



# Admiral Markets AS

Unaudited interim report on  
the first 6 months of 2019

2019



# Admiral Markets AS

## Unaudited interim report on the first 6 months of 2019

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Main area of activity	Investment services
Activity licence no.	4.1-1/46
Beginning and end date of interim report period	01. January - 30. June
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Members of the Management Board	Dmitry Kuravkin Dmitri Lauš
Chairman of the Supervisory Board	Alexander Tsikhilov
Members of the Supervisory Board	Anton Tikhomirov Anatolii Mikhailchenko
Auditor	PricewaterhouseCoopers AS

# Management Board declaration

The interim report of Admiral Markets AS for the first 6 months of 2019 consists of the management report and financial statements.

The data and additional information provided by Admiral Markets AS in the interim report for the first 6 months of 2019 is 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 on the first 6 months of 2019 are unaudited.

/digitally signed/

Sergei Bogatenkov  
Chairman of the Management Board

Tallinn, 30.08.2019

# To the investors of Admiral Markets

Dear investor,

As the CEO of the company I am pleased that the first half of 2019 has passed as planned for Admiral Markets Group AS and its subsidiary Admiral Markets AS, and we have increased our export capabilities and global presence.

We successfully set the vision for the next 10 years and brought new high-end expertise to our team, both at headquarters in Tallinn and in our other investment companies around the world. Over the years we have become one of the essential financial hubs for customers, accompanied with being a marketplace and network for businesses. We will continue with expanding the international Admiral Markets community as we stand for openness, transparency and fair trade, and we are a company that also gives back to society.

As one of the pioneers in financial inclusion, we highly value implementing the best technological solutions in the use of our services, a personal approach with our clients, and constant cooperation with supervisors in order to provide our clients with safe and user-friendly access to international financial markets.

As one of the strategic lines, we continued our strong expansion outside Europe and opened new Group companies in Malaysia, Canada and the Republic of South Africa. We have positioned Asia as a region where we are sure to grow our influence and reach in the coming years.

It is noteworthy that we opened a new Admiral Markets' office in a high-tech park in Minsk, which brings together the most successful fintech companies and the best qualified professionals of the industry, thus competing with other most recognised financial and IT attraction centers around the world.

We also strengthened our position in the segment of beginner traders, gained market share there, and raised brand awareness. In addition to expanding beyond Europe, one of our strategic focuses in the future is not only for experienced traders but also for beginners, in order to increase their knowledge and skills and thereby increase our customer base.

As one of the competitive advantages of Admiral Markets over the years has been offering financial education to our existing and potential new clients through various webinars and educational materials, we have renewed our educational program.

In terms of numbers, we have made a significant leap forward. While in Q3 and Q4 in 2018, the Group had 12,457 and 12,763 active customers respectively, the number of customers increased to 13,598 in Q1 and 14,597 in Q2 in 2019. Thus, the number of clients in the second quarter of 2019 is the strongest indicator since the implementation of the additional requirements imposed by the European Securities and Markets Authority (ESMA) in August 2018. The number of registrations on our

platform has increased by as much as 1.4 times. At the end of Q2 2019, they were 50,400, compared with 36,000 in the last quarter of 2018.

We affirmed our position as one of the leaders of the fintech industry through large-scale IT investments. We are committed to providing our customers effective, modern, personalised and flexible IT solutions that support the growth of the company as well as the entire Group.

As more and more traders use mobile devices for conducting transactions, we want to be where our customers are and focus more on increasing our presence on mobile devices. We worked on partnering with AlphaBlues, the industry leader in artificial intelligence regarding customer assistance, to prepare for the introduction of artificial intelligence in customer relations.

Data warehouse development has been one of the most important IT development projects in the first half of the year, which we continue to work on. The data warehouse will become our central core, providing the information and analysis needed for strategic decision making. Regarding our IT architecture, we implemented AB testing capabilities, which is a prerequisite for mapping customer expectations even more effectively. We have built IT systems so that the technology area for our customers is becoming a global and unified trading world where the best service design meets the IT architecture.

In the IT field, the launch of our client-environment Trader's Room 3.0 was revolutionary, accompanied with the closure of the previous version of Trader's Room 2.0. The new platform provides the customer with an even more user-friendly, faster and more secure trading experience.

Over the years, one of the cornerstones of

our success has been our personal approach towards each customer, and thus providing the best customer service. The ability to use native language for trading is one indicator of credibility in the financial world. On January 31, we launched new languages on our website, including Arabic, Vietnamese, Thai, Korean, Portuguese, Hindi and Khmer.

During the first half of the year, we increased the number of our partners, thereby strengthening the liquidity provided to our clients. As a result, zero selling price differentials have been achieved for trading in the popular euro-dollar currency pair under normal market conditions.

Our strength lies in our ability to respond promptly to market developments. We are monitoring the situation regarding Britain's departure from the European Union and we have prepared for this by diversifying both the legal and commercial risks. We value highly cooperation with supervisors and train our staff to stay up-to-date with regulatory developments in this area. Risk management, regulatory measures and compliance requirements are keywords that we certainly consider important in our expansion.

