



Admiral Markets AS

Annual Report 2019



Admiral Markets AS

Annual Report 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 | 1. January - 31. December |
| Chairman of the Management Board | Sergei Bogatenkov |
| Members of the Management Board | Dmitri Lauš Jens Chrzanowski |
| Chairman of the Supervisory Board | Aleksander Tsikhilov |
| Members of the Supervisory Board | Anton Tikhomirov Anatolii Mikhilchenko |
| Auditor | PricewaterhouseCoopers AS |

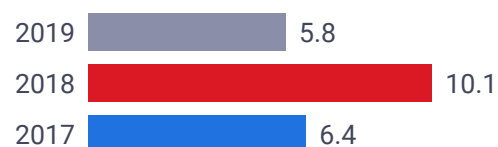
Highlights 2019

- Net trading income was EUR 23.2 million (2018: EUR 24.2 million)
- EBITDA¹ was EUR 5.8 million (2018: EUR 10.1 million)
- EBITDA margin was 25% (2018: 42%)
- Net profit was EUR 4.6 million (2018: EUR 9.5 million)
- Net profit margin was 20% (2018: 39%)
- Cost to income ratio was 83% (2018: 63%)
- Value of trades up 3% to EUR 590 billion (2018: EUR 572 billion)
- Number of trades up 6% to 31.8 million (2018: 30.1 million)

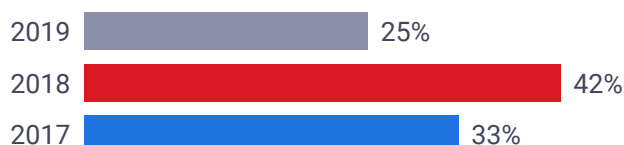
Net trading income EUR 23.2m



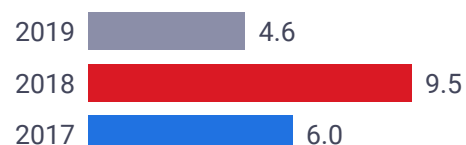
EBITDA EUR 5.8m



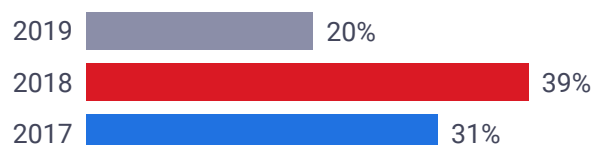
EBITDA margin 25%



Net profit EUR 4.6m



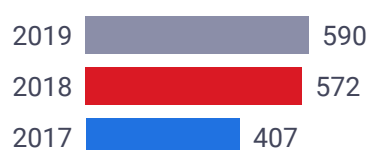
Net profit margin 20%



Cost to income ratio 83%



Value of trades EUR 590 bn



Number of trades 31.8m



¹ Earnings before interest, taxes, depreciation and amortization

To the investors of Admiral Markets

Another successful year has passed and as the CEO of one of the successful global pioneers of the industry, I must say: Well done!

Admiral Markets has continued the implementation of its long-term strategy and 2030 vision, strengthened its position among competitors, and increased its market share and client base with growth that exceeds market expectations. This means that we have, continuously, made it possible and more easily accessible for Admiral Markets' existing and potential clients to use our services, take part in the financial markets, invest and trade, and buy and sell financial instruments, while developing and implementing the best technological solutions in favour of an outstanding customer experience and personal approach.

We continued the strategic approach of recent years and made a leap forward entering new markets. Maintaining our stability and position in Europe, we simultaneously increased our global presence in Asia, Canada and Africa. This has all been possible because of our international, hard-working and loyal team who bring the best know-how and expertise to the company.

Since the introduction of additional requirements to the leverage offered to retail customers in the European Union by the European Securities and Markets Authority (ESMA) in August 2018, retail European clients currently trade in general 2 times lower volumes than before the implementation. Despite that, we have still managed to increase our base of active clients and have therefore maintained our turnover and revenue.

We learned to use the opportunities of data analysis to extend our client base, while keeping the acquisition costs equal. The number of sign ups has reached 25,000 per month in December.

In terms of business volumes, the parent company of Admiral Markets AS, Admiral Markets Group AS, had ca 14,800 monthly active clients by the end of December 2019, compared to the same time in 2018, when the corresponding figure was ca 10,500. The active clients' assets grew by 45% and the total number of registered clients increased by more than 20%.

Such growth depends highly on last year's large-scale IT projects, which provide our clients with an even faster, safer and more user-friendly trading experience. Our new IT core has been successful and flexible while implementing new technologies. Even more, I am proud to say that our IT and processes showed excellent performance regarding customer evaluation. Our strategic goal is to provide the client with a world-class customer experience, so he or she would be a long-term customer.

As mentioned earlier, our global expansion and success has always depended on our team. As a team leader and CEO, I am extremely proud that our people represent the best talent. They have been actively engaged in creating a work environment where we show respect, trust and encouragement towards everyone in our global network of Admiral Markets' superstars. We value highly new members of our team who share their competence, experience and market practice in the global market with us.

2019 was also the year when Admiral Markets reached new heights. We made it to the top 10 in the Exporter of the Year Award in Enterprise Estonia's Entrepreneurship Awards. The Entrepreneurship Award competition is the highest recognition in the country for outstanding and progressive companies. We also won all relevant industry awards in Germany, thus being the absolute quality market leader. Not to mention the upgrade from 135th place in TOP 100 Estonian companies to 31st.

More and more each year, Admiral Markets wants to give back to society and has taken CSR principles more actively into implementation. As the world's climate is changing at a rapid speed, then Admiral Markets, as one of the most international Estonian companies, must also seriously engage in actions that can help lessen our ecological footprint. Thus, we have started implementing Admiral Markets'

Green Manifesto, which will set the path for being green and at the same time socially and environmentally responsible for our actions. We were also the background force of SOS Children's Village campaign #OlemeKoos.

In the fall, we announced our participation in the Dubai Expo 2020, opening up the global fintech success story to the 192 countries present at the EXPO.

We continue to support new talents in their studies, and in the spring and autumn, granting 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
16th March, 2020



Our
team
expanded
significantly

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1. Management report



Our company

ADMIRAL MARKETS AS was founded in 2003. In 2009, the Estonian Financial Supervisory Authority granted Admiral Markets AS the activity licence no. 4.1-1/46 for the provision of investment services. The Company is part of an international group

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

Our business

As a pioneer in financial markets inclusion since 2001, Admiral Markets is a quality market leader with a global digital story. We create in-house software and solutions for trading and investing, both B2C and B2B, thus making financial markets accessible around the world.

The main activity of Admiral Markets AS is the provision of trading and investment services (mainly leveraged and 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 the general trading skills of experienced traders and the 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 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 (EFSA). 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.

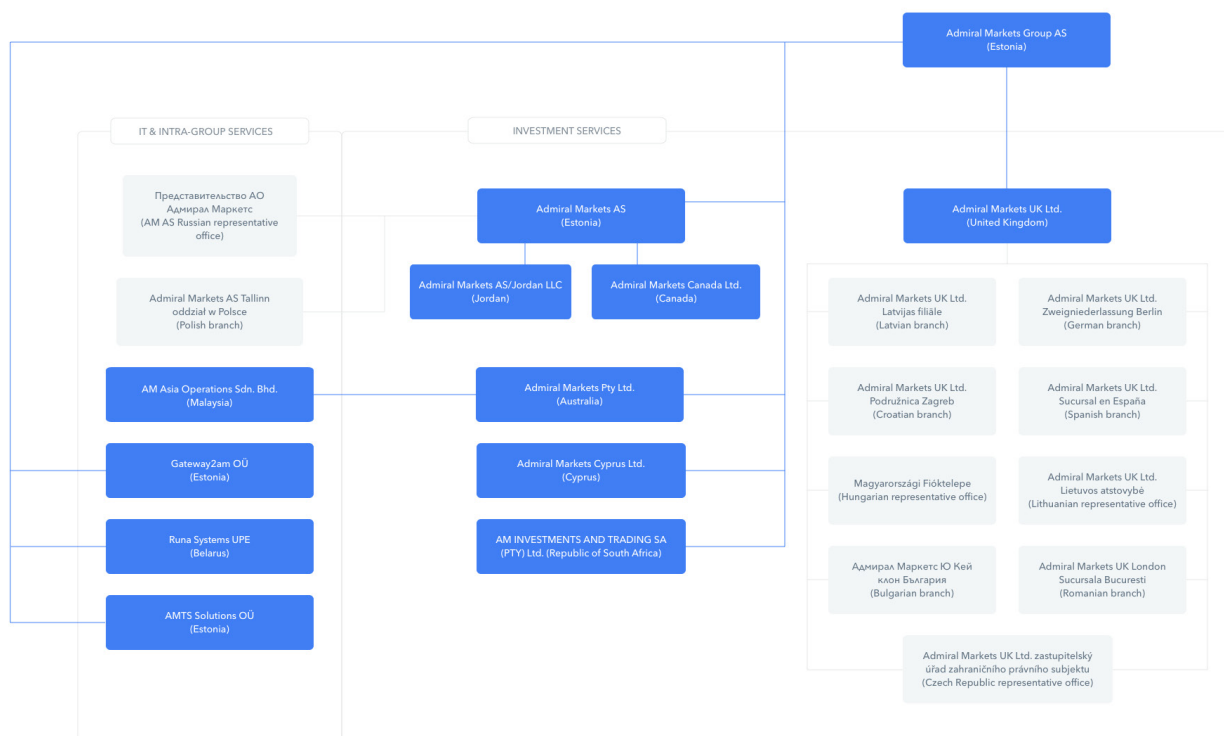
Currently Admiral Markets AS has a branch in Poland, a representative office in the Russian Federation and a newly created subsidiary in Canada. Other companies that are part of the same consolidation group as Admiral Markets AS and at the time of publishing this report are Runa Systems, AMTS Solution OÜ, AM Asia Operations Sdn. Bhd., AM INVESTMENTS AND TRADING SA (PTY) LTD, Admiral Markets AS/Jordan LLC and Gateway2am OÜ (former name Admiral Virtual OÜ). AM Asia Operations Sdn. Bhd (Malaysia) and AM INVESTMENTS AND

TRADING SA (PTY) LTD (Republic of South Africa) were established in 2019 and Admiral Markets AS/Jordan LLC in the first months of 2020. Admiral Markets Chile SpA, which had been inactive for several years, was sold in November 2019. Runa Systems and AMTS Solution OÜ offer IT and other intra-group services. Gateway2am OÜ is inactive at the moment, as well as AM INVESTMENTS AND TRADING SA (PTY) LTD and Admiral Markets AS/Jordan LLC.

Admiral Markets AS intends to close its branch in Poland during 2020. This change has no impact on either client relationships or the investment services provided to the clients as clients can continue trading on a cross-border basis through entities of the Group holding respective licence.

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:



Admiral Markets Group AS owns 100% of the shares of all its subsidiaries as of 31.12.2019, except for AMTS Solutions OÜ, where Admiral Markets Group AS has 62% ownership.

Our products and services

Our dedication to providing access to the wide range of global financial markets via highly functional software and quality assurance means that our clients receive the best and most transparent trading experience.

According to Admiral Markets' updated vision and mission, our aim is to bring people together into one powerful financial hub. As a global player, we develop our IT solutions in-house, thus combining IT

and financial world. Admiral Markets highly values financial education. Over the past 19 years, we have addressed hundreds of thousands of people to financial literacy.

Trading platforms and access to global financial markets

Admiral Markets has developed a two-layer service channel. It is based on Admiral Markets Core which is a one-stop-shop platform for education, analysis and investing. We research, develop and integrate into processes new opportunities offered by data analysis tools, artificial intelligence (AI) solutions and blockchain technology. Our second-layer service channels involve various trading applications.

Our trading infrastructure enables optimised low-latency access to the world's largest multi-asset class electronic trading ecosystem. Trading servers are located in one of the most prominent data centers and Internet exchange points for international financial services providers – Equinix London LD4. The proximity to trading servers of all major liquidity providers and institutional trading counterparties in combination with our proprietary order routing and execution engine consistently ensure best possible order execution outcomes for our clients across all financial products.

The service to retail clients relies on two trading platforms: MetaTrader 4 and MetaTrader 5. The latter is the latest generation of the famous MetaTrader trading application, developed by the MetaQuotes Software corporation, which has been trusted and

used by millions of traders and hundreds of trading service providers across the world for well over a decade.

The MetaTrader 5 platform inherited the intuitive, easy-to-use interface and trading functions of MetaTrader 4 but, unlike its predecessor, it is no longer prone to tradable product range scalability limitations. The newest platform now also supports trading in exchange-traded products like stocks, exchange-traded funds, futures, bonds, and options. This inherent multi-asset support created an opportunity for Admiral Markets to engage with new market segments, reach an even broader group of traders and expand the global footprint of Admiral Markets by enabling trading in stocks and exchange-traded funds.

In a partnership with third-party developers, we created MetaTrader Supreme Edition – a trading platform add-on for desktop versions of MetaTrader 4 or MetaTrader 5 applications. MetaTrader Supreme Edition includes a set of market analysis and trading tools for our clients and helps us to gain a competitive edge over other investment services providers who also rely on MetaTrader platforms.

MetaTrader basic features:

- Native iOS and Android apps for mobiles and tablets;
- Browser-based WebTrader app;
- Full-scale downloadable platform software for Windows -operated PCs;
- Supreme Edition add-on for desktop platforms;
- Advanced charting and market price analysis tools;
- Premium quality market insights and news by Dow Jones Newswires;
- Free real-time market data for live clients;
- Support for custom automated trading algorithms and scripts;
- Trading strategy backtesting and optimisation tools.

