economy

According to Statistics Estonia, the GDP of Estonia grew by 3.6% in the first quarter of 2018. In the first quarter of 2018, Estonian GDP was 5.7 billion euros at current prices. Meanwhile, the working day adjusted GDP hasn't changed and marked a decline of 0.1%. Compared to the first quarter of 2017, the seasonally and working-day adjusted GDP grew by 3.8%. The main contributor

to this growth has been construction, followed by storage and transportation. Domestic demand increased by 4.4% in the first quarter. The productivity per person employed grew by 2.8%, but the growth of exports of goods and services was significantly slower. However, imports of goods and services maintained its steady growth rate of 5.4%.

1.2. Financial results

Summary of financial results of Admiral Markets AS:

Income statement	6M 2018	6M 2017	change
Net trading income, mln EUR	12.6	9.0	40%
Operating expenses, mln EUR	7.7	6.2	24%
Net profit, mln EUR	5.0	2.2	127%
Profit margin, %	40	24	16
Cost to income ratio, %	61	69	-8

Business volumes	30.06.2018	31.12.2017	change
Cash and cash equivalents, mln EUR	21.6	22.0	-2%
Shareholders' equity, mln EUR	31.1	27.4	14%
Total assets, mln EUR	34.6	30.6	13%
Off-balance sheet assets (client assets), mln EUR	3.2	3.3	-3%

Main financial ratios	6M 2018	6M 2017	change
Net profit per share, EUR	12.4	5.4	7.0
Return on equity, %	17.2	9.4	7.8
Equity ratio	1.1	1.1	0.0
Return on assets, %	15.4	8.9	6.5
Short-term liabilities current ratio	20.0	16.9	3.1

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.

Summary of consolidated financial results of Admiral Markets Group AS, parent company of Admiral Markets AS:

Income statement	6M 2018	6M 2017	change
Net trading income, mln EUR	16.9	12.8	32%
Operating expenses, mln EUR	11.1	9.3	19%
Net profit, mln EUR	5.9	2.8	111%
Profit margin, %	35	22	13
Cost to income ratio, %	66	72	-6

Business volumes	30.06.2018	31.12.2017	change
Cash and cash equivalents, mln EUR	26.6	27.7	-4%
Shareholders' equity, mln EUR	34.1	29.5	16%
Total assets, mln EUR	37.9	33.5	13%
Off-balance sheet assets (client assets), mln EUR	26.2	25.9	1%
Number of active customer accounts	28,607	25,798	11%

In the first half of 2018, the number of active client accounts of the investment companies of Admiral Markets Group AS increased by 19% when compared to the first six months of 2017, and 11% when compared to the end of 2017. As

Admiral Markets AS is the sole liquidity provider and important service provider for all investment companies in Admiral Markets Group AS, the latter had a positive impact on the financial results of Admiral Markets AS.

The first half of 2018 resulted in record high results for the Company. Net trading income increased to EUR 12.6 mln in the first six months of 2018, a rise of 40% compared to EUR 9.0 mln a year earlier, while operating expenses increased by 24%. The increase in operating expenses is mainly due to the increase in online marketing costs. The Company's net profit was EUR 5.0 mln in the first half of 2018, which is 127% higher than the 2.2 million euros earnings a year before. The Company's profit margin increased to 40% compared to 24% a year before.

As at 15.02.2018, the parent company of Admiral Markets AS was paid dividends in the amount of EUR 1.325 mln.

The first effects from additional requirements imposed by ESMA, applicable from 1 August 2018, for CFDs offered to retail customers in the European Union have emerged. The Company's performance exceeded its expectations in the first weeks of August, mainly due to increased volatility in global financial markets.

The Company will take the following measures in order to continue to be competitive in a stricter regulatory environment and attractive for existing and potential customers:

- As the activities of Admiral Markets are mainly aimed at knowledgeable and experienced traders, this will help alleviate the impact of new regulatory requirements.

The Company offers its customers the opportunity to apply to be categorised as professional customers (Admiral Markets Pro account) rather than retail customers if the client meets the requirements of this amendment. At the time of preparation of the interim report, the proportion of professional clients in the client portfolio has risen to 6%.

- Retail clients, affected by ESMA's measures, have the opportunity to enter into a customer agreement with an investment firm belonging to the same consolidation group, Admiral Markets Pty Ltd in Australia, by request.
- New products, for which ESMA has not implemented further measures and that are attractive to Admiral Markets customers, are being developed.

In the second half of 2018, Admiral Markets will continue to implement its global strategy, which, among other things, will include the continued expansion of the group to new markets, extending the offer to institutional customers and professional clients to increase their share among the customers of the Company, the development and launch of a new personal Trader's Room, update of the mobile application and the launch of a new self-education program for financial markets training.