The key to the success of Admiral Markets is our outstanding people, whose purposeful and dedicated work is valued also outside the Group. As a result, Admiral Markets was named the Fairest CFD Broker of 2019 in Germany in May 2019 by Focus Money magazine. We also received high recognition from the financial world - the Best Forex Platform Award at the ADVFN International Financial Awards 2019 and the highest recognition from the trading world in Germany, where we were awarded the CFD Broker of the Year 2019.

The staff of our Group has shown initiative in organisational culture. As a result of successful

teamwork, we have implemented values that we observe in our daily working lives. The number of our employees has grown and also intra-company career movements as we attach great importance to the training and development of new leaders. We continue to support new talents in their studies, and in May 2019 we granted the Admiral Markets AS

Scholarship in cooperation with Tallinn University of Technology.

I am grateful to our employees, clients, investors and good partners.

Sergei Bogatenkov  
Chairman of the Management Board  
Tallinn  
30.08.2019

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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 "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 leveraged Contract for Difference (CFD) products in the over-the-counter market, Forex as well as listed instruments. The Company's activities have mostly been targeted at experienced traders, but this year we have also strengthened our position in the beginner's segment. Therefore, the Company focuses on the improvement of general trading skills of experienced traders and training of new enthusiasts as well.

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 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 a 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.

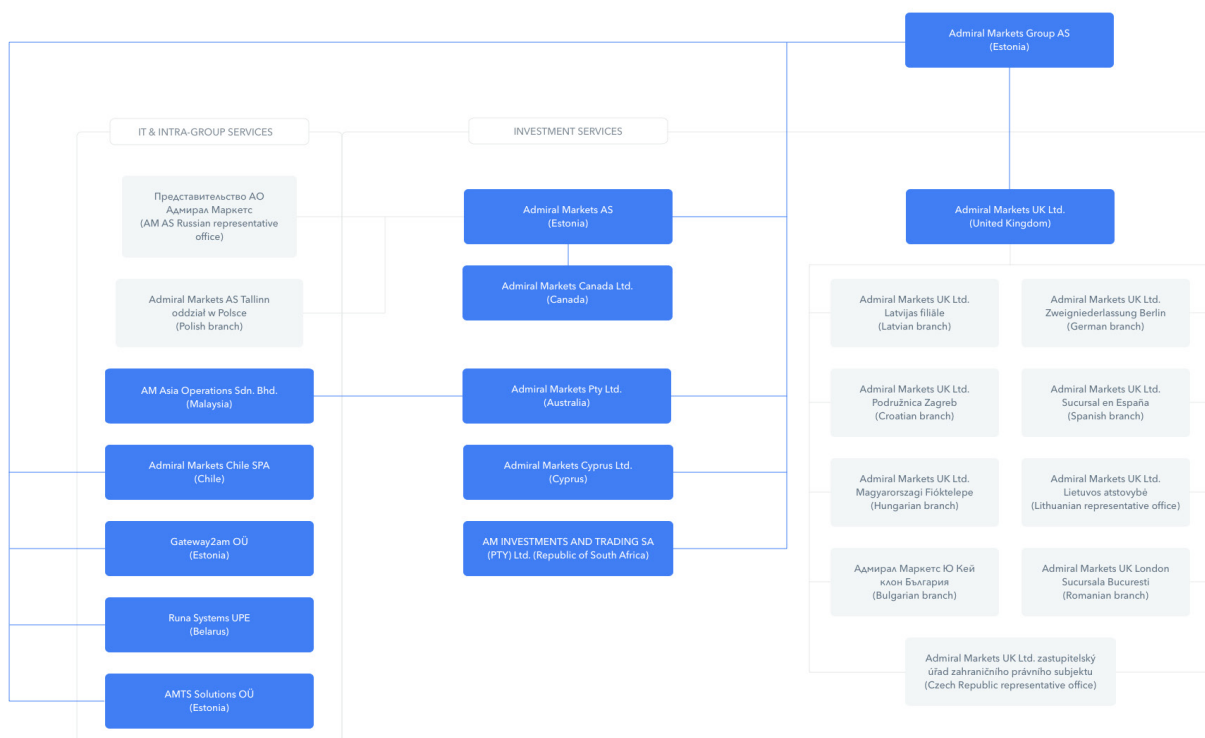


Currently Admiral Markets AS has a branch in Poland, a representative office in Russia and newly created subsidiary in Canada. Other companies that are part of the same consolidation group as Admiral Markets AS at the time of publishing this report are Runa Systems, AMTS Solution OÜ, AM Asia Operations Sdn. Bhd., Admiral Markets Chile SpA, AM INVESTMENTS AND TRADING SA (PTY)

LTD and Gateway2am OÜ (former name Admiral Virtual OÜ). Runa Systems and AMTS Solution OÜ offer IT and other intra-Group services. Admiral Markets Chile SpA and Gateway2am OÜ are inactive at the moment, as well as the recently established AM Asia Operations Sdn. Bhd., a subsidiary of Admiral Markets Pty Ltd. and AM INVESTMENTS AND TRADING SA (PTY) LTD.

## Admiral Markets Group AS structure

The structure of Admiral Markets Group AS, the parent company of Admiral Markets AS at the time of publishing this report is as follows:



At the time of publishing this report Admiral Markets Group AS owns 100% of the shares of all its subsidiaries, except for AMTS Solutions OÜ, where Admiral Markets Group AS has 62% ownership.