Considering the ease of scalability and multi-asset support, we intend to make MetaTrader 5 based trading account types Admiral Markets' flagship offer for both retail and professional clients.

Products

We offer Forex and leveraged Contract for Difference (CFD) products in the over-the-counter market as well as listed instruments. Our clients can choose between a wide range of trading instruments.

We offer around 3,900 over-the-counter products, including Forex and CFDs on stocks, bonds, indices, cryptocurrencies, agricultural products, precious metals and energies; and over 4,200 listed instruments, including over 4,000 stocks and over 150 exchange-traded funds on Invest.MT5 accounts.

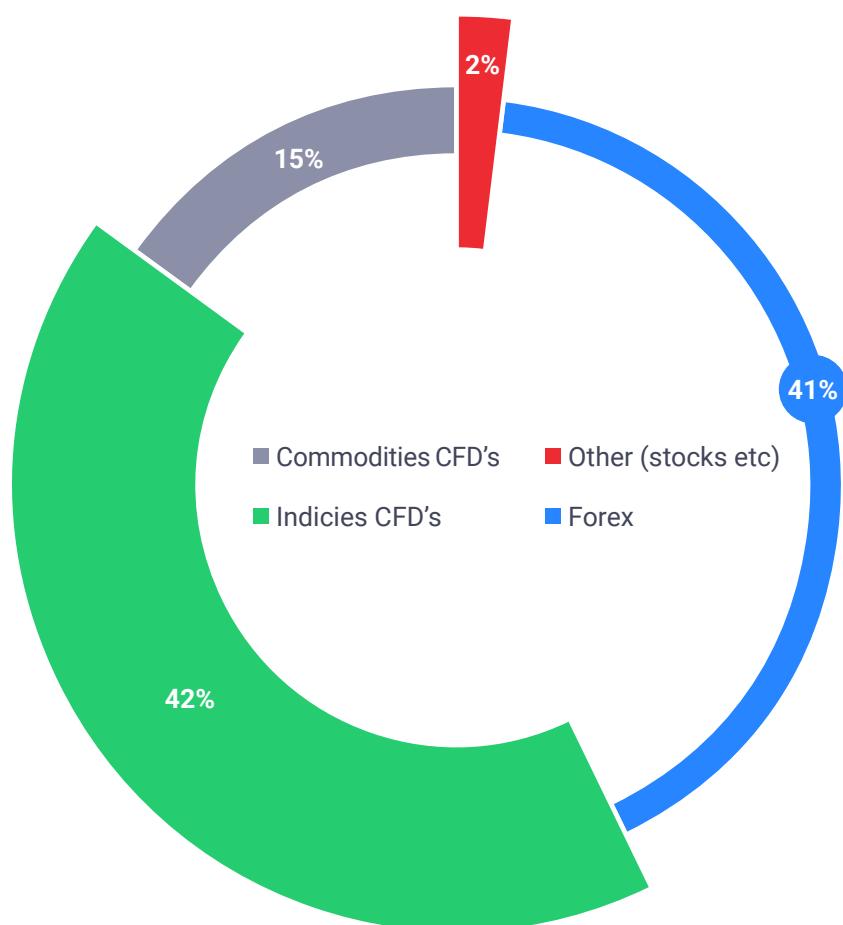
Thus far, the focus of our product has been offering great options for active (short-term) trading. This is still our core and DNA. But, in addition, classic investment opportunities like long-term stock or ETF investing will be developed even further. Our driving force is all kinds of trading and investment products and offering the best education in these areas.

Contracts for Difference (CFDs) are financial derivative products that allow traders to take leveraged exposure to price movements in financial assets and instruments, without owning the particular asset or instrument. CFDs provide investors with all of the benefits and risks of owning a security without actually owning it.

CFDs give traders the opportunity to profit as the market moves in both directions, with long and short trading being possible (usually this is not available for retail clients in the stock market).

In addition, because CFDs are an over-the counter product, the trading costs are much lower than those of classic securities.

Gross revenue by asset class 2019, %



Our clients

The quality of a product or service weighs heavily on client satisfaction. That is the reason why we truly pay respect to the quality of our customer service. The activities of Admiral Markets are primarily targeted at experienced traders, but at the same time for many clients Admiral Markets is the very first company with whom they start investigating the world of financial trading. Due to this, we focus on the improvement of their general trading skills and the training of new enthusiasts. We have developed a state-of-the-art education course – From Zero to Hero – and continuously are providing not only webinars but also seminars. Here we are not only speaking about the trading ABCs, but also giving our clients the opportunity to freely and without risk explore trading possibilities with over 8,000 trading instruments via free demo accounts. Moreover, for many clients we are and remain their only trading provider, as Admiral Markets supports a wide range of different trading-related services, which is sufficient even for the very demanding client.

Our goal is to widen our client base and reach new customers via new native application which will expand their possibility to use trading services. This will be launched in 2020.

By being transparent, our clients have access to our execution statistics and are able to compare Admiral Markets to competitors. By using no-dealing-desk best order execution, we exclude the conflict of interest and treat every client independently and fairly.

While we offer many education options for all beginners in the field, we are already a “hotspot” for active traders. Since 2018, in the light of the European ESMA regulation, we have developed and improved our services for professional clients, who are more active in trading than retail clients. By the end of 2019, we reached the highest number of active clients in our history.

We at Admiral Markets want to help clients realise their full potential through:

Acting as a
reliable partner

Offering affordable,
client-oriented
services

Promotion ethics
and transparency in
the industry

We strongly believe that our client needs to be our number one priority. We follow the principle of being professional in every aspect of what we do.

Customer Support

In the M&A era with very strict competition, we know how to sustain and enlarge our advantages. Being a client-centric company we, first of all, think about how we can make our services more supportive of trading and really useful.

It is not only about our new Trader's Room upgrades (totally redesigned with plenty of new functionality), constantly launching new products, making a variety of trading instruments more convenient

for all traders (new account types and over 8,000 new trading instruments were offered by the end of 2019), making our offers better (typical spreads have been lowered by 20 to 30 per cent for major

currency pairs) – it is also about taking care of traders' future needs today. We do this by being present for our clients and by offering swift and high-quality customer service.

Transparency & Compliance

We want to make sure that our clients have confidence when using our services. We believe that trust is achievable only through full transparency and compliance with the current regulation.

Admiral Markets AS is licensed by the Estonian Financial Supervision Authority (EFSA) for the main investment and brokerage activities in the European Union. Admiral Markets AS is entitled to perform investment and brokerage activities in financial markets, including foreign exchange, stocks, futures and CFDs. Consequently, Admiral Markets AS is authorised to provide cross-border brokerage services in the 27 member countries of the European Union (EU), and in three European Economic Area (EEA) countries: Iceland, Norway and Liechtenstein.

Other companies in the Admiral Markets group licenced to act as investment firms:

Admiral Markets UK Ltd: Authorised by the Financial Conduct Authority (FCA) to offer Forex and CFD online trading. In EU Member States and EEA agreement countries, the majority of Admiral Markets investment services are provided by Admiral Markets UK Ltd. The decision regarding this preference was based on customer feedback, as customers and potential customers had indicated that, in the interest of trustworthiness, the license from the

FCA was the preferred choice. The biggest benefit to customers is that Admiral Markets UK Ltd is registered with the Financial Services Compensation Scheme (FSCS), therefore Admiral Markets UK Ltd client deposits are covered by the FSCS for up to £50,000 under the Financial Conduct Authority Client Asset (CASS) rules. The company is regulated to hold customer assets in segregation from its own assets under the UK law.

Admiral Markets Pty Ltd: Licenced to provide financial services by the Australian Securities and Investments Commission (ASIC) under the Australian Financial Services Licence.

Admiral Markets Cyprus Ltd: Authorised and regulated by the Cyprus Securities and Exchange Commission (CySEC) for Cyprus, the independent public supervisory authority responsible for the supervision of the investment services market and transactions in transferable securities carried out in the Republic of Cyprus. The company is authorised to provide cross-border brokerage services in the EU, and in three EEA countries.

Our aim is to be transparent and truthful about our business activities, giving timely and accurate information to our stakeholders. All our stakeholders are treated equally, with a clear focus on continuous improvement on our part.



Info
is not
knowledge

Information Isn't Knowledge

Trading in online financial markets requires a certain amount of knowledge. While information is abundant and available, it can be overwhelming for new traders.

One of the priorities of Admiral Markets is to help its customers to make informed trading decisions, which leads to better returns to the investors, better client satisfaction and higher customer retention rates. For this reason, we offer numerous educational programs designed to teach trading skills and explain the financial opportunities traders have within Forex and other financial markets. In addition, Admiral Markets delivers news and analysis that clients can use to make informed trading decisions and publishes educational books and brochures in several languages, which are distributed internationally.

The trader training programs include both paid and free courses. Training courses are carried out both as classical teaching arrangements and webinars, in the course of which Admiral Markets introduces its services, teaches how to use the trading platform, develop skills for analysing the economic situation, and explains trading-related capital and risk management. During the year Admiral Markets AS hosted a number of educational events ranging from multiple-day courses for small groups to large seminars for vast audiences.

Platform Features

We offer our clients access to our products through user-friendly, flexible, secure and fast MetaTrader platforms, which are available on all devices. MetaTrader 4 (MT4) is the most popular Forex and CFD trading platform for traders of all skill levels across the globe. MT4 offers free real-time charting, news and analyses and is totally customisable. MetaTrader 5 (MT5), the newest generation of the MetaTrader platform offer, is the #1 multi-asset platform chosen by traders and investors from around the globe for trading Forex, CFDs, exchange-traded instruments and futures. The platform offers advanced charting and trading tools, as well as options for automated trading. For both MT4 and MT5 we offer a special MetaTrader Supreme Edition plugin, which boosts the available features a great deal. The features available with MetaTrader Supreme Edition include advanced trading via charts, improved 1-click-trading,

high-end analysis, real-time news directly in MetaTrader and many more features. MT5 and MT4 Supreme Edition is free for live and demo accounts.

We offer multi-language support to clients for an even better trading experience. Trading with Forex CFDs is usually available up to 24 hours a day, 5 days a week, while cryptocurrency CFDs are available for even longer trading hours – 24 hours, 7 days a week – just like the underlying market.

To help our clients manage their risks we offer the following risk management tools: stop loss order limit, closing open positions when positions in an account reach 30% or 50% of the margin requirement depending on the account type (stop out level), volatility protection and negative account balance protection.

A photograph of a swimming pool with a red lane divider in the foreground and blue lane dividers in the background. The water is blue and reflects the light. The pool floor is white with blue lane markings. The text is overlaid on the bottom half of the image.

**Admiral Markets
has always
taken employee
well-being
seriously**

Our people

We recruit talent and we welcome them

Through-out our 19 years of activity, Admiral Markets has always highly valued its people. As the business is built on the dedication and work of its employees, it is critical to hire the best talents and develop their skills. The well-being of our people is the most important for Admiral Markets on our journey to achieve strategic long-term goals.

We operate in sectors where there is strong competition for employees. We keep our recruitment processes under constant review and evolve them in order to make applying for work as easy as possible while maintaining our high standards.

2019 was extremely outstanding because our international team expanded significantly. By the end of the year, Admiral Markets had 284 employees working in the group, compared to 228 at the same time last year.

Due to a greater focus on our growing team, we decided to restructure our HR department and since the second half of 2019 we have an employee in HR who focuses only on people development. As we operate in sectors where there is a constant and strong competition for employees, it is of utmost importance to keep our recruitment process under constant review and develop such processes together with talent development.

In order to help our new employees to settle in the company more effectively we improved and supplemented our on-boarding processes. We adopted the new employee information day which we implemented globally in our group. Every two months the new people who have joined our team, will come together and attend an informative day where all information regarding, for example strategic goals, different departments, values and communication matters will be discussed and introduced.

Simultaneously with our new employee information day we adapted a new guide called the Survival Guide - an informative package, that plays an important part in our onboarding process. Survival Guide is made to support our new joiners in their first weeks in the company when everything is very new and there is lots of new information absorbed. In addition to the introduction about Admiral Markets, this compact guide includes topics such as how we communicate internally, covers e.g. nearest lunch places and gives an insight into how to stay compliant for a convenient settling in. Initially rolled out in Tallinn, within a few months and with the help of regional managers, Survival Guide got localized and globalized by May 2019.

We care about our people

As mentioned before, people are the greatest asset to a company. In order to keep people motivated and lessen people leaving the company, we implemented the performance improvement plan for our employees. This is a program for our people to provide them guidance and mentoring, to push their performance when it is not as expected and needs some improvement. The goal is to help people stay in the company and try to offer our talents support in reaching their expected outcomes.

Admiral Markets Academy was formed to bring structure to employee development and to combine all the learning and development possibilities in the company. We have described four main focuses:

- functional trainings,
- soft and universal skills,
- leadership program and
- knowledge sharing in Slack channel #am_academy where we share inspiring and interesting articles of developing one's talent.

In 2019 we adopted an Employee engagement & Performance management platform called Culture Amp. It is a software with powerful analytics, that will help us to keep performance evaluated and makes it easy to collect, understand, and act on employee feedback. We needed this change to happen as our previous appraisals platform did not manage to keep up with our company needs and were hard to manage from admin, manager and employee's side. After a profound selection of the platform and onboarding period with Culture Amp, both Engagement Survey and Performance Evaluation (appraisal cycle) are set to launch in 2020.

We honor diversity

Admiral Markets respects diversity. We believe that embracing diversity ends up in a fulfilling and productive organization.