1.3. Risk management and capital adequacy

As of 30.06.2018, the own funds of Admiral Markets AS amounted to EUR 27.8 mln (31.12.2017: EUR 21.8 mln). At the end of the reporting period,

Admiral Markets was well capitalised, the capital adequacy level was 30.0% (31.12.2017: 21.3%)

Own funds

(in thousands of euros)	30.06.2018	31.12.2017
Paid-in share capital	2,586	2,586
Statutory reserve capital transferred from net profit	258	258
Retained earnings of previous periods*	23,254	17,258
Intangible assets	-79	-93
Total Tier 1 capital	26,019	20,008
Subordinated debt securities	1,827	1,827
Total Tier 2 capital	1,827	1,827
Net own funds for capital adequacy	27,845	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 8).

Capital requirements

(in thousands of euros)	30.06.2018	31.12.2017
Credit institutions and investment companies under standard method	6,027	6,448
Retail claims under standard method	3,999	5,783
Other assets under standard method	4,830	4,749
Total credit risk and counterparty credit risk	14,856	16,980
Currency risk under standard method	30,821	39,676
Position risk under standard method	4,392	5,668
Commodity risk under standard method	8,850	6,354
Total market risk	44,063	52,698
Credit valuation adjustment risks under standard method	7	4
Operational risk under basic indicator approach	34,017	34,017
Total capital requirements for adequacy calculation	92,943	102,699

Capital adequacy

Capital adequacy (%)	30.0	21.3
Tier 1 capital ratio (%)	28.0	19.5

2. Interim Financial Statements

Statements of Financial Position

(in thousands of euros)	Note	30.06.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents	4	21,617	22,002
Financial assets at fair value through profit and loss	3	8,092	3,361
Short-term loans, receivables and prepayments	5	3,477	4,247
Inventories		22	0
Total current assets		33,208	29,610
Non-current assets			
Long-term loans and receivables		442	451
Long-term investments		0	50
Tangible assets		883	398
Intangible assets		79	93
Total non-current assets		1,404	992
TOTAL ASSETS		34,612	30,602
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit and loss	3	137	177
Liabilities and prepayments	6	1,524	1,176

Total current liabilities		1,661	1,353
Long-term liabilities			
Subordinated debt securities		1,827	1,827
Total long-term liabilities		1,827	1,827
TOTAL LIABILITIES		3,488	3,180
EQUITY			
Share capital	8	2,586	2,586
Statutory reserve capital		258	258
Retained earnings		28,280	24,578
TOTAL EQUITY		31,124	27,422
TOTAL LIABILITIES AND EQUITY		34,612	30,602

Statements of Comprehensive Income

(in thousands of euros)	Note	6M 2018	6M 2017
Net profit from trading of financial assets at fair value through profit or loss with clients and liquidity providers		17,775	13 323
Brokerage fee income		51	42
Brokerage and commission fee expense		-5,088	-4,334
Other trading activity related expenses		-98	-28
Net income from trading	9	12,640	9,003
Other income		269	197
Net interest income		72	20
Net gain (loss) on exchange rate changes		191	-484
Other financial expenses		-73	0
Personnel expenses	10	-2,661	-2,589
Operating expenses		-4,953	-3,523
Depreciation of fixed assets		-127	-107
Profit before income tax		5,358	2,517
Income tax		-331	-331
Profit for the accounting period		5,027	2,186
Other comprehensive income for the accounting period		0	0
Comprehensive income for the accounting period		5,027	2,186
Basic and diluted earnings per share		12.44	5.41

Statements of Cash Flows

(in thousands of euros)	Note	6M 2018	6M 2017
Cash flow from operating activities			
Profit for the accounting period		5,027	2,186
Adjustments for:			
Depreciation of fixed assets		127	107
Gains on the sale of property, plant and equipment		0	-37
Other financial expenses		-73	0
Net interest income		-72	-20
Income tax expenses		331	331
Allowance for doubtful receivables		-135	22
Adjusted operating profit		5,351	2,589
Change in receivables and prepayments relating to operating activities		1,571	-1,252
Change in derivatives assets		-23	-23
Change in restricted cash balance		96	-173
Change in liabilities and prepayments relating to operating activities		348	-28
Change in derivatives liabilities		-40	90
Changes in inventories		-22	0
Corporate income tax paid		-331	-331
Net cash from operating activities		6,950	872
Cash flow from investing activities			
Disposal of tangible and intangible assets		0	21
Purchase of tangible and intangible assets		-597	-100

Loans granted		-775	0
Acquisition of bonds		-4,836	-897
Proceeds from disposal of bonds		492	2,296
Net cash used in investing activities		-5,716	1,320
Cash flow from financing activities			
Dividends paid		-1,325	-1,325
Net cash used in financing activities	8	-1,325	-1,325
TOTAL CASH FLOWS		-91	867
Cash and cash equivalents at the beginning of the period		21,670	17,777
Change in cash and cash equivalents		-91	867
Effect of exchange rate changes		-197	22
Cash and cash equivalents at the end of the period*	4	21,382	18,666

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

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	258	19,907	22,752
Dividends paid	0	0	-1,325	-1,325
Profit for the accounting period	0	0	2,186	2,186
Total comprehensive income for the accounting period	0	0	2,186	2,186
Balance as at 30.06.2017	2,586	258	20,768	23,613
Balance as at 01.01.2018	2,586	258	24,578	27,422
Dividends paid	0	0	-1,325	-1,325
Profit for the accounting period	0	0	5,027	5,027
Total comprehensive income for the accounting period	0	0	5,027	5,027
Balance as at 30.06.2018	2,586	258	28,280	31,124

3. Notes to the interim financial statements

Note 1. General information

ADMIRAL MARKETS AS (hereinafter "Admiral Markets" or "Company") is an investment company since 05.06.2009. The Company's head office is located at Ahtri 6a, Tallinn, Eesti.