# Key events in 2019

## IT developments

In the first half of 2019, a number of new large-scale IT developments and projects were launched, which will continue in the second half of 2019. Large-scale software developments help Admiral Markets meet its long-term goals and gain market share.

Data warehouse development has been one of the most important IT development projects in the first half of the year and is one we continue to work on. The data warehouse will become our central core, providing the information and analysis needed for strategic decision making. Regarding our IT architecture, we implemented AB testing capabilities, which is a prerequisite for mapping customer expectations even more effectively. We have built IT systems so that the technology area for our customers is becoming a global and unified trading world where the best service design meets the IT architecture.

We worked on developing trading tools in order to provide our customers a user-friendly and comfortable trading experience with the best available tools, technology and service.

An innovative breakthrough was the launch of the new trading platform Trader's Room 3.0 in February 2019. This is an enhanced environment that provides our customers a better trading experience. All existing customers were migrated from the previous environment to the new platform. Admiral Markets offers trading on the MetaTrader 4 and MetaTrader 5 platforms available for Windows, Mac, iOS and Android devices. The platforms provide traders and investors access to trading activities in thousands of financial markets in a fast, secure and reliable environment. From this year, Admiral

Markets will also offer its customers an exclusive MetaTrader Supreme Edition add-on that includes a number of advanced features for even better trading results. MetaTrader Supreme Edition is an add-on application for trading on both MetaTrader 4 and MetaTrader 5 platforms, both for demo and real trading accounts.

We partnered with Dow Jones, Trading Central and Acuity and prepared the launch of the Premium Analytics Portal. It is a premium trading and analytics platform for our clients that helps investors make informed decisions while also providing them with new technological capabilities. The introduction of Premium Analytics further strengthens Admiral Markets' position as one of the global market leaders in the financial world and contributes to our competitive advantage by being the only analytics platform in the world with real-time content, professional market analysis, being also user-friendly and with technical capabilities meant for use on any device.

As one of the competitive advantages of Admiral Markets is its strong education program and offering various financial education opportunities to our existing and potential new clients, we invested in the deployment of a new video platform, Zoom. It provides customers with more accessible learning opportunities supported by the best technology.

## New instruments

We expanded the list of products that our clients can trade with and added Taiwan, Singapore, Canada, India, South Africa and Hong Kong indices to the list of instruments in the first half of 2019. New futures CFDs have also been added to our instruments. Futures based CFDs are available on our most popular indices and commodities such as Germany's DAX 30, US Nasdaq 100, crude oil and "soft" commodities. In addition, we offer our clients the ability to instantly trade shares that have come into the market through an IPO.

In addition to expanding trading opportunities, our clients can invest with an Admiral.Invest account. We lowered the minimum deposit on this account, and now you can start investing with just 1 EUR deposit. The Admiral.Invest account has over 4,000 stocks available for traders to invest and over 200 ETFs from 15 of the world's largest stock exchanges.

## Rewards

In March 2019, Admiral Markets was awarded the Best Forex Platform Award at the ADVFN International Financial Awards 2019. The ADVFN International Financial Awards recognise the best products and services in the financial sector and have been recognising industry leaders for five years.

In addition, we won the "CFD Broker of the Year 2019" award from the Deutsches Kundeninstitut (DKI), with 1,015 active traders participating in the survey. This is one of the most prestigious awards

in the trading world, comparable to the Oscars in the movie world.

The first half of 2019 has been accompanied by many recognitions as German magazine Focus Money named Admiral Markets UK Ltd the Fairest CFD Broker 2019. Admiral Markets also achieved the best performance in the "best value for money" sub-category and was named Germany's best broker in the subcategories of security, service and support, product and technology.

## Employee initiative

The employees of Admiral Markets AS have shown great initiative and actively participated in the promotion of organisational culture by proposing how we can stand together for the best business results while keeping in mind the common values of the company.

In the first half of 2019, an in-house competition was organised to find the company's internal mantra, which would serve as the common motivation and

motto for the team. The competition received over 150 entries and the final decision was made by a company referendum.

Also, a steering group came to life - a cohort of active employees who worked out proposals for Admiral Markets' values, which would give employees and the public a broader sense of what the company stands for and what values are applied to their working lives.

## People

The Company continued with 360-degree feedback surveys for employee development. This provides feedback on the performance of tasks by the employee from different viewpoints.

Also, we started our leadership development with our top leaders of the Management and Supervisory board. After that, we plan to implement the same

program to our middle-level managers and team leaders.

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.

## New internal motivation system

From the beginning of the current year the Company implemented a new Internal Motivation System (IMS). This motivational scheme is fully transparent and open to each employee of the Company. According to the IMS, Employees can grow and develop themselves into two ways: horizontally

and vertically. Therefore, the Company encourages employees to continue developing their professional skills and provides training reimbursement for job-related courses/trainings that directly relate to the employee's career development within Admiral Markets AS.

## Internal initiatives

The Company is constantly growing and many new people are being recruited externally. There has also been a positive trend in the internal movements of the organisation - 22 employees have moved to new positions within the Company in the first half of 2019.