Our equal opportunities policy is dedicated to creating an environment for our employees that is free of discrimination, harassment and victimization. Our commitment is to create a diverse workforce and environment that supports all individuals, irrespective of their gender, age, race, disability, sexual orientation, or religion. We believe in the equal treatment of all people.

Admiral Markets AS is not only an Estonian company but together with its Group companies, it is also a global one, so diversity is a key factor. Having employees that represent the world helps to deliver the best possible financial trading services to every customer. We think globally and act locally, so the Group has offices in every country where a large percentage of our clients are represented.

We are happy to announce that in 2019 the women's proportion in the company grew by 5%. Admiral Markets encourage women to take leadership and support them fully.

Diversity among everything:

- The average age of the employee in the Company is 32 years; the youngest employee is 23 years old and the oldest employee is 49 years old.
- Men 58% and women 42%.
- Diverse nationalities – in 2019 our Tallinn office had Estonians, Russians, several Belarusians and Ukrainians and also employees from Australia, the USA, Spain, Chile, Iran, Georgia, Azerbaijan, India, and Thailand.

Engaging with our people

Communication is a key element in people engagement. Enabling colleagues to work across the business and share their best practice allows us to leverage the value of our employees and encourages a collaborative environment. There is regular communication to staff at all levels through

multiple internal communication channels, including different team events and an internal monthly newsletters and publications on the intranet. In addition, our management encourages dialogue with employees through an open-door policy.

Reward and benefits

Admiral Markets has always taken employee well-being seriously and this is the reason we have loyal employees who wish to stay and develop within the company. We have amazing events together – monthly birthday celebrations of Admiral Markets AS employees, Admiral Markets' birthday party, Summer days, sport competitions, Autumn days, the Christmas party and many more.

Admiral Markets employees' dedication and contribution has been awarded by many institutions, and Admiral Markets group companies have received many new awards described in "2019 overview" section.

2019 Overview

IT developments

2019 was the year when many large-scale IT developments and projects were launched. Admiral Markets constantly researches, develops and integrates into processes new opportunities offered by data analysis tools, artificial intelligence (AI) solutions and blockchain technology. 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 2019 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.

Islamic account

Admiral Markets made a significant step towards our prospective clients worldwide by offering an Islamic Account that is designed for traders of the Muslim faith.

The Islamic Account is the option to choose on our Trade.MT5 Forex and CFD trading account in

order to trade with no interest fees paid or received. Islamic Account terms include all the same trading conditions as standard accounts and are available for both Retail and Professional clients.

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. We are also offering instruments traded on ASX and TSE (Australia and Tokyo exchange) from 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 Invest.MT5 account. We lowered the minimum deposit on this account, and now you can start investing with just 1 EUR deposit. The Invest.MT5 account has over 4,000 stocks available for traders to invest and over 150 ETFs from 18 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 2019, we won the "CFD Broker of the Year 2019" award from the Deutsches Kundeninstitut (DKI), with 1,015 active traders participating in the survey. In addition, we won the CFD Broker of the Year 2019 by BrokerWahl which is one of the most prestigious awards in the trading world, comparable to the Oscars in the movie world. 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.

In Estonia, Admiral Markets reached a significant landmark, making it to the top 10 in the Exporter of the Year Award at the Enterprise Estonia's Entrepreneurship Award. The Entrepreneurship Award competition is the highest recognition in the country for outstanding and progressive companies.

Also, for the first time in history, Admiral Markets was one of the five finalists in the Fintech of the Year Award organized by the German-Baltic Chamber of Commerce in Estonia, Latvia, Lithuania (AHK). The end of the year brought more good news as Admiral Markets reached 31st place in the TOP 100 Estonian companies, compared to the 135th place a year before.

Admiral Markets finished 2019 on a high - having won the Global Banking and Finance Review award for the Best Forex Company in 2019 in Germany, Estonia and Spain. Since their creation in 2011, the Global Banking and Finance Review awards reflect innovation, change, strategy and achievement taking place within the global financial sector. We are very proud to have been recognised yet again for our product, service and platform.



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 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.

In 2019, our Group also carried out our first inhouse hackaton in our Minsk office. Before the hackaton, we gathered ideas and all our team members were invited to share their ideas, which could be implemented using IT services. Many innovative ideas were taken in from our Tallinn Headquarters.

People

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 - 30 employees have moved to new positions within the Company in 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. The tradition continued also in 2019, when Admiral Markets awarded two scholarships in collaboration with Tallinn University of Technology as we are very interested in developing and supporting future creators.

Regulations

In 2019 Admiral Markets continued its efforts in following the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), which entered

into force in 2018, and implementing the related guidelines issued by the European Securities and Markets Authority (ESMA) and national competent authorities. 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, recommended guide on organisational resolution of credit and financial institutions and preventive measures to prevent money laundering and terrorist financing of Estonian Financial Supervision Authority became effective and has resulted in renewing various normative documents and practices within the Admiral Markets, combined with staff training.

Marketing projects

Each year, effective marketing becomes more relevant to the success of the business. Marketing isn't simply an important part of business success, it is the business. Marketing and business should go hand in hand, with marketing being the background force for reaching business goals. Admiral Markets AS carries out most of the Groups' companies marketing activities.

As 2019 was characterised by the highest number of active clients, it means that our marketing activities and projects reached its goals. For example, we created 18 new tutorial videos, put much effort into

Youtube optimisation, launched Trading Spotlight webinars, launched AB testing, triggered emails with MailerLite and started homepage redesign. These are only some of the large-scale marketing projects we carried out in 2019. We introduced many new campaigns and marketing projects with the aim to be seen globally through Admiral Markets trademark.

We took part in many marketing related seminars, conferences and made the brand visible at such events to our desired audience, traders and competitors. We will continue with such public attention and broaden such participation.

Corporate social responsibility

Admiral Markets has always stood for sustainability and giving back to the society. Corporate social responsibility, whether it is being a committed employer, outstanding partner for our customers, respectful member of the civil society or environmentally friendly is the core part of Admiral Markets' identity.

Values

In our everyday business, we make sure that our actions are based on our values, which we updated last year. By engaging our employees in establishing those values, we wanted to make sure that those values would be truly adopted and believed in.

As always, we believe that **trust is our biggest asset**. This applies both ways- whether we are talking about trust within our company, in communication with our clients and, of course, regarding regulatory authorities. Admiral Markets has always been transparent and outstanding compliance is what describes the company.

Secondly, **Let's make money!** Whenever talking about the company's values, it is important to keep in mind that as a global business, our goal is to be a successful business, making sure that our investors' interests have been met, the business is profitable and our clients are able to make money while using our services.

People at Admiral Markets value the idea of **thinking globally, but acting locally**. As a global business, our group's clients are in more than 130 countries, we have 18 offices worldwide. This is a way to be close to our client and give the client an opportunity to speak in their native language. Local customer support and being available for the client locally is one essential part of Admiral Markets' understanding and respect towards the client.

Yes, Admiral Markets is - without a doubt - **serious, but also enjoys the ride**. As one of the success stories in the industry, the Estonian-based company has made a significant leap forward. This is a result of the wonderful and dedicated work of our team. But more than ever, keeping loyal people means having mutual respect, joint events and constant team building.

As for one of our established values - **togetherness is the key** - Admiral Markets truly believes that this is the true essence of every company that respects the idea of corporate social responsibility. We must be united, whether we are building a sustainable business or trying to combat the rapid changes in our environment.

Engaging our people

Together with establishing our values, Admiral Markets updated its vision and mission last year, with the purpose of being an even more respectful global player in the financial industry. Over the years we have become one of the essential financial hubs for customers, accompanied with being a marketplace and network for businesses. Our expansion and global presence needed to be adopted into the renewed vision and mission. Engaging our talents, we wanted to make sure that everyone has the possibility to speak up and come up with the ideas for our vision and mission. This resulted in our new vision and mission:

Vision:

To be the global financial hub in supporting people to make money.

Mission:

With leadership, education and quality, we bring the financial community together into one powerful marketplace.

Admiral Markets' Green Manifesto

As the world is turning its attention more than ever to sustainability and making one's impact on the environment as minimal as possible, Admiral Markets has also come forward with this increasingly relevant topic. An initiative group came together in 2019 in order to start establishing a Green Manifesto - a manifesto made up of guidelines on how to be an environmentally responsible global player, individually and as a corporation. As Admiral Markets is an international company, we must engage people in all our offices for the desired outcome of being more green. Green trading will be one of the keywords in the coming years for Admiral Markets. In 2019, the initiative group drafted the first version of our green ideas. At the beginning of 2020 we officially implemented and established our Green Manifesto.

Admiral Markets is the godfather of Aron the polar bear at Tallinn Zoo. As the population of polar bears has been significantly decreasing in recent years due to global warming, we believe that one needs to take extra care of endangered species in the world. We are happy that Aron is doing really well.



Background force in the society

Admiral Markets is extremely happy for the teamwork we did in 2019 with SOS Children's Village. We were one of the forces behind the SOS Children's Village social campaign #OlemeKoos. The campaign drew attention to spending quality time with kids, instead of buying them new toys. Things do not love kids, people do.

The aim of the SOS Children's Village social campaign was to value time with the family, reduce the cult of things and technology, and communicate to the general public that the Children's Village does not collect donations to buy things, but to find the best parents in the world.



Strategy and Objectives

The Admiral Markets AS objectives are aligned with the objectives of the Group. Admiral Markets is dedicated to becoming a TOP 10 player in the industry. Our competitive advantages are global presence, flexible trading accounts, education and analytics, security and software, innovative approach and local support.

Already a pioneer in financial inclusion, our aim is to be the essential financial hub for our customers. Having licences in main financial hubs around the world and a physical presence in most important markets enables us to get to know our clients personally, understand them better and offer them a higher level of service.

Admiral Markets helps its customers to make thoughtful and intelligent trading decisions by publishing books and offering educational programmes (seminars, live webinars, videos), designed to teach trading skills and explain the financial markets.

The Group is well established in Europe. Today, our expansion plans include establishing ourselves in new markets, focusing on Asia, Africa and Latin America. Our client base will increase through the expansion of our range of products and services, exploring new markets and growth in already established markets.

Being flexible, understanding the needs of our clients, innovation, developing our customer service and investing into our brand will be the benchmarks of the strategic decisions affecting our activities in the coming years. In addition, we seek possibilities to extend our availability to clients, via new offices, customer support and websites in new languages.

In 2020 we will launch a new mobile native app – the next level of on-the-go trading and investing.

Brand

Admiral Markets is a strong brand founded in Estonia. Celebrated its 19th anniversary in March 2020, the focus will be put on making our brand even more visible in our markets and target groups. For that, we will continue with top-rated marketing activities with the help of turning our own people to the best brand ambassadors.

In October 2020, Dubai Expo will be opened. Admiral Markets has announced its participation at the world exhibition, opening the Estonian-based fintech success story to 192 countries participating at the event.

Together with the Expo participation, the Admiral Markets brand will be seen at the most important cross-point in Estonia - Lennart Meri Airport in Tallinn. As Admiral Markets is one of the most international Estonian companies and one of our values is act local, think global, then being present at the airport in one of the gates is the best possible opportunity for our brand to be seen. Tallinn's airport is the centre of international travels where we can greet our potential clients who are arriving in or departing from Estonia.

Admiral Markets as an Employer

As the race for talent is in full swing, we seek opportunities to attract the best employees for our valuable team. We have already adopted MeetFrank as an innovative recruitment tool and this year we will put attention on moving closer to university students and approaching the next generation.

We shall continue with development programs for

our employees, as retaining the best people is one of the key factors defining the success of our business. Self-development and access to various programs and courses in the name of growing professional skills and knowledge is highly appreciated by our employees.

Our Clients

In 2019 we reached the highest number of active clients in our history. In 2020, we seek to continuously increase our client base. At the moment we are considering three new additional licences in Jordan, Canada and the Republic of South Africa, which would empower our local presence.

Our clients' high trust in us is characterised by the fact that most of our clients are long-term clients. At

Admiral Markets, we are constantly moving towards higher client retention, even more so now that the new leverage rules imposed by ESMA and win/loss percentage disclosure are in effect. Our strategic goal is to become one of the most recognised export companies for Estonia. This year we reached the top 10 in the Best Exporter of the Year competition.

The biggest challenge for the upcoming years is accessing Asian markets and offering local instruments in the region. By doing that, we ensure the increase of our portfolio. We must raise the local knowledge and awareness of the business. In that way, we open ourselves up to over 3 billion new potential clients.

Main trends and factors likely to affect our future business

UK Leaving the EU

One of the factors that could affect the activities of Admiral Markets AS is the decision of the UK to leave the EU, as Admiral Markets UK Ltd, the sister company of Admiral Markets AS, is incorporated and licensed in the UK. On February 1st, 2020, the transition period of the UK leaving the EU started. Admiral Markets Cyprus Ltd, subsidiary of Admiral Markets Group AS, has expanded its provision of services to more countries. This means that Admiral Markets is fully prepared for the UK leaving the EU.

Coronavirus

The outbreak of coronavirus at the beginning of 2020 will have an impact on every borderless company and the world economy has already been affected by it. Policymakers have globally put in measures to help businesses during the spread of the virus. Whenever speaking about global chaos, uncertainty and confusion are the biggest sources of concern. Those keywords also apply to the information regarding the virus, as of today, it is unknown when and how it is possible to stop the spread of the virus and when the vaccine will be invented. China, who has been in the front line of the corona-virus, has been able to maintain the new cases of people diagnosed with the virus under control, compared to Europe, especially Italy, which is struggling with the massive outbreak and continuation of the disease.