The interim report of Admiral Markets AS has been prepared in accordance with 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 accounting policies adopted when preparing the

interim report are consistent with the accounting principles used in the annual financial statements as at 31 December 2017 and the report should be read in conjunction with the annual financial statements as at 31 December 2017.

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

The interim financial statements are presented in euros and thousands of euros, 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.

The interim financial statements do not include

all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as at 31 December 2017 of Admiral Markets AS.

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	30.06.2018		31.12.2017	
	Asset	Liability	Asset	Liability
Bonds	8,040	1,827	3,333	1,827
Currency pairs	31	37	17	126
CFD derivatives	7	38	5	7
Indexes	0	0	0	0
Other	14	62	6	44
Total	8,092	1,964	3,361	2,004

Note 4. Cash and cash equivalents

Type of cash	30.06.2018	31.12.2017
Cash in transit	0	28
Demand deposits	15,298	15,889
Cash on client accounts*	640	429
Cash on trading accounts**	5,679	5,656
Total cash and cash equivalents	21,617	22,002

*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 Admiral Markets at any time.

**Recognized as cash in trading accounts in banks and investment companies which includes, inter alia, EUR 235 thousands in restricted cash, 31.12.2017: EUR 331 thousands. As at 30.06.2018, the balance of restricted cash has decreased due to the change in trading conditions.

Note 5. Short-term loans, receivables and prepayments

	30.06.2018	31.12.2017
Financial assets		
Trade receivables	0	2
Doubtful receivables	0	-1
Settlements with employees	56	25
Loans and receivables from group companies	2,093	3,038
Short-term loans	225	0
Other short-term receivables	162	184
Subtotal	2,536	3,248
Non-financial assets		
Prepaid expenditure of future periods	224	248
Prepayments to suppliers	199	72
Prepaid taxes	518	679
Subtotal	941	999
Total	3,477	4,247

Note 6. Liabilities and prepayments

	30.06.2018	31.12.2017
Financial liabilities		
Liabilities to trade creditors	607	621
Liabilities to related parties	512	22
Other accrued expenses	89	100
Subtotal	1,208	743
Non-financial liabilities		
Payables to employees	104	139
Taxes payable	212	294
Subtotal	316	433
Total	1,524	1,176

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	30.06.2018	31.12.2017
Bank accounts	3,114	3,315
Cash in transit	34	0
Interim accounts of card payment systems	67	29
TOTAL	3,215	3,344

Note 8. Share capital

	30.06.2018	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

Under the articles of association, the minimum share capital of the investment company is EUR 767 thousands and the maximum share capital is EUR 3,068 thousands 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 thousands, 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 trading income

	6M 2018	6M 2017
Net gain from trading of financial assets at fair value through profit or loss with clients	18,717	16,560
Net loss from trading of financial assets at fair value through profit or loss with liquidity providers	-942	-3,237
Brokerage income	51	42
Brokerage and commission fee expense	-5,088	-4,334
Other trading activity related expenses	-98	-28
Net income from trading	12,640	9,003

Note 10. Operating expenses

Type of expense	6M 2018	6M 2017
Marketing expenses	-2,710	-1,485
IT expenses	-952	-893
Other outsourced services	-137	-133
VAT expenses	-268	-335
Office rent and utilities	-161	-152
Legal and audit services	-294	-137
Regulative reporting services	-139	-79
Transport and communication costs	-16	-46
Travelling expenses	-52	-36
Expenses of doubtful receivables	135	-6
Other operating expenses	-494	-220
Total operating expenses	-5,088	-3,522

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	6M 2018	6M 2017
Revenue from brokerage and commission fees*	Companies in the same consolidation group	17,355	14,455
Services	Companies in the same consolidation group	133	169
Interest income	Companies in the same consolidation group	0	0
Other	Parent company	29	2
Total transactions with related parties		17,517	14,626

*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). In the first half of 2018, 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	6M 2018	6M 2017
Commission fees	Companies in the same consolidation group	4,890	3,270
Services	Companies in the same consolidation group	145	225
Services	Parent company	203	35
Total transactions with related parties		5,238	3,530

Loans and receivables

	30.06.2018	31.12.2017
Receivables from parent company (short-term)	2,092	1,505
Receivables from other companies in the same consolidation group (short-term)	1	1,601
Receivables from parent company (long-term)	442	451
Receivables from companies related to senior management	232	0
Total receivables from related parties	2,767	3,557

Liabilities

	30.06.2018	31.12.2017
Liabilities to other companies in the same consolidation group	422	22
Liabilities to parent company	90	0
Total liabilities to related parties	512	22