This year, more attention will be paid to the issues of employer external branding. The Company has participated in various exhibitions and fairs

(sTARTUp Day, Key to the Future, Investment Festival, and various seminars and other events).

Admiral Markets AS also continued its participation in the awarding of scholarships in cooperation with the Tallinn University of Technology Development Fund, and the tradition will probably continue in the second half of the year as we are very interested in developing and supporting future creators.

## Regulations

In the first half of 2019, Admiral Market continued its usual activities and the implementation of the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), which entered into force in 2018. The most important topics related with regulations are the departure of the UK from the European Union

(Brexit) and the fight against money laundering and terrorist financing.

With regard to Brexit, we have been monitoring developments for a long time, at the same time assessing the potential impact of it and making

necessary preparations.

During the reviewed period, several amendments to the Money Laundering and Terrorist Financing Prevention Act have been made. Also, Estonian Financial Supervision Authority has published a

recommended guide on organisational resolution of credit and financial institutions and preventive measures to prevent money laundering and terrorist financing which has resulted in renewing various normative documents and practices within the company, combined with staff training.

## Management

Admiral Markets AS is managed by a three member Management Board and three 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 2019, the remuneration of the management, including social security taxes, totalled EUR 247 thousand (2018: EUR 197 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 Dmitri Lauš.

On 26.08.2019, the Supervisory Board of Admiral Markets AS decided to appoint Dmitri Lauš as a member of the Management Board.

### **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 and Alexander Tsikhilov. On 26.08.2019 with the decision of the General Meeting of Admiral Markets AS, Dmitri Lauš was recalled from his position as a member of the Supervisory Board.

Changes to the Management Board and Supervisory Board are part of Admiral Markets AS's long-term strategy with the aim to support the growth of the Company through innovation.

## 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 the first half of 2019, the Company had 153 employees (2018: 128 employees). The employees were allocated between Admiral Markets AS-i, its branch and representative office as follows: Admiral Markets AS – 143 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 3.3 mln (2018: EUR 2.7 mln).

# Economic environment

## Global economy

For nearly a decade, financial markets were flooded with billions to overcome the credit and liquidity crises resulting from the global financial crisis. 2018 saw central banks like the US Federal Reserve (FED) and European Central Bank (ECB) scaling back their liquidity support, which raised the question of whether the global economy could continue growing without the help of the liquidity provided by global central banks.

Six months since the ECB ended its quantitative easing (QE) program, with the FED communicating its balance sheet run-off and further interest rate increase expectations throughout 2019, we have seen a turn of nearly 180 degrees in US monetary policy after increased volatility in equity markets around the globe in the fourth quarter of 2018.

## The United Kingdom

The economic growth in the United Kingdom was confirmed at 0.5% in the first quarter of 2019, above the previous three-month period's figure of 0.2%. Meanwhile, the CBI Business Optimism indicator for the UK increased to -13 in the second quarter of 2019, from -23 in the previous three-month period. Even though the figure is still negative, it was the highest reading since the third quarter of

2018, mainly due to the delay of Brexit. Sentiment regarding export prospects for the year ahead fell, but to a lesser extent than in the previous quarter.

The International Monetary Fund (IMF) continues to expect real GDP growth in the United Kingdom to be 1.3% in 2019.

## China

The same is true for the Chinese economy, which grew by 6.4% (YoY) over the first quarter of 2019, stabilising at the same level as for the fourth quarter of 2018 despite the intense trade dispute with the US. Still, GDP growth of 6.4% (YoY) is the lowest growth rate since the global financial crisis in 2008. On a quarter-on-quarter basis, the Chinese

economy grew by 1.4% in the first quarter of 2019, compared to a 1.5% expansion in the previous period and matching market estimates. However, it was the weakest quarterly growth rate since the first quarter of 2016. IMF's global macro models expectations see the Chinese GDP Annual Growth Rate at 6.3% (YoY) and around 6.1% in 12 months' time.

## The Eurozone

The Eurozone economy grew by 0.4% in the first quarter of 2019 over the previous quarter. Even though this was an uptick from the fourth quarter of 2018, which had the weakest growth rate since the second quarter of 2014, the latest developments in the European bond market, where 10-year German yields neared -50 basis points, point to increased expectations of ongoing, subdued economic growth.

What remains to be seen is if the brewing trade war between the US and China will spill over to Europe, too. If these signs strengthen in the second half of 2019, it is likely that the EU GDP growth rate will turn negative over the coming months.

## The United States

The United States economy grew by an annualised 3.1% in the first quarter of 2019, unrevised from the second estimate issued in May and following a 2.2% expansion in the previous three-month period. Upward revisions to non-residential fixed investments, exports, state and local government spending, and residential fixed investments were offset by downward revisions to personal consumption expenditures and inventory investment, and an upward revision to imports.

When looking at the FED Watch Tool, there are some clear hints of a cooling US economy, with the FED

cutting rates on the 31st of July for the first time since 2008 and market participants expecting a minimum of one further cut by 25 basis points by the end of 2019. This is contrary to the current FED dot plot, which, in June, saw no rate changes in 2019, and one 25 basis point rate cut in 2020. However, it seems likely that this will change at the meeting in September and the expected rhetoric of the FED should point to more monetary stimulus in the near-term, especially if tensions in regards to the trade conflict between the US and China rise again.