Uncertainty has an major impact on the financial markets and businesses. The company is closely monitoring the course of events and is prepared to implement precautionary measures to cope with the on-going situation.

At the same time, our whole business/industry is tailor-made for working from anywhere. All our clients can trade and manage their accounts from anywhere, on any device, from home, on the road or wherever.

The same is true for our business systems, which allow our employees to work from anywhere, with highest security standards. Working from home and other remote options are possible. Slack, VPN, cloud data systems, are built for situations like this. We are prepared as a global company and as an employer who cares about the health of its people 24/7.

US President Elections 2020

At the beginning of 2020, before the news about coronavirus started to break in, it was reported that since 2013, the US economy has not been as strong in an election year as today. The US presidential elections will definitely have an impact on the global financial markets and in 2020 we will see markets react accordingly.

Financial results

Economic environment

Admiral Markets has headquarters in Estonia and another 17 offices around the world, along with customers from all over the world, with the main

customer base located in the EU. The products Admiral Markets offers are dependent on economic trends worldwide.

Global Economy

Over the year of 2019, the trade dispute between the US and China has been the main theme – not only for the world of politics, but also among traders around the globe.

Q4/2018 was very volatile due to fears that the US Federal Reserve (FED) 'Put' might not be available anymore (note: 'FED put' refers to the notion the central bank would take action aimed at shoring up asset prices in the event of a tumble), with the FED announcing that the reduction of the FED Balance Sheet was running on auto-pilot and further interest rate hikes might be necessary to reflect the positive US economic outlook. However, the FED announced a U-turn in January 2019 with FED chairman Powell telling market participants the FED would be more flexible, especially in regards to the reduction of the balance sheet.

After the trade dispute between the US and China continued heating up in the first half of 2019, with US president Trump implementing tariffs on multiple Chinese goods worth billions of dollars, and global economic projections pointed to an economic slowdown with the 2-10 year US Treasury yield curve inverting in August and September, instead of hiking interest rates, the FED stepped in and cut interest rates by 25 basis points in July, September and October.

In addition to that, the FED began injecting billions of dollars of liquidity into the repo market from mid-September onwards, when a confluence of events

sent the cost of overnight loans as high as 10%. At exactly this point, one year ago, we asked: "Can the global economy keep on growing without the help of the liquidity provided by global central banks?" In 2020, the answer is an obvious "No".

So, for 2020 and beyond, the FED, European Central Bank (ECB), Bank of Japan and other global central banks must prevent the global economy from drifting into a recession, by supporting the fragile economic environment with liquidity.

However, this might be close to impossible after financial markets were surprised by the Coronavirus pandemic. The UN states that "[...] apart from the tragic human consequences of the COVID-19 coronavirus epidemic, the economic uncertainty it has sparked will likely cost the global economy \$1 trillion in 2020[...]". Further pressure could be added with the US election at the end of the year 2020 and US president Trump being a politician who is not only very erratic but who has made it clear that he is willing to put pressure on global trading partners by installing trade barriers and protectionist policies.

So, the difficulties do not only arise from Trump's trade politics, but also from the fact that central banks need support from all nations combined, ramping up fiscal stimulus and economy-supporting packages, with the target to form an alliance to fight the demon of global recession driven by the Coronavirus.

As the UK and several other European countries have conservative, right-wing and nationalist parties gaining increasing support, it's very difficult to see such a united alliance being formed.

The Eurozone

The Eurozone quarterly economic growth was confirmed at 0.2% in the third quarter of 2019, the same as in the previous three-month period. Household consumption, government spending and fixed investment supported the expansion, while net trade and inventory changes contributed negatively to Gross Domestic Product (GDP). Among the bloc's largest economies, Germany's GDP growth was confirmed at a seasonally adjusted 0.1% in the third quarter of 2019, compared to a 0.2% contraction in the previous three-month period.

Italy's economy grew 0.1% on quarter in the three months to September 2019, the same pace as in

the previous period and in line with preliminary estimates, while France's quarterly economic growth was confirmed at 0.3% in the third quarter of 2019.

After launching further quantitative easing at the September 2019 meeting, ECB president Christine Lagarde has called on European governments to cooperate more closely over fiscal policy to stimulate the stuttering Eurozone economy, clearly showing that future support from the ECB, but also a strong cooperation between the countries of the EU, is necessary to avoid a strong recessive tendency in the Eurozone.

The United States

The US economy grew by an annualised 2.1% in Q3/2019, unchanged from the second quarter estimate and following a 2% expansion in the previous three-month period. The increase in real GDP in the third quarter reflected positive contributions from personal consumption expenditures (PCE), federal government spending, residential investment, exports, and state and local government spending that were partly offset by negative contributions from non-residential fixed investment and private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

At the last FED decision in December 2019, forecasts for inflation and the GDP remained unchanged over the forecast horizon with a median FED long-run GDP growth forecast at 1.9%, a jobless rate at 4.1% and a PCE Price Index at 2.0%.

In general, the December dot plot shows that the Federal Open Market Committee sees interest rates lower than previously expected over the next few years, pointing to the expectation of a slower US and thus slower global economic growth.

The United Kingdom

The economic growth in the United Kingdom was revised slightly higher to 0.4% in the third quarter of 2019. Nevertheless, the CBI Business Optimism Indicator for the UK dropped to -44 in the last quarter of 2019 from -32 in the previous three-month period.

It was the lowest reading since the third quarter of 2019, amid Brexit uncertainty. Optimism about export prospects for the year ahead also worsened to the greatest extent since October 2001 and investment intentions deteriorated, with plans to

spend on buildings, plant & machinery and training & retraining at their most negative since the financial crisis.

In regards to Brexit, the withdrawal agreement passed its second reading in the House of Commons on December 20, 2019 the United Kingdom and Gibraltar left the European Union on January 31, 2020.

Now the clock is ticking in regards to the tangible changes that Brexit will bring: new arrangements for Britain's trade, customs, travel and regulation with the EU and the rest of the world.

Until then, an 11-month transition period ensures that everyday friction points and the biggest challenges of the Brexit project – cross-border travel, personal rights and immigration – remain unchanged until at least December 31.

That said, the main focus will now be on how the slowing economy in Germany will affect the UK's GDP growth, which is also vulnerable to slowing in 2020. The Bank of England has forecast UK GDP to pick up from 0.4% in 2020 Q1 to 1.4% in 2021 Q1, 1.6% in 2022 Q1, and 2.0% in 2023 Q1.

China

The Chinese economy advanced 6.0% year-on-year in the September quarter of 2019, slowing from a 6.2% expansion in the previous quarter and compared with market expectations of 6.1%. It was the weakest growth rate since the first quarter of 1992, amid persistent trade tensions with the US, weakening

global demand and alarming off-balance-sheet borrowings by local governments.

Trading Economics expects the Chinese economy to grow by 6.1% by the end of the first quarter of 2020 and stand at 5.8% in 12 months time.

Significant global events in 2019:

- US House of Representatives impeaches President Donald Trump
- US ends support for Syrian Kurds
- Protests in streets of Hong Kong against the Chinese Government
- Growing geopolitical tensions in the Persian Gulf
- US-China Trade War
- Brexit upends British politics
- North Korea-US Nuclear talks stall

Estonian Economy

GDP in Estonia expanded 1% in the third quarter of 2019 over the previous quarter and advanced 4.2% year-on-year in the third quarter of 2019, following an upwardly revised 3.8% growth in the previous period.

Growth has stabilised at the highest annual growth rate since the last quarter of 2017.

Government spending expanded faster in Q3

compared to Q2 2019 (3.8% vs 0.9%). Meanwhile, both fixed investment (8.1% vs 24.6%) and private consumption (1.2% vs 2.4%) increased at a slower rate in Q3 when compared with Q2. On the other hand, net exports contributed positively to GDP growth, as exports grew by 7.0% (vs 3.3%), while imports rose at a softer 4.4% (vs 5.4%). On the production side, the main contributors to economic growth were information and communication; agriculture, forestry and fishing; professional, scientific &

technical activities; wholesale and retail trade, and manufacturing, transportation and storage. On a seasonally adjusted quarterly basis, Estonia's GDP went up by 1.0% in the third quarter, accelerating from an upwardly revised 0.8% growth in Q2.

Eesti Pank estimates the Estonian GDP Annual Growth Rate to be around 3.50% by the end of Q1/2020 and sees the Estonian GDP Annual Growth Rate at 2.80% in 12 months' time.

Economic forecast by key indicators*

| | 2018 | 2019 E | 2020 E | 2021 E | 2022 E |
|-------------------------------------|-------|--------|--------|--------|--------|
| GDP at current prices (EUR billion) | 26.04 | 27.98 | 29.54 | 30.93 | 32.33 |
| GDP change | 4.8 | 3.4 | 2.3 | 2.0 | 2.2 |
| GDP growth per person employed | 3.5 | 2.6 | 2.0 | 2.0 | 2.4 |
| CPI | 3.4 | 2.4 | 2.2 | 1.8 | 1.7 |
| Unemployment rate | 5.4 | 4.7 | 5.7 | 6.2 | 6.4 |
| Average gross monthly wage (EUR) | 1,310 | 1,408 | 1,497 | 1,579 | 1,665 |
| Average gross monthly wages, change | 7.3 | 7.5 | 6.3 | 5.5 | 5.5 |
| Budget balance (% of GDP)** | -0.5 | -0.2 | -0.2 | -0.2 | 0.0 |

*Numbers reported are annual rates of change in percentages, if not noted otherwise.

**The budget balance forecast only considers those measures on which sufficient information was available at the date of the forecast.

Source: Eesti Pank

Financial review

Main Financial Indicators of Admiral Markets AS

| | 2019 | 2018 | Change 2019 vs 2018 | 2017 | 2016 | 2015* |
|-----------------------------|-------|-------|---------------------|-------|-------|-------|
| Income statement | | | | | | |
| Net trading income, mln EUR | 23.2 | 24.2 | -4% | 19.3 | 18.0 | 16.5 |
| Operating expenses, mln EUR | -19.2 | -15.2 | 26% | -12.7 | -12.5 | -19.4 |
| EBITDA, mln EUR | 5.8 | 10.1 | -43% | 6.4 | 6.3 | -2.3 |
| EBIT, mln EUR | 4.9 | 9.8 | -50% | 6.2 | 5.9 | -2.5 |
| Net profit (loss), mln EUR | 4.6 | 9.5 | -52% | 6.0 | 5.9 | -2.5 |
| | | | | | | |
| EBITDA margin, % | 25% | 42% | -17 | 33% | 35% | -14% |
| EBIT margin, % | 21% | 40% | -19 | 32% | 33% | -15% |
| Net profit (loss) margin, % | 20% | 39% | -19 | 31% | 33% | -15% |
| Cost to income ratio, % | 83% | 63% | 20 | 66% | 69% | 118% |

| | 2019 | 2018 | Change 2019 vs 2018 | 2017 | 2016 | 2015* |
|--|------|------|------------------------|------|------|-------|
| Business volumes | | | | | | |
| Due from credit institutions and investment companies, mln EUR | 26.5 | 22.2 | 19% | 22.0 | 18.0 | 15.6 |
| Debt securities, mln EUR | 9.3 | 10.8 | -14% | 3.3 | 2.4 | 0 |
| Shareholders' equity, mln EUR | 38.8 | 35.6 | 9% | 27.4 | 22.8 | 17.3 |
| Total assets, mln EUR | 47.2 | 39.4 | 20% | 30.6 | 24.1 | 20.4 |
| Off-balance sheet assets (client assets), mln EUR | 2.7 | 3.6 | -25% | 3.3 | 4.4 | 7.8 |
| Number of employees | 147 | 123 | 20% | 124 | 119 | 122 |

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

Equations used for the calculation of ratios:

EBITDA margin, % = EBITDA / Net trading income

EBIT margin, % = EBIT / Net trading income

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

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

Statement of Comprehensive Income

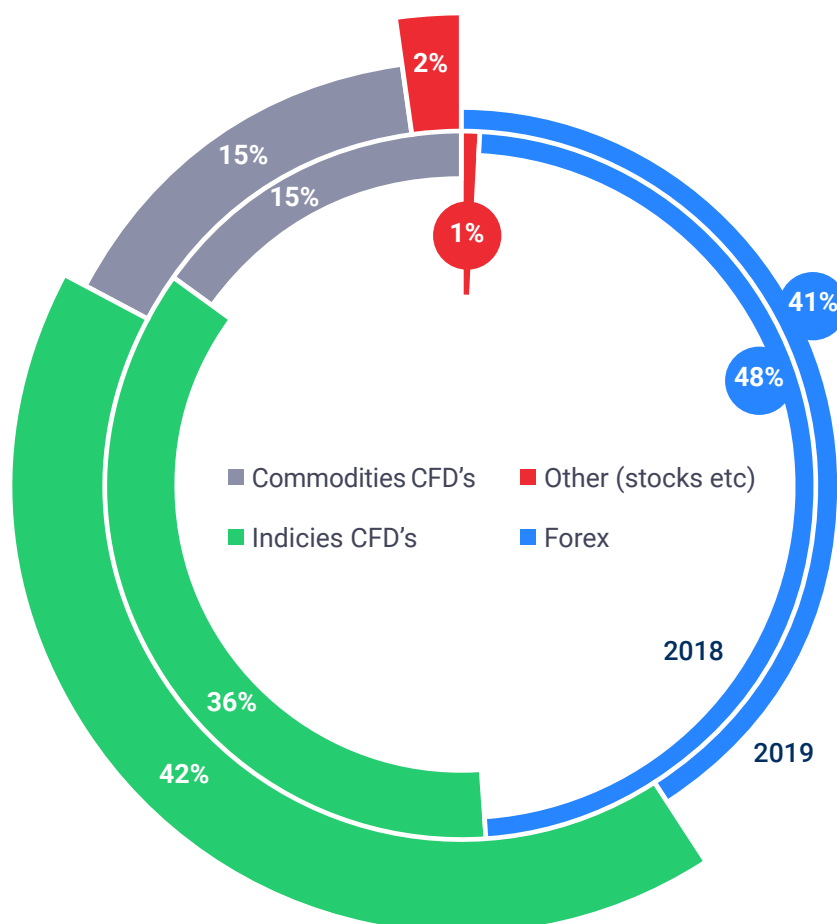
Net Trading Income

Despite low volatility in global markets, Admiral Markets AS managed to maintain its net trading income at the previous year's level in 2019. In 2019, Admiral Markets AS net trading income was EUR 23.2 million compared to EUR 24.2 million in the previous year. At the same time, Group's net trading income increased slightly (around 3%) to EUR 33.5 mln. The results of Admiral Markets AS depend on other companies in the Group, more precisely its sister investment companies, as its sister investment companies hedge the risks arising from their clients' transactions in Admiral Markets

AS only. Active yearly clients increased by 8% in the Group while the value of trades went up by 3% year-on-year in 2019, reaching EUR 590 billion.

In 2019, Forex products accounted for 41% of total gross trading income, a decrease of 7% year-on-year. Forex's share decreased mainly due to a 6% increase in indices CFDs. Commodities CFDs of total gross trading income remained the same as the year before, which is 15% of total gross trading income. The share of other products, such as stocks, increased to 2%.

Gross revenue by asset class, %



Expenses

Operating expenses increased by 26%, which was mainly due to the increase in personnel, marketing and IT costs.

The largest share of total operating expenses for the Company comes from personnel expenses. Personnel expenses increased 37% to EUR 7.0 million in 2019, which accounts for 36% of total operating expenses. There was an increase in personnel expenses due to the increase in the number of employees working in Admiral Markets AS in 2019. Admiral Markets AS had 147 employees by the end of 2019, which is 19% higher compared to 2018. 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, the increase in personnel-related expenses was due to the recruitment of employees that would empower the company to be able to serve more clients.

In 2019 marketing expenses increased by 15% compared to the previous year and reached EUR 5.5 million in 2019, which accounts for over 29% of total operating expenses. The increase in marketing expenses resulted in a 8% higher number of active clients for the Group by the end of 2019 as well as

in a 23% higher number of leads. The increase in leads gives great potential for increasing the number of active clients even more in year 2020.

Due to large-scale IT investments aimed at developing the Company's product and trading platforms, IT costs have increased by 14%. Since 2019, the Company has also focused more on the development of the decentralised blockchain system, which also reflects in the increased IT costs. In 2019, the Company has spent approximately EUR 0.9 million on developing blockchain and KYC/identity technology. The blockchain system is still under development at the time this report is published.

What is more, depreciation and amortization expenses also increased quite substantially, from EUR 0.3 million to EUR 0.9 million in one year. The main reason for the increase is the application of IFRS 16 "Leases", which resulted in Admiral Markets AS office rental space being accounted for as a financial lease asset.

Other larger expense types for the Company are legal and audit services, other outsourced services, rent and utilities and VAT expenses.

Operating expenses by largest expense types:

| Expenses by type, mln EUR | 2019 | 2018 | Change |
|-------------------------------|-------------|-------------|------------|
| Personnel | 7.0 | 5.1 | 1.9 |
| Marketing | 5.5 | 4.8 | 0.7 |
| IT | 2.4 | 2.1 | 0.3 |
| Legal and audit services | 0.3 | 0.3 | 0 |
| Rent and utilities | 0.2 | 0.4 | -0.2 |
| Other outsourced services | 0.2 | 0.5 | -0.3 |
| Regulative reporting services | 0.3 | 0.2 | 0.1 |
| VAT expenses | 0.6 | 0.5 | 0.1 |
| Depreciation/amortization | 0.9 | 0.3 | 0.6 |
| Other | 1.8 | 1.0 | 0.8 |
| Total | 19.2 | 15.2 | 4.0 |

The cost to income ratio increased to 83% by the end of 2019 (2018: 63%). The reason for the latter increase was mainly due to the growth in personnel, marketing and IT costs. IT costs increased due to large-scale IT investments aimed at developing product and trading platforms. Increase in marketing

expenses has a direct relation with growth in the number of active clients. Personnel costs went up to mainly support future client growth by increasing the number of employees working in operational positions.

12:09

0.13K/s 70%



Net income
from trading

23 210 000

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Net Profit

The Company's net profit reached EUR 4.6 million in 2019, which is 51% less than a year earlier (2018: EUR 9.5 million). The Company's net profit margin also decreased and was 20% compared to 39% the previous year. The decrease in net margin was due to

an increase in operating costs as mentioned before.

The return on equity of the Company was 12.4% at the end of 2019 (2018: 30.1%).

Statement of Financial Position

| mIn EUR | 2019 | 2018 | Change |
|---|-------------|-------------|------------|
| Due from credit institutions and investment companies | 26.5 | 22.2 | 19% |
| Debt securities | 9.3 | 10.8 | -14% |
| Total liabilities | 8.4 | 3.8 | 121% |
| Shareholders' equity | 38.8 | 35.6 | 9% |
| Total assets | 47.2 | 39.4 | 20% |
| Off-balance sheet assets (client assets) | 2.7 | 3.6 | -25% |

Admiral Markets AS has a strong and growing balance sheet, with EUR 38.8 million of shareholders' equity and long-term debt of only EUR 5.6 million. Admiral Market AS' balance sheet is liquid as 75% of its balance sheet consists of liquid assets.

As of 31 December 2019, the assets of the Company totaled EUR 47.2 million. Ca 55% of assets are balances due from credit institutions and investment companies. Balances due from credit institutions and investment companies have increased 19% in 2019. A large part of the latter was invested in debt securities in 2019. The debt securities portfolio only consists of high-quality liquid assets and accounts for 20% of total assets.

The Company's non-current assets increased in 2019 by EUR 4.1 million due to the application of

IFRS 16 "Leases", which resulted in Admiral Markets AS' office rental space being accounted for as a financial lease asset and liability. The rest of tangible assets stayed at previous year's level and consist mainly of improvements to the new office in Tallinn. The Company moved to a new office to facilitate the growth of employees over the years. Intangible assets decreased due to amortization and were EUR 0.6 million at the end of 2019. Intangible assets consist mainly of the development costs of Trader's Room 3.

Company's long-term debt consists of subordinated debt securities and finance lease and makes up 12% of the balance sheet total. The increase in liabilities in 2019 is mainly due to the application of IFRS 16 "Leases". All other liabilities are short-term and are mainly liabilities to trade creditors and related

parties, taxes payable and payables to employees.

The off-balance sheet assets (client assets) of the Company totaled EUR 2.7 million in 2019 (2018: EUR 3.6 million). Historically the amount of off-balance sheet assets has decreased for Admiral Markets AS as the strategy of the Group changed and instead

of Admiral Markets AS, its sister company Admiral Markets UK Ltd became the main retail office of the Group's European customers. The latter strategy was mainly chosen due to the high reputation of the United Kingdom business environment and the existence of broader investor protection (Financial Services Compensation Scheme – FSCS).

Key Financial Ratios

| | 2019 | 2018 | Change 2019 vs 2018 | 2017 |
|--------------------------------------|-------|-------|---------------------|-------|
| Net profit per share, EUR | 11.4 | 23.4 | -12.0 | 14.8 |
| Return on equity, % | 12.4% | 30.1% | -17.7 | 23.9% |
| Equity ratio | 1.2 | 1.1 | 0.1 | 1.1 |
| Return on assets, % | 10.6% | 27.1% | -16.5 | 21.9% |
| Short-term liabilities current ratio | 13.4 | 17.3 | -3.9 | 21.9 |

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.

Client Trends

The number of active yearly clients of the Group rose by 8% to 24,148 in 2019 (2018: 22,321 active clients). The Group gained over 10,375 new clients during the year (up 28% from 2018), i.e. clients who traded for the first time in 2019. Admiral Markets AS direct client base constitutes circa 7% of the total clients of the Group. This is in line with the strategy of the Group where Admiral Markets UK Ltd is the main retail office of the Group's European customers. In 2019, Admiral Markets took the first steps to prepare the Group for the UK leaving the EU and will continue with it throughout 2020. The steps taken were closing several branches under Admiral Markets UK Ltd and opening representative offices in these countries instead. As 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, 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 45% year-on-year to EUR 45.9 million in 2019.

When new ESMA regulations were established in August 2018, the client categorisation into retail and professional clients came into the foreground. Before this, there was no real benefit for a client to request professional status – the trading offer, conditions and leverage were the same. Since 2018, Admiral Markets eligible clients could apply to be categorised as professional customers if the client meets the requirements of this amendment. This gives clients access to reduced margin requirements (increased leverage) and full access to all existing and prospective bonus programs. With the new EU regulation, professional clients exclusively get access to higher leverage, up to 1:500, while retail clients have access to leverage of up to 1:30 for Forex majors, 1:20 for index CFDs and lower for other instruments. The Group received a little over 5,700 applications in 2019, out of which circa 12% of applications were accepted. At the end of 2019, the Group had in total 19% of clients categorised as professionals generating ca 55% of total gross trading revenue.

Main Consolidated Financial Indicators of Admiral Markets Group AS:

| | 2019 | 2018 | Change 2019 vs 2018 | 2017 | 2016 | 2015* |
|--|------|------|------------------------|------|------|-------|
| Income statement | | | | | | |
| Net trading income, mln EUR | 33.5 | 32.6 | 3% | 27.0 | 23.0 | 20.2 |
| Operating expenses, mln EUR | 28.1 | 22.0 | 28% | 19.0 | 17.6 | 23.1 |
| EBITDA, mln EUR | 6.9 | 11.2 | -38% | 7.2 | 7.0 | -1.9 |
| Net profit (loss), mln EUR | 5.2 | 10.3 | -50% | 6.5 | 6.5 | -2.2 |
| | | | | | | |
| EBITDA margin, % | 20% | 34% | -14 | 27% | 31% | -9% |
| Net profit margin, % | 16% | 32% | -16 | 24% | 28% | -11% |
| Cost to income ratio, % | 84% | 68% | 16 | 71% | 77% | 114% |
| | | | | | | |
| Business volumes | | | | | | |
| Due from credit institutions and investment companies, mln EUR | 33.7 | 27.8 | 21% | 27.7 | 22.0 | 20.3 |
| Debt securities, mln EUR | 9.3 | 10.8 | -14% | 3.3 | 2.4 | 0 |
| Shareholders' equity, mln EUR | 42.4 | 38.8 | 9% | 29.5 | 24.4 | 18.3 |
| Total assets, mln EUR | 52.0 | 43.4 | 20% | 33.5 | 26.4 | 23.2 |
| Off-balance sheet assets (client assets), mln EUR | 45.9 | 31.6 | 45% | 25.9 | 21.9 | 20.7 |

*Without the extraordinary allowance for doubtful receivables arising from the Swiss franc price fluctuation operating expenses and net income in 2015 were EUR 14.6 million and EUR 1.2 million respectively.

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 the risks associated with Admiral Markets AS in order to ensure the credibility, stability and profitability of Admiral Markets AS.

The Supervisory Board has established risk identification, measurement, reporting and control policies in the risk management policies. Risk control is responsible for daily risk management. Risk management is based on three lines of defense. The first line of defense is the business units that are responsible for risk taking and risk management. The second line of defense includes risk control and compliance functions, which are independent of business operations. The third line of defense is the internal audit function.

As we are exposed to credit and market risk in connection with our retail trading activities, developing and maintaining robust risk management capabilities is a high priority.

We allow our customers to trade notional amounts greater than the funds they have deposited with us through the use of leverage, making management of credit risk a key focus for us. The maximum leverage available to retail traders is generally set by the regulator in each jurisdiction. We manage customer credit risk through a combination of providing trading tools that allow our customers to avoid taking on excessive risk and automated processes that close customer positions in accordance with our policies, in the event that the funds in customers' accounts are not sufficient to hold their positions. For example, our customer trading platforms provide a real-time margin monitoring tool to enable customers to know when they are approaching their margin limits. If a

customer's equity falls below the amount required to support one or more positions, we will automatically liquidate positions to bring the customer's account into margin compliance.

In addition, we actively monitor and assess various market factors, including volatility and liquidity, and take steps to address identified risks, such as proactively adjusting required customer margin.

Admiral Markets AS' key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Company's practice in this area is consistent with the following principles. As part of the internal procedures, the Company applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, maximum value of a single transaction. The Trading Department monitors open positions subject to limits on a regular basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Function reviews the limit usage on a regular basis, and controls the hedges entered into.

For calculating capital requirements for credit and market risk, Admiral Markets AS uses the standardised approach and a basic indicator approach is used for calculating the capital requirement for the operational risk.

An internal capital adequacy assessment process (ICAAP) aimed at identifying the possible need for capital in addition to the regulatory capital requirements is carried out once a year by Admiral Markets AS. As required, Admiral Markets AS provides the ICAAP on Admiral Markets Group AS

consolidated basis. A detailed overview of risks taken by Admiral Markets AS is provided in Note 6 of the annual report.

As at 31.12.2019, the own funds of Admiral Markets AS amounted to EUR 35.4 million (31.12.2018: EUR 27.2 million). The level of own funds of Admiral

Markets AS grew mainly due to the inclusion of 2018 profit in the composition of own funds. At the end of the reporting period, Admiral Markets AS was well capitalised, the capital adequacy level was 21.1% (31.12.2018: 26.7%) and met all regulatory capital requirements in both 2019 and 2018.