## Significant events in 2019:

- While no Brexit deal between the EU and UK was found, the UK will likely exit on 31 October 2019
- European parliamentary elections took place and a new European parliament was formed
- Ongoing trade tensions between the US and the rest of the world (especially China and Europe)

## Estonian economy

According to Eesti Pank, on a seasonally adjusted quarterly basis, Estonian GDP increased by 0.5% in the first quarter of 2019, slowing from a downward revised 2.2% growth in the fourth quarter of 2018.

The Estonian economy advanced 4.5% (YoY) in the first quarter of 2019, following an upwardly revised 4.2% in the previous period. It was the highest annual growth rate since the fourth quarter of 2017, amid a strong rise in government spending (5.4% vs 2.2% in Q4).

Net exports contributed positively to GDP growth, as exports grew by 4.6% (vs 5.9%), while imports rose at a softer 3.8% (vs 6.5%). Meanwhile, both fixed investment (17.1% vs 17.7%) and private consumption (2.8% vs 5.5%) continued to increase.

On the production side, the main contributors to economic growth were information and communication; professional, scientific and technical activities; information and communication; wholesale and retail trade, agriculture, forestry, and fishing, and transportation and storage.



# Financial review

## Main financial indicators of Admiral Markets AS:

Income statement (in millions of euros)	6M 2019	6M 2018	change
Net trading income	9.6	12.6	-24%
Operating expenses	8.9	7.7	16%
EBITDA	1.6	5.4	-70%
Net profit	0.9	5.0	-82%
EBITDA margin, %	17%	43%	-26
Net profit margin, %	9%	40%	-31
Cost to income ratio, %	93%	61%	-32

Business volumes (in millions of euros)	30.06.2019	31.12.2018	change
Cash and cash equivalents	22.1	22.2	-0.5%
Debt securities	9.2	10.8	-15%
Shareholders' equity	35.1	35.6	-1%
Total assets	42.2	39.4	7%
Off-balance sheet assets (client assets)	3.6	3.6	0%

### Equations used for the calculation of ratios:

EBITDA margin, % = EBITDA / Net trading income

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

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

## Key financial ratios

	6M 2019	6M 2018	change
Net profit per share, EUR	2.3	12.4	-10.1
Return on equity, %	2.6%	17.2%	-14.6
Equity ratio	1.2	1.1	0.1
Return on assets, %	2.2%	15.4%	-13.2
Short-term liabilities current ratio	20.4	20.0	0.4

### 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.

Despite the low volatility in global markets in the first quarter of 2019, the number of active clients in the Group rose. The Group had 14,597 active clients in the second quarter of 2019, the strongest indicator since the introduction of additional requirements to CFDs offered to retail customers in the European Union by the European Securities and Markets Authority (ESMA) in August 2018.

The number of active clients in the Group was 13,598 in the first quarter of 2019, 12,457 and 12,763 in the fourth and third quarter of 2018 respectively. The Admiral Markets AS direct client base constitutes circa 9% of the total clients of the Group. As the sister investment companies of Admiral Markets

AS hedge the risks arising from their clients' transactions in Admiral Markets AS, who is also their sole liquidity partner, the number of clients in the Group, together with their trading volumes, has a direct impact on the Company's financial results. The Group's client assets increased by 44% year-on-year to EUR 37.6 million as of June 30, 2019.

The Company's net trading income for the period is EUR 9.6 million. Operating expenses increased 16% in the first half of 2019, mainly due to higher personnel and IT expenses. The number of employees increased from 123 to 153, with a 26% increase in personnel expenses compared to the same period last year. Personnel expenses have increased as a

result of several changes which have taken place in the Company in 2019. In 2019, some of the Group's functions were centralised to Admiral Markets AS. In addition, due to the increase in the number of active clients more people were hired for operational positions, and people were also employed to carry out the development of blockchain technology. Due to large-scale IT investments aimed at developing product and trading platforms, IT costs have increased by 27%. Since 2019, the Company has also focused more on the development of the above-mentioned decentralised blockchain system, which

also reflects in the increased IT costs. In 2019, the Company has spent approximately EUR 0.4 million on developing blockchain technology. The blockchain system is still under development at the time this report is published.

EBITDA and net profit of the Company were EUR 1.6 million and EUR 0.9 million, respectively, by the end of the first half of 2019, despite low volatility in global markets.

## Main consolidated financial indicators of the parent company of Admiral Markets AS, Admiral Markets Group AS:

Income statement (in millions of euros)	6M 2019	6M 2018	change
Net trading income	14.0	16.9	-17%
Operating expenses	12.8	11.1	15%
EBITDA	2.1	6.4	-67%
Net profit	1.4	5.9	-76%
EBITDA margin, %	15%	38%	-23
Net profit margin, %	10%	35%	-25
Cost to income ratio, %	91%	66%	25

Business volumes (in millions of euros)	30.06.2019	31.12.2018	change
Cash and cash equivalents	27.9	27.8	0.4%
Debt securities	9.2	10.8	-15%
Shareholders' equity	38.5	38.8	-1%
Total assets	46.7	43.4	8%
Off-balance sheet assets (client assets)	37.6	31.6	19%

# 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 30.06.2019, the own funds of Admiral Markets AS amounted to EUR 35.3 million (31.12.2018: EUR 35.3 million). At the end of the reporting period, Admiral Markets AS was well capitalised, the capital adequacy level was 22.5% (31.12.2018: 33.0%) and met all regulatory capital requirements.