Own Funds

| (in thousands of euros) | 31.12.2019 | 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 | 23,254 |
| Intangible assets | -630 | -745 |
| Total Tier 1 capital | 33,548 | 25,354 |
| Subordinated debt securities | 1,827 | 1,827 |
| Total Tier 2 capital | 1,827 | 1,827 |
| Net own funds for capital adequacy | 35,375 | 27,181 |

Capital Requirements

| (in thousands of euros) | 31.12.2019 | 31.12.2018 |
|--|----------------|----------------|
| Credit institutions and investment companies under standardised approach | 6,416 | 5,810 |
| Retail claims under standardised approach | 7,571 | 4,330 |
| Other items under standardised approach | 10,593 | 5,510 |
| Total credit risk and counterparty credit risk | 24,580 | 15,650 |
| Currency risk under standardised approach | 71,263 | 37,677 |
| Position risk under standardised approach | 19,243 | 6,483 |
| Commodity risk under standardised approach | 13,263 | 7,972 |
| Total market risk | 103,769 | 52,132 |
| Credit valuation adjustment risk under standardised method | 25 | 13 |
| Operational risk under basic indicator approach | 39,133 | 34,017 |
| Total capital requirements for capital adequacy calculation | 167,507 | 101,812 |

Capital Adequacy

| | 31.12.2019 | 31.12.2018 |
|-----------------------------|--------------|--------------|
| Capital adequacy | 21.1% | 26.7% |
| Tier 1 capital ratio | 20.0% | 24.9% |

Corporate governance report

Admiral Markets AS pursues its business activities on the basis of and in compliance with the Company's articles of association, national and European legislation, the instructions and recommendations of the Financial Supervision Authority, Nasdaq Tallinn Rules and Regulations and the rules of good governance practices adopted through the internal rules of Admiral Markets AS.

To manage its activities, Admiral Markets AS 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.

Management of Admiral Markets AS takes into account the interests of the whole group of companies united under the Admiral Markets brand and provides an adequate opportunity to customers, investors and other interested parties to obtain an overview of it. Disclosure and governance requirements of Admiral Markets AS must ensure equal treatment of shareholders and investors. Admiral Markets AS adheres to good corporate governance practices, with the exception of the cases outlined in this report.

Management of Admiral Markets AS

General Meeting of Shareholders

Admiral Markets AS' highest governing body is the general meeting of shareholders through which the shareholders of Admiral Markets AS carry out their rights according to the procedure and to the extent laid down in the legislation and articles of association of Admiral Markets AS.

For as long as Admiral Markets AS has only one shareholder, the rules established in good corporate governance for convening the general meeting, information published for shareholders, participation in the general meeting of shareholders and its conduct shall not be applied.

Currently Admiral Markets AS' sole shareholder is Admiral Markets Group AS, registry code 11838516.

At the time of the preparation of this report the main shareholders of Admiral Markets Group AS (holding over 5% of the voting rights represented by their shares) are:

1. Montes Auri OÜ (1,225,000 shares, representing 49.0% of the total number of shares), sole shareholder of which is Alexander Tsikhilov;
2. Alexander Tsikhilov (684,375 shares, representing 27.375% of the total number of shares);
3. Laush OÜ (446,250 shares, representing 17.85% of the total number of shares), sole shareholder of which is Dmitri Lauš.

The rest of the shareholders hold less than 2% each of the total number of shares.

Supervisory Board

The Supervisory Board exercises strategic management and performs the supervisory function. The members of the Supervisory Board are elected at the general meeting of Admiral Markets AS. Persons who have sufficient knowledge and experience for participating in the work of the Supervisory Board are elected as members of the Supervisory Board. In electing a member of the Supervisory Board, characteristics of the activities of the Supervisory

Board and Admiral Markets AS, potential risk of conflict of interests, and if necessary, the person's age are taken into account. Not more than two (2) former members of the Management Board who were members of the Management Board of Admiral Markets AS or an entity controlled by Admiral Markets AS less than three (3) years ago shall simultaneously be members of the Supervisory Board.

Supervisory Board of Admiral Markets AS:

- plans the operations of Admiral Markets AS in collaboration with the Management Board;
- organises the management of Admiral Markets AS (including participation in making important decisions concerning the operations of Admiral Markets AS);
- supervises the activities of the Management Board in accordance with the procedures and to the extent established by the legislation, inter alia regularly assesses the Management Board's actions in implementing Admiral Markets AS' strategy, financial condition, risk management system, legality of the activities of the Management Board and whether essential information about Admiral Markets AS is disclosed to the Supervisory Board and to the public as required; and
- determines and regularly reviews Admiral Markets AS' strategy, its general action plan, risk management policies and annual budget.

In addition to the activities prescribed by the law and internal rules of Admiral Markets AS, the Supervisory Board gives its consent to the Management Board in issues that are outside the daily business operations and in issues described in law that require the consent of the Supervisory Board. In the framework of regular meetings, the Supervisory Board received regular reviews of operational and financial results of Admiral Markets AS.

As a result of the decisions of Admiral Markets AS general meetings the Supervisory Board members of Admiral Markets AS, at the time of preparation of the annual report, are:



Alexander Tsikhilov

Chairman of the Supervisory Board

Has been involved in several commercial projects, including the provision of Internet services. Founded Admiral Markets in 2001. Obtained a master's degree in 2006 and a doctorate in Business Administration from the Swiss Business School in 2015.



Anatolii Mikhilchenko

Member of the Supervisory Board

Joined Admiral Markets in 2004 as IB (introducing broker) manager. Obtained a degree from ITMO University in Saint Petersburg. Has been working as a Chairman of the Supervisory Board for Admiral Markets Group AS since 2011.



Anton Tikhomirov

Member of the Supervisory Board

Has been working in the industry since 1999 and has managerial experience in a financial broker firm. Joined Admiral Markets during the company's merging with the local Russian broker. Has been developing Admiral Markets' business activity in Spain and Latin America. Currently responsible for the supervision of the regional structure as well as research and development of the Group's KPIs and other critical business metrics.

The Supervisory Board may set up committees. When setting up committees by the Supervisory Board, Admiral Markets AS publishes on its website information about the existence, functions, composition and location of committees in the Admiral Markets AS structure. In case of a change

in circumstances related to committees, Admiral Markets AS shall publish the content and time of implementation of the amendment in the same procedure. The Supervisory Board has set up four committees, whose responsibilities and structure is presented below.

Credit Committee:

- evaluates the compliance of the leverage (credit), which is offered to the clients by companies that belong to the same consolidation group as Admiral Markets AS in relation to the use of investment services, with applicable legislation and risk management principles of Admiral Markets AS;
- develops and makes proposals to the Management Board for establishing the limits of the credit offered to clients; and
- evaluates, at least once a year and each time when applicable legislation is amended, the implementation of credit limits and, where

necessary, makes a proposal for updating the limits of credit and prepares a corresponding draft resolution.

The members of the Credit Committee are the Chairman of the Management Board of Admiral Markets AS Sergei Bogatenkov, members of the Supervisory Board of Admiral Markets AS Anatolii Mikhachenko and Anton Tikhomirov. The Members of the Credit Committee receive no fee for membership in the committee.

Remuneration Committee:

- evaluates the implementation of the remuneration principles (including the reward system) in Admiral Markets AS and companies that belong to the same consolidation group;
- evaluates the impact of the remuneration-related resolutions on compliance with the requirements laid down about risk management and prudential requirements; and
- exercises supervision of the remuneration (including rewarding) of members of the Management Board and employees of Admiral Markets AS and of companies that belong to the same consolidation group as Admiral Markets AS, and evaluates, at least once a year, the implementation of the remuneration principles and, where necessary, makes a proposal for

updating the remuneration principles and prepares draft remuneration resolutions for the Supervisory Board (concerning the remuneration of members of the Management Board) and the chairperson of the Management Board (concerning the remuneration of employees), respectively.

The members of the Remuneration Committee are Anatolii Mikhachenko and Anton Tikhomirov, who are members of the Supervisory Board of Admiral Markets AS. The Members of the Committee receive no fee for membership in the committee.

Risk and Audit Committee:

- evaluates the implementation of the risk management principles in Admiral Markets AS and in companies that belong to the same consolidation group, following the risk management principles of Admiral Markets AS and applicable legislation;
- upon occurrence of unexpected events that may have a significant impact on Admiral Markets AS and/or on a company that belongs to the same consolidation group, ensures the implementation of the procedure that guarantees the continuity of activities and, where necessary, develops without delay, a more detailed or additional action plan in order to prevent or at least minimise an adverse impact on Admiral Markets AS and on companies that belong to the same consolidation group;
- evaluates, at least once a year, the implementation of the risk management principles and the principles of ensuring the continuity of activities and makes proposals, where necessary, for updating these principles and prepares, where necessary, proposals for amendment;
- advises the Supervisory Board on exercising supervision of accounting, auditing and internal control, establishment of the budget as well as lawfulness of activities;
- monitors and analyses processing financial information to the extent that is necessary for preparing interim and annual reports, efficiency of risk management and internal control, the process of auditing annual accounts or a consolidated report and independence of an audit firm and a sworn auditor that represents it on the basis of law as well as the compliance of their activities with the requirements of the Auditors Activities Act;
- makes proposals and recommendations to the Supervisory Board for appointing or recalling an audit firm, appointing or recalling an internal auditor, preventing or removing problems and inefficiency in the organisation and for compliance with legislation and good professional practice.

The members of the Risk and Audit Committee are Anatolii Mikhhalchenko and Anton Tikhomirov, who are members of the Supervisory Board of Admiral Markets AS, and Olga Senjuškina, who is a member of the Supervisory Board of Admiral Markets Group AS. Members of the Risk and Audit Committee receive no fee for membership in the committee.

Nomination Committee:

- submits proposals to a corresponding management body of Admiral Markets AS or of a company that belongs to the same consolidation group for appointing members of a lower level management body;
- finds suitable candidates, assesses their background and compliance with the requirements stipulated in legislation and the internal procedures of Admiral Markets AS and the companies belonging to the same consolidation group and, if possible, makes its reasoned proposals two (2) weeks before the appointment of the member of the respective managing body.

The members of the Nomination Committee are Anatolii Mikhhalchenko and Anton Tikhomirov, who are both members of the Supervisory Board of Admiral Markets AS. The members of the Nomination Committee receive no fee for membership in the committee.

Management Board

The Management Board coordinates day-to-day operations of the company according to the legislation, articles of association and decisions of the Supervisory Board, acting in the most economical manner to adhere to Admiral Markets AS' and its clients' best interests.

Members of the Management Board are elected by the Supervisory Board. The Management Board of Admiral Markets AS must have at least two members.

Members of the Management Board of Admiral Markets AS must meet, inter alia, the following requirements:

- must have a university degree or equivalent education and experience necessary for managing an investment company;
- may not be at the same time member of the Management Board of more than two (2) entities whose securities are listed on the stock exchange (the issuer), or Chairman of the Supervisory Board of another issuer. A Member of the Management Board may be Chairman of the Supervisory Board of the issuer that belongs to the same group as Admiral Markets AS.

At the time of preparation of the annual report, the Management Board of Admiral Markets AS consisted of three members:



Sergei Bogatenkov

Chairman of the Management Board

Joined Admiral Markets in 2014. Obtained a bachelor's degree in Economics and a master's degree in Corporate Finance from the Tallinn University of Technology. Has over 10 years of experience in consulting, banking and asset management. Held various positions in Swedbank, Ernst&Young, and Bank of Estonia.



Dmitri Lauš

Member of the Management Board

Appointed on 26.08.2019. Obtained in 2019 executive master degree in Business Administration from IE University (Madrid, Spain). Together with Alexander Tsikhilov, founded the headquarters of Admiral Markets in Estonia. With a background in financial technology, he plays an integral part in the Company's technological development and innovation initiatives, and with his expertise in global human resource management he contributes to further capacity building of the Company and its personnel.



Jens Chrzanowski

Member of the Management Board

Appointed on 10.02.2020. Jens Chrzanowski has been a member of the Management Board of Admiral Markets Group AS since 2017. He founded the Berlin Office of Admiral Markets in 2011 and under his leadership Admiral Markets has won the most significant awards and recognitions in the financial world in Germany in 2019. Prior to joining Admiral Markets, Jens Chrzanowski has worked at FXCM, a finance firm, as a senior sales associate, at E*Trade as a sales manager and as a brokerage consultant at Deutsche Bank.

Remuneration of the Management Board and the Supervisory Board

Remuneration of the members of the Management Board and the Supervisory Board, including the reward system, must be such that it motivates the person to act in the best interests of Admiral Markets AS and refrain from acting in his or her own or another person's interest.

Admiral Markets AS does not disclose remuneration of individual members of the Management Board

and Supervisory Board, since according to the contract concluded with them, it is confidential information.

The total management remuneration is disclosed as an aggregate amount and set out in the annual report.

Financial Reporting and Auditing

Admiral Markets AS prepares and publishes the annual report of the financial year on its website each year. The annual report is subject to an audit.

Upon agreement with the auditing company, the fee to be paid to the auditor is not subject to disclosure and is treated as confidential.

Considering the proposals of the Management Board and the auditor's consent, under the resolution of the sole shareholder of Admiral Markets AS of 27.10.2019, Admiral Markets AS' auditor for the 2019 annual report is company AS PricewaterhouseCoopers, registry code 10142876.