## Own Funds

(in thousands of euros)	30.06.2019	31.12.2018
Paid-in share capital	2,586	2,586
Statutory reserve capital transferred from net profit	259	259
Retained earnings of previous periods	31,333	31,333
Intangible assets	-715	-745
<b>Total Tier 1 capital</b>	<b>33,463</b>	<b>33,433</b>
Subordinated debt securities	1,827	1,827
<b>Total Tier 2 capital</b>	<b>1,827</b>	<b>1,827</b>
<b>Net own funds for capital adequacy</b>	<b>35,290</b>	<b>35,260</b>

## Capital Requirements

(in thousands of euros)	30.06.2019	31.12.2018
Credit institutions and investment companies under standardised approach	5,463	5,810
Retail claims under standardised approach	5,961	4,330
Other items under standardised approach	9,963	5,510
<b>Total credit risk and counterparty credit risk</b>	<b>21,387</b>	<b>15,650</b>
Currency risk under standardised approach	66,897	37,677
Position risk under standardised approach	21,842	6,483
Commodity risk under standardised approach	7,575	7,972
<b>Total market risk</b>	<b>96,314</b>	<b>52,132</b>
Credit valuation adjustment risk under standardised method	21	13
Operational risk under basic indicator approach	39,133	39,133
<b>Total capital requirements for capital adequacy calculation</b>	<b>156,855</b>	<b>106,928</b>

## Capital Adequacy

	30.06.2019	31.12.2018
Capital adequacy	22.5%	33.0%
Tier 1 capital ratio	21.3%	31.3%

# Interim Financial Statements

## Statements of Financial Position

(in thousands of euros)	Note	30.06.2019	31.12.2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	22,105	22,205
Financial assets at fair value through profit and loss	4	9,651	10,997
Short-term loans, receivables and prepayments	5	1,709	1,639
Inventories		221	61
<b>Total current assets</b>		<b>33,686</b>	<b>34,902</b>
<b>Non-current assets</b>			
Long-term loans		2,500	2,500
Tangible assets		5,272	1,267
Intangible assets		715	745
<b>Total non-current assets</b>		<b>8,487</b>	<b>4,512</b>
<b>TOTAL ASSETS</b>		<b>42,173</b>	<b>39,414</b>

## LIABILITIES

### Current liabilities

Financial liabilities at fair value through profit or loss	4	66	176
Liabilities and prepayments	6	1,589	1,843
<b>Total current liabilities</b>		<b>1,655</b>	<b>2,019</b>

### Long-term liabilities

Subordinated debt securities		1,827	1,827
Long-term finance lease		3,601	0
<b>Total long-term liabilities</b>		<b>5,428</b>	<b>1,827</b>

<b>TOTAL LIABILITIES</b>		<b>7,083</b>	<b>3,846</b>
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## EQUITY

Share capital	8	2,586	2,586
Statutory reserve capital		259	259
Retained earnings		32,245	32,724
<b>TOTAL EQUITY</b>		<b>35,090</b>	<b>35,568</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>42,173</b>	<b>39,414</b>

# Statement of Comprehensive Income

(in thousands of euros)	Note	6M 2019	6M 2018
Net gain from trading of financial assets at fair value through profit or loss with clients and liquidity providers		14,940	17,775
Brokerage fee income		20	51
Brokerage and commission fee expense		-5,352	-5,088
Other trading activity related income and expense		13	-98
<b>Net income from trading</b>	<b>10</b>	<b>9,621</b>	<b>12,640</b>
Other income and expense		411	269
Net interest income		41	72
Net gain on exchange rate changes		87	191
Other financial expenses		0	-73
Personnel expenses		-3,343	-2,661
Operating expenses	11	-5,170	-4,953
Depreciation of fixed assets		-424	-127
<b>Profit before income tax</b>		<b>1,223</b>	<b>5,358</b>
Income tax		-311	-331
<b>Profit for the reporting period</b>		<b>912</b>	<b>5,027</b>
<b>Comprehensive income for the reporting period</b>		<b>912</b>	<b>5,027</b>
Basic and diluted earnings per share		2.26	12.44



# Statement of Cash Flows

(in thousands of euros)	Note	6M 2019	6M 2018
<b>Cash flow from operating activities</b>			
Profit for the accounting period		912	5,027
Adjustments for:			
Depreciation of fixed assets		424	127
Interest income		-116	-145
Interest expenses		75	73
Allowance for doubtful receivables		0	-135
Corporate income tax expenses		311	331
Other financial income and expenses		-87	73
<b>Adjusted operating profit</b>		<b>1,519</b>	<b>5,351</b>
Change in receivables and prepayments relating to operating activities			
		-1,868	1,571
Change in derivatives assets			
		-37	-23
Change in restricted cash balance			
		0	96
Change in payables and prepayments relating to operating activities			
		1,132	348
Change in derivative liabilities			
		-110	-40
Changes in inventories			
		-160	-22
Interest received			
		92	0
Interest paid			
		-73	0
Corporate income tax paid			
		-311	-331
<b>Net cash from operating activities</b>		<b>184</b>	<b>6,950</b>