During 2019, the Company's auditor has provided other assurance services, the provision of which is the obligation arising from the Securities Market Act.

Disclosure of Information

Admiral Markets AS has a website which includes a specially developed subsite for investors www.admiral.ee. This website is available in both Estonian and English languages. This website contains annual reports (including Corporate Governance Report), interim reports, articles of association, composition of the Management Board and Supervisory Board and the information about the auditor. Since 2016, the annual reports are also available in English.

Admiral Markets AS neither discloses the financial calendar, information disclosed to financial analysts or other persons, nor times and locations for meeting analysts, investors and the press, as these are not necessary considering the current activities of Admiral Markets AS and high awareness of its parent company, the sole shareholder Admiral Markets Group AS.

2. Financial Statements



Statement of Financial Position

| (in thousands of euros) | Note | 31.12.2019 | 31.12.2018 | 01.01.2018 |
|--|------|---------------|---------------|---------------|
| Assets | | | | |
| Due from credit institutions | 8 | 19,757 | 15,467 | 16,346 |
| Due from investment companies | 8 | 6,786 | 6,738 | 5,656 |
| Financial assets at fair value through profit or loss | 9 | 9,759 | 11,047 | 3,411 |
| Loans and receivables | 10 | 3,983 | 3,044 | 3,368 |
| Inventories | | 0 | 61 | 0 |
| Other assets | 11 | 912 | 1,045 | 1,330 |
| Tangible assets | 12 | 1,283 | 1,267 | 398 |
| Right-of-use asset | 12 | 4,059 | 0 | 0 |
| Intangible assets | 13 | 630 | 745 | 93 |
| Total assets | | 47,169 | 39,414 | 30,602 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 9 | 66 | 176 | 177 |
| Liabilities and prepayments | 14 | 2,349 | 1,843 | 1,175 |
| Lease liabilities | 16 | 4,145 | 0 | 0 |
| Subordinated debt securities | 17 | 1,827 | 1,827 | 1,827 |
| Total liabilities | | 8,387 | 3,846 | 3,179 |
| Equity | | | | |
| Share capital | 20 | 2,586 | 2,586 | 2,586 |
| Statutory reserve capital | | 259 | 259 | 259 |
| Retained earnings | | 35,937 | 32,724 | 24,579 |
| Total equity | | 38,782 | 35,568 | 27,423 |
| Total liabilities and equity | | 47,169 | 39,414 | 30,602 |

Notes on pages 64 to 122 are an integral part of the Financial Statements.

Statement of Comprehensive Income

| (in thousands of euros) | Note | 2019 | 2018 |
|--|-----------|---------------|---------------|
| Net gains from trading of financial assets at fair value through profit or loss with clients and liquidity providers | | 34,838 | 34,081 |
| Brokerage fee income | | 71 | 85 |
| Brokerage and commission fee expense | | -11,708 | -9,960 |
| Other trading activity related income | | 31 | 74 |
| Other trading activity related expense | | -22 | -44 |
| Net income from trading | 22 | 23,210 | 24,236 |
| Other income | | 777 | 475 |
| Other expense | | -202 | -98 |
| Interest income calculated using the effective interest method | | 75 | 67 |
| Interest income similar to interest | | 183 | 99 |
| Interest expense | | -224 | -147 |
| Net gains on exchange rate changes | | 266 | 380 |
| Net gains at fair value through profit or loss | | 50 | 0 |
| Personnel expenses | 23 | -7,006 | -5,082 |
| Operating expenses | 24 | -11,268 | -9,843 |
| Depreciation of tangible and intangible assets | 12,13 | -526 | -283 |
| Depreciation of right-of-use assets | 12 | -420 | 0 |
| Profit before income tax | | 4,915 | 9,804 |
| Income tax | 18 | -311 | -334 |
| Profit for the reporting period | | 4,604 | 9,470 |
| Total comprehensive income for the reporting period | | 4,604 | 9,470 |
| Basic and diluted earnings per share | 20 | 11.40 | 23.44 |

Notes on pages 64 to 122 are an integral part of the Financial Statements.

Statement of Cash Flows

| (in thousands of euros) | Note | 2019 | 2018 |
|---|------|--------------|--------------|
| Cash flow from operating activities | | | |
| Profit | | 4,604 | 9,470 |
| Adjustments for non-cash income and expenses: | | | |
| Depreciation of tangible and intangible assets | | 946 | 283 |
| Gains on the sale of tangible assets | | 9 | 0 |
| Interest income | | -258 | -166 |
| Interest expense | | 224 | 147 |
| Allowance for doubtful receivables | | 25 | 49 |
| Corporate income tax expenses | | 311 | 334 |
| Other financial income and expenses | | -266 | -380 |
| Gain of financial assets at fair value through profit or loss | | -50 | 0 |
| Operating cash flows before working capital changes | | 5,545 | 9,737 |
| Changes in working capital: | | | |
| Change in amounts due from investment companies | | -49 | -1,081 |
| Change in trade receivables | 10 | 61 | 504 |
| Change in other assets | 11 | 133 | 1,148 |
| Change in derivative assets | | -30 | -55 |
| Change in payables and prepayments | | 885 | -667 |
| Change in the derivative liabilities | | -110 | -1 |
| Changes in inventories | | 61 | -61 |
| Operating cash flows before interest and tax | | 6,496 | 9,524 |

| | | | |
|---|----------|---------------|---------------|
| Interest received | | 61 | 55 |
| Interest paid | | -223 | -146 |
| Corporate income tax paid | | -311 | -334 |
| Net cash from operating activities | | 6,023 | 9,099 |
| Cash flow from investing activities | | | |
| Disposal of tangible and intangible assets | 12 | 20 | 2 |
| Purchase of tangible and intangible assets | 12,13 | -496 | -1,800 |
| Loans granted | 10 | -1,000 | -300 |
| Acquisition of financial assets at fair value through profit or loss | | -4,906 | -18,342 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 6,466 | 11,519 |
| Net cash used in investing activities | | 84 | -8,921 |
| Cash flow from financing activities | | | |
| Dividends paid | 20 | -1,390 | -1,325 |
| Repayment of principal elements of lease liability | | -406 | 0 |
| Net cash from/used in financing activities | | -1,796 | -1,325 |
| TOTAL CASH FLOWS | | 4,311 | -1,147 |
| Cash and cash equivalents at the beginning of the period | 8 | 15,467 | 16,014 |
| Change in cash and equivalents | | 4,311 | -1,147 |
| Effect of exchange rate changes on cash and cash equivalents | | -21 | 600 |
| Cash and cash equivalents at the end of the period | 8 | 19,757 | 15,467 |

Notes on pages 64 to 122 are an integral part of the Financial Statements.

Statement of Changes in Equity

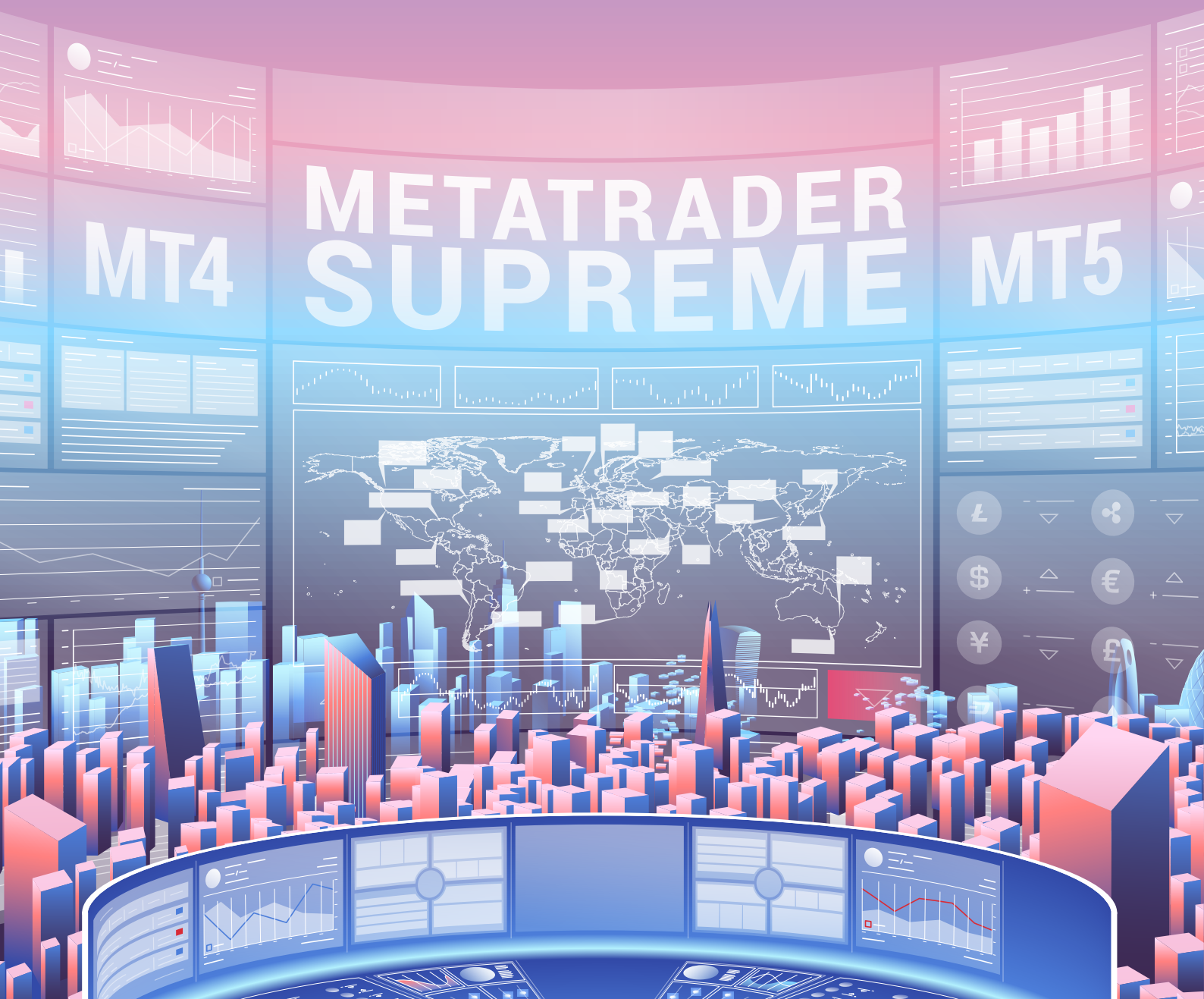
| (in thousands of euros) | Share capital | Statutory reserve capital | Retained earnings | Total |
|--|---------------|---------------------------|-------------------|---------------|
| Balance as at 01.01.2018 | 2,586 | 259 | 24,579 | 27,423 |
| Dividends paid | 0 | 0 | -1,325 | -1,325 |
| Profit for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

| | | | | |
|--|--------------|------------|---------------|---------------|
| Balance as at 01.01.2019 | 2,586 | 259 | 32,724 | 35,568 |
| Dividends paid | 0 | 0 | -1,390 | -1,390 |
| Profit for the reporting period | 0 | 0 | 4,604 | 4,604 |
| Total comprehensive income for the reporting period | 0 | 0 | 4,604 | 4,604 |
| Balance as at 31.12.2019 | 2,586 | 259 | 35,938 | 38,782 |

For more information of share capital refer to Note 20.

Notes on pages 64 to 122 are an integral part of the Financial Statements.

3. Notes to the Financial Statements



1. General information

ADMIRAL MARKETS AS (hereinafter “Admiral Markets” and “Company”) is an investment company since 05.06.2009. The Company’s head office is located at Maakri 19/1, Tallinn, Estonia. The annual report for the year ending 31 December 2019 was approved for publication on 16.03.2020 in accordance with the management’s decision. The

annual report approved by the Management shall be authorized for approval by Supervisory Board and shareholders. Shareholders have the right to approve or disapprove the financial statements and require management to compile new ones. The Supervisory Board does not have that right.

2. Presentation and classification changes

In 2019, the Company has decided to follow the financial statements presentation of best market practices for credit institutions and investment companies and due to that has changed the presentation of its statement of financial position and statement of cash flows. The statement of financial position is now presented in order of liquidity

because the entity does not have any identifiable operating cycle. In addition, some immaterial classification errors have been corrected due to the new presentation to provide better comparability between the reporting periods.