<b>Cash flow from investing activities</b>			
Purchase of tangible and intangible assets		-384	-597
Acquisition of bonds		-1,334	-4,836
Proceeds from disposal of bonds		3,120	492
Loans granted		-189	-775
<b>Net cash used in investing activities</b>		<b>1,213</b>	<b>-5,716</b>
<b>Cash flow from financing activities</b>			
Dividends paid	8	-1,390	-1,325
<b>Net cash used in financing activities</b>		<b>-1,390</b>	<b>-1,325</b>
<b>TOTAL CASH FLOWS</b>		<b>7</b>	<b>-91</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3</b>	<b>21,994</b>	<b>21,670</b>
<b>Change in cash and equivalents</b>		<b>7</b>	<b>-91</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>104</b>	<b>-197</b>
<b>Cash and cash equivalents at the end of the period *</b>	<b>3</b>	<b>22,105</b>	<b>21,382</b>

\* Except restricted cash for year 2018; for more information refer to Note 3.

# Statement of Changes in Equity

(in thousands of euros)	Share capital	Statutory reserve capital	Retained earnings	Total
<b>Balance as at 01.01.2018</b>	<b>2,586</b>	<b>259</b>	<b>24,578</b>	<b>27,422</b>
Dividends paid	0	0	-1,325	-1,325
Profit for the reporting period	0	0	5,027	5,027
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>5,027</b>	<b>5,027</b>
<b>Balance as at 30.06.2018</b>	<b>2,586</b>	<b>259</b>	<b>28,280</b>	<b>31,124</b>
<b>Balance as at 01.01.2019</b>	<b>2,586</b>	<b>259</b>	<b>32,724</b>	<b>35,568</b>
Dividends paid	0	0	-1,390	-1,390
Profit for the reporting period	0	0	912	912
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>912</b>	<b>912</b>
<b>Balance as at 30.06.2019</b>	<b>2,586</b>	<b>259</b>	<b>32,245</b>	<b>35,090</b>

For more information of share capital refer to Note 8.

# Notes to the Interim Financial Statements

## Note 1. General information

ADMIRAL MARKETS AS has been an investment company since 05.06.2009. The Company's head office is located at Maakri 19/1, Tallinn, Estonia.

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

The interim financial statements should be read in conjunction with the Company's annual report as at 31 December 2018. 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 2018, except for accounting principles related to new IFRS standards adopted by the European Union, which became effective from 1 January 2019. The changes in accounting principles are disclosed in Note 1, subsection "Changes in accounting policies".

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

Admiral Markets AS has applied IFRS 16 "Leases" for the first time since 1st of January 2019. The rest of the revised standards did not have a significant impact on the Company's 6-month interim report.

#### IFRS 16, "Leases"

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

The Company applied the simplified transition approach by applying IAS 8 and did not restate comparative amounts for the year prior to first

adoption as accepted by the standard. The standard affects the accounting for the Company's operating leases, more precisely the rent of offices. Lease agreements are concluded for a fixed period up to 10 years and usually include extension and termination rights. Rental conditions are agreed on an individual basis and may include different conditions.

The Company recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities were recognised in the balance sheet at net present value of lease payments. Each lease payment is allocated between finance cost (interest expense) and the principal repayments of the lease liability, that is, to reduce the carrying amount of the liability. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability at any given time. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate. The alternative interest rate is the interest rate that the Company would have to pay if it financed the purchase of a similar right to use the asset with a loan.

Leased asset ("right-of-use asset") is measured at cost comprising of the following:

- present value of lease payments;
- direct costs incurred by the lessee in concluding the lease;
- payments made for the purchase of assets before concluding the lease agreement, and
- if rental agreement requires, then restoration costs or costs incurred when disposing of the leased asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

According to the contracts entered into, the Company has not guaranteed the residual value of the lease object at the end of the contract.

On applying the standard as at 1st of January 2019, the lease payments were discounted at the Company's incremental borrowing rate. The weighted average interest rate applied for finance leases is 2%. The Company has used a single discount rate to a portfolio of leases with reasonably similar characteristics as practical expedient permitted by the standard.

The Company has also used the following practical expedients:

- the accounting for operating leases with a remaining lease term of up to 12 months from 1st of January 2019 are recognized as short-term leases;
- leases of low value assets have been excluded;
- direct costs incurred in concluding the lease contract have been excluded at the date of initial application.

As of 1st of January 2019, Admiral Markets AS recognised the right-of-use asset and lease liability of EUR 3,408 thousand.

IFRS 16 initial application on 01.01.2019	3,408
<b>Changes in 2019</b>	
Additions to right-of-use asset	607
Depreciation	-177
<b>Carrying amount 30.06.2019</b>	<b>3,838</b>

## 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 the Company in order to ensure the credibility, stability and profitability of Admiral Markets AS.

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

## Note 3. Cash and cash equivalents

Type of cash	30.06.2019	31.12.2018
Demand deposits	16,336	15,467
Cash on trading accounts*	5,769	6,738
<b>Total cash and cash equivalents</b>	<b>22,105</b>	<b>22,205</b>

\*Recognized as cash in trading accounts in banks and investment companies which as of 31.12.2018 includes, inter alia, EUR 211 thousand in restricted cash.

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

Instrument	30.06.2019		31.12.2018	
	Asset	Liability	Asset	Liability
Bonds	9,185	0	10,813	0
Convertible loans	257	0	101	0
Other financial investments*	89	0	0	0
Currency pairs	28	3	51	116
CFD derivatives	69	51	15	44
Other	23	12	17	16
<b>Total</b>	<b>9,651</b>	<b>66</b>	<b>10,997</b>	<b>176</b>

\*During the comparative period the corresponding investment is recognized in the balance sheet line "Short-term loans, receivables and prepayments" and amounts to 50 thousand euros.

## Note 5. Short-term loans, receivables and prepayments

	30.06.2019	31.12.2018
<b>Financial assets</b>		
Trade receivables	83	0
Settlements with employees	0	81
Short-term loans	225	225

Receivables from group companies	92	166
Other short-term receivables	230	122
<b>Subtotal</b>	<b>630</b>	<b>594</b>
<b>Non-financial assets</b>		
Prepaid expenditure of future periods	278	222
Prepayments to suppliers	14	138
Prepaid taxes	787	685
<b>Subtotal</b>	<b>1,079</b>	<b>1,045</b>
<b>Total</b>	<b>1,709</b>	<b>1,639</b>

## Note 6. Liabilities and prepayments

Type of liability	30.06.2019	31.12.2018
<b>Financial liabilities</b>		
Liabilities to trade creditors	544	824
Payables to related parties	286	460
Short-term finance lease	229	0
Accrued expenses	101	111
<b>Subtotal</b>	<b>1,160</b>	<b>1,395</b>
<b>Non-financial liabilities</b>		
Payables to employees	177	175
Taxes payable	252	273
<b>Subtotal</b>	<b>429</b>	<b>448</b>
<b>Total</b>	<b>1,589</b>	<b>1,843</b>



## 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	30.06.2019	31.12.2018
Bank accounts	2,582	3,148
Interim accounts of card payment systems	99	41
Stock	968	401
<b>Total</b>	<b>3,649</b>	<b>3,590</b>

## Note 8. Share capital

	30.06.2019	31.12.2018
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 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 2019, owners were paid dividends in the total amount of EUR 1,390 thousand, i.e. EUR 3.44 per share.

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

## Note 9. Segment reporting

The Management Board is responsible for the allocation of resources and assessment of the results of operating segments. In 2019 and 2018, 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 interim report.

## Note 10. Net income from trading

	6M 2019	6M 2018
Net gain from trading of financial assets at fair value through profit or loss with clients	16,193	18,717
Net loss from trading of financial assets at fair value through profit or loss with liquidity providers	-1,253	-942
Brokerage income	20	51
Brokerage and commission fee expense	-5,352	-5,088
Other trading activity related income and expense	13	-98
<b>Net income from trading</b>	<b>9,621</b>	<b>12,640</b>

## Note 11. Operating expenses

Type of expense	6M 2019	6M 2018
Marketing expenses	-2,381	-2,710
IT expenses	-1,213	-952
Other outsourced services	-294	-137
VAT expenses	-286	-268
Rent and utilities expenses	-88	-161
Legal and audit services	-159	-294
Regulative reporting services	-114	-139
Low-cost assets	-135	-46
Transport and communication costs	-58	-16
Travelling expenses	-41	-52
Supervision fee of the Financial Supervision Authority	-31	-25
Other operating expenses	-370	-153
<b>Total operating expenses</b>	<b>-5,170</b>	<b>-4,953</b>

## Note 12. 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	6M 2019	6M 2018
Revenue from trading and brokerage fees*	Companies in the same consolidation group	15,404	17,355
Services	Companies in the same consolidation group	110	133
Interest income	Parent company	25	0
Other	Parent company	0	29
<b>Total transactions with related parties</b>		<b>15,539</b>	<b>17,517</b>

\*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).

## Expenses

	Relation	6M 2019	6M 2018
Commission fees	Companies in the same consolidation group	5,109	4,890
Services	Companies in the same consolidation group	10	145
Services	Parent company	96	203
<b>Total transactions with related parties</b>		<b>5,215</b>	<b>5,238</b>

## Loans and receivables

	30.06.2019	31.12.2018	Note
Receivables from other companies in the same consolidation group (short-term)	92	166	5
Loans to parent company (long-term)	2,500	2,500	
Loans to companies related to higher management	202	200	5
<b>Total receivables from related parties</b>	<b>2,794</b>	<b>2,866</b>	

## Payables

	30.06.2019	31.12.2018	Note
Payables to other companies in the same consolidation group	286	460	6
<b>Total payables to related parties</b>	<b>286</b>	<b>460</b>	

In the first six months of 2019, the remuneration of the management, including social security taxes, totalled EUR 247 thousand (2018: EUR 197 thousand).