Impact of presentation change on the statement of financial position:

| Statement of Financial Position line item | 31.12.2018 new presentation | Impact of change | 31.12.2018 old presentation |
|--|-----------------------------|------------------|-----------------------------|
| Cash and cash equivalents | 0 | -22,205 | 22,205 |
| Due from credit institutions | 15,467 | 15,467 | 0 |
| Due from investment companies | 6,738 | 6,738 | 0 |
| Short-term loans, receivables and prepayments | 0 | -1,639 | 1,639 |
| Long-term loans | 0 | -2,500 | 2,500 |
| Loans and receivables | 3,044 | 3,044 | 0 |
| Other assets | 1,045 | 1,045 | 0 |
| Financial assets and liabilities at fair value through profit and loss | 11,047 | 50 | 10,997 |
| Inventories | 61 | 0 | 61 |
| Tangible assets | 1,267 | 0 | 1,267 |

| | | | |
|---------------------|---------------|----------|---------------|
| Intangible assets | 745 | 0 | 745 |
| Total assets | 39,414 | 0 | 39,414 |

Due to the changes in statement of financial positions presentation, several presentation changes have also occurred for statement of cash flows. The most important change is due to the presentation of due from credit institutions and investment companies, as stated above. Together with the presentation change, management has changed its previous significant judgment that funds deposited at investment companies meet the cash and cash equivalents criteria. Although the funds

deposited in investment companies are still highly liquid and subject to insignificant risk of change in value, the management has decided to present these deposits as receivables and not as cash and cash equivalents, considering the nature and purposes of these balances in the entity's activities. Therefore, the cash and cash equivalents balance as at 1.1.2018 and 31.12.2018 and the related line items in the statement of cash flows have been restated as follows:

| Statement of Cash flows line item | 31.12.2018 new presentation | Impact of change | 31.12.2018 old presentation |
|--|-----------------------------|------------------|-----------------------------|
| Change in amounts from investment companies | -1,081 | -1,081 | 0 |
| Change in trade receivables | 504 | 504 | 0 |
| Change in other assets | 1,148 | 1,148 | 0 |
| Change in receivables and prepayments relating to operating activities | 0 | -1,321 | 1,321 |
| Net cash from operating activities | 9,099 | -870 | 9,969 |
| TOTAL CASH FLOWS | -1,147 | -870 | -277 |
| Cash and cash equivalents at the beginning of the period | 16,014 | -5,657 | 21,671 |
| Change in cash and equivalents | -1,147 | -870 | -277 |
| Cash and cash equivalents at the end of the period | 15,467 | -6,527 | 21,994 |

3. Accounting policies and estimates used in preparing the financial statements

The financial statements of Admiral Markets AS have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. In addition to the information complying with International Financial Reporting Standards, financial statements include information on risk management, own funds and capital adequacy that must be disclosed pursuant to §110¹ of the Securities Market Act that is presented in Note 6. The financial statements contain the financial results of Admiral Markets AS and its branch and representative office.

These financial statements are not consolidated since Admiral Markets AS has one subsidiary in Canada which is currently inactive. ie it had no activities in 2019.

The key accounting policies used in the financial statements are outlined below. These policies have been used consistently in all of the years presented, unless otherwise stated. These financial statements have been prepared under the historical cost convention, except for the cases when described otherwise in the following accounting policies.

An overview of new standards and amendments to certain standards and interpretations that have been published by the time of preparation of these financial statements, as well as the assessment of the Company's management on the effect of adoption of new standards and interpretations is disclosed in Note 4.

The preparation of the financial statements requires making estimates. Estimates are based on the information about the Company's status, intentions and risks at the date of preparing the financial statements. The final result of economic transactions recognised in the financial year or in previous periods may differ from the current period estimates.

The financial year started on 1 January 2019 and ended on 31 December 2019. The Company's functional currency is the euro. The annual financial statements are presented in thousands of euros, unless otherwise stated.

Recognition of foreign currency transactions and financial assets and liabilities denominated in foreign currencies

a) Functional and presentation currency

The Company's functional and presentation currency is euro.

b) Transactions and balances in a foreign currency

Foreign currency transactions are recorded at the official currency exchange rates quoted by the European Central Bank on the transaction day. Monetary assets and liabilities denominated in

foreign currencies are translated into euros at the official foreign currency exchange rates quoted by the European Central Bank prevailing at the balance sheet date. The fair value of derivatives is measured by the exchange rate quoted by the European Central Bank prevailing at the balance sheet date. Gains and losses on translation from assets and liabilities are recognised in the statement of profit or loss under "Net gains on exchange rate changes." Non-monetary financial assets and liabilities not measured at fair value denominated

in foreign currencies (e.g. prepayments, tangible and intangible fixed assets) are not translated at the balance sheet date, but are measured based on

the foreign currency exchange rates of the European Central Bank prevailing at the transaction date.

Financial assets

Classification

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

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

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

Recognition and derecognition

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

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

Measurement

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

Debt instruments (Loans and debt securities)

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

of the asset.

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

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

Financial assets of the Company are classified in these categories:

- Cash and cash equivalents;
- Trade receivables;
- Loans;
- Other receivables.

FVPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at FVPL. This is the case if the business model is held for trading; where financial assets are considered held for trading if they are held with the intention to be sold in the short-term and for the purpose of generating profits. Debt instruments are mandatorily measured at fair value through profit or loss if the assets are managed and evaluated on a fair value basis or the assets are held with an intention to sell,

or alternatively, if the cash flows do not consist of solely payments of principal and interest. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in the period in which it arises. The contractual interest earned is recognized in the statement of profit and loss line Interest income.

The following financial assets of the Company are measured FVPL:

- Bonds

Equity instruments

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

Derivative financial instruments

Derivative financial instruments, including futures, forward contracts, options contracts and other instruments that are related to the change in underlying assets are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company does not apply hedge accounting.

Impairment

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

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without

undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. The Company uses expert based individual assessments for calculating ECLs.

The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

At the end of each reporting period the Company performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Indicators include payments that are past due >30 days and <90 days and financial assets whose contractual terms have been revised due to the customer's financial difficulties. In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. The approach is symmetrical, meaning that in subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial asset moves back to Stage 1.

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

Assessment of fair value

The Company assesses financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based on the assumption that the asset is sold or liability is settled:

- under the conditions of the primary market of the asset or liability, or
- in case of absence of such primary market in the most favourable market condition for the asset or liability.

The Company must have access to the primary or the most favourable market. In assessing the fair value of the asset or liability, it is expected that market participants are pricing the asset or liability based on the determination of their economic interests.

The Company uses fair value valuation techniques that are appropriate in the circumstances and for which there is sufficient data to estimate the fair value, maximizing the use of relevant observable inputs and minimize the use of unobservable inputs.

All assets and liabilities that are valued at fair value or disclosed in the financial statements, are classified in accordance with the fair value hierarchy, which is described below and are based on the lowest level input that is essential to the fair value measurement:

Level 1 – Quoted prices (unadjusted) for identical assets and liabilities on an active market;

Level 2 – Valuation techniques for which the lowest level of significant inputs are directly or indirectly observable;

Level 3 – Valuation techniques for which the lowest level of significant inputs are not observable directly or indirectly.

The Company assesses at the end of each reporting period whether the assets and liabilities, which are recorded in the financial statements throughout different periods require reclassification between levels (based on the lowest input, which is important for estimating the fair value).

Cash and cash equivalents

Due from credit institutions and investment firms include short-term (with maturity of less than three months) demand deposits, which have no material market value change risk, and cash on trading accounts.

For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits with Credit institutions.

Recognition of off-balance sheet assets and liabilities

Admiral Markets AS acts as an intermediary of investment services and is responsible for keeping their clients' deposited funds under their control.

As a result of the pass-through arrangement, the assets are considered as off-balance sheet assets, see Note 19.

Tangible assets

Property, plant and equipment are recorded in the statement of financial position at cost less any accumulated depreciation and impairment losses. The Company depreciates items of property, plant

and equipment under the straight-line method. The following useful lives are generally assigned to items of property, plant and equipment:

| Group of property, plant and equipment | Useful life |
|--|-------------|
| Vehicles | 3-5 years |
| Other tangible assets | 3 years |

The depreciation methods, useful life and residual value of items of property, plant and equipment are reviewed at least once at the end of each financial year and if estimates differ from previous estimates, the changes are recorded as changes in accounting estimates, i.e. prospectively.

If costs incurred for an item of property, plant and equipment are such that meet the definition of property, plant and equipment, these costs are added to the acquisition cost of the item of property, plant and equipment. Ongoing maintenance and repair costs are expensed as incurred.

Intangible assets

Intangible assets are initially recognised and subsequently measured in the statement of financial position on the basis of the same principles as applied to items of property, plant and equipment.

Intangible assets are amortised using the straight-line method. The following useful lives are generally assigned to intangible fixed assets:

| Group of intangible asset | Useful life |
|---------------------------|-------------|
| Licenses, software | 5 years |

If any indication exists that intangible assets may be impaired, an impairment test will be carried out on the same basis as for property, plant and equipment.

intention to implement the project, the Company can use or sell the asset and the amount of development costs and future economic benefits generated by the intangible asset can be determined reliably.

Development costs are capitalised if there exist technical and financial resources and a positive

Impairment of tangible and intangible assets

At each balance sheet date, the Company's management assesses whether there are signs that may indicate that the asset may be impaired. If there is an indication that an asset may be impaired, an impairment test is carried out. The recoverable amount is equal to the higher of the asset's fair value (less costs to sell) or value in use based on the discounted cash flows. If the test reveals that the recoverable amount is lower than its carrying amount, the non-current asset is written down to its recoverable amount. If an impairment test cannot be carried out in respect of an individual asset, then the

recoverable amount is determined for the smallest group of assets (cash-generating unit) to which the asset belongs. Asset impairments are recognised as loss in the accounting period.

If as a result of the impairment test of a previously impaired asset, the asset's recoverable value exceeds its carrying amount, the earlier impairment loss is reversed and the carrying amount of the asset is increased. The maximum limit is the carrying amount of the asset that would have been recognized using regular depreciation over the years.

Accounting for financial liabilities

The Company classifies financial liabilities either:

- (a) financial liabilities measured at fair value through profit or loss, or
- (b) financial liabilities measured at amortised cost.

Recognition of a financial liability (derivative) at fair value through profit or loss is disclosed under accounting policy Financial assets Derivative financial instruments. All other financial liabilities are subsequently measured at amortised cost using the effective interest method. Transaction costs are included in the calculation of the effective interest rate. The difference between the proceeds (less transaction costs) and redemption value are recognised in the statement of profit or loss during the term of the instrument, using the effective interest rate. Interest costs are included in the statement of profit or loss line "Interest expenses".

Debt securities issued and similar subordinated debts are initially recognised at fair value, less transaction costs (cash received less transaction costs). The subordinated debts are those liabilities, which in case of a liquidation of an investment company or declaration of bankruptcy, are settled after the satisfaction of the justifiable claims of other creditors. Other financial liabilities (trade payables and accrued expenses) are initially recognised at fair value less transaction costs and are subsequently carried at amortised cost.

Financial liabilities are derecognised when they are extinguished (ie. when the obligation specified in the contract is discharged, cancelled or expired).

Payables to employees

Payables to employees include the calculated but unpaid salaries and vacation pay liabilities as of the balance sheet date. Vacation pay liabilities are recognised together with social and unemployment

insurance taxes in the statement of financial position under liabilities and prepayments and in the statement of profit or loss under personnel expenses.

Leases

Finance lease

Company as a lessee from 1 January 2019

IFRS 16 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 is as lessee in all lease agreements. Admiral Markets AS leases office space. At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Initial measurement

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee

in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

Subsequent measurement

After the commencement date, 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 applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

After the commencement date, a lessee shall measure the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee recognises in profit or loss interest on the lease liability.

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

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

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.

Admiral Markets AS leases

The Company has adopted IFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. Therefore, the information about the comparatives for the 2018 reporting period are presented under the previous leasing standard IAS 17 and respective interpretations. The cumulative

effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

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.

On initial application at 1st of January 2019, the Company applied the following weighted average lessee's incremental borrowing rates to the lease liabilities: 2% for premises.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard for leases previously classified as operating leases:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- not to apply the requirements of IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application;
- leases of low value assets have been excluded; and
- exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Company has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all 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. Low-value assets comprise of parking rent and IT equipment.

More information about the right-of-use asset and lease liability is disclosed in notes 12 and 16.

Operating lease

Other lease agreements are treated as operating leases.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Leases accounting principles until 31 December 2018

A finance lease is a lease relationship where substantial risks and rewards related to the

ownership of the asset are transferred to the lessee.

Other lease agreements are treated as operating leases.

Company as the lessee

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Provisions and contingent liabilities

The Company establishes provisions for obligations of uncertain timing or amount. The amount and timing of the provision is determined on the basis of management or expert estimates.

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event, the realization of the provision in the form of outflow of resources is likely (over 50%) and the amount of the provision can be reliably determined.

Costs related to the realization of the provision are estimated at the balance sheet date and the amount

of the provision is revalued at each balance sheet date. If the provision is likely to be realized in more than one year, it is recorded at discounted present value. Discounting is based on market interest rates for similar liabilities.

Provisions include potential litigation costs, fines and other obligations, the realization of which is possible and known to the management.

Contingent liabilities are liabilities whose probability of settlement is less than 50% or whose amount cannot be reliably estimated. Contingent liabilities are recognized off-balance sheet.

Distinction between short- and long-term assets and liabilities

Assets from which resources are expected to flow to the Company within 12 months are recognised as current assets. The portion of assets with expected inflows later than 12 months after the end of the reporting period is recognised as non-current assets (see Note 6).

Liabilities are classified as current when they are due within twelve months after the end of the reporting period or if the Company does not have an unconditional right to defer the payment for later

than 12 months after the end of the reporting period. Loans received with due date within 12 months after the end of the reporting period which are refinanced as non-current after the end of the reporting period but before the financial statements are authorised for issue, are recognised as current.

For all long-term assets and liabilities, the long-term portion is separately disclosed in respective disclosure to these financial statements (see Note 6).

Corporate income tax

According to the current Income Tax Act, the profits distributed as dividends are taxed at the rate of 20/80 from the net dividend paid. Corporate income tax on dividends is recognised as an income tax expense in the statement of comprehensive income in the period when the dividend is declared, regardless of the period for which they are announced or when the dividends are paid out. The income tax liability and expense accounted from unpaid dividends as at the balance sheet date are adjusted according to the income tax rate in force in the new accounting period.

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Admiral Markets AS has a branch in Poland and a representative office in Russian Federation. Although the main activity of the branch and the representative office is to offer support services to the head office, and the branch and the representative office do not generate direct operating income, Admiral Markets AS allocates revenues between the branches and the representative office according to the transfer pricing policy developed at the Company. The profit generated in the distribution of income is taxed separately in each country according to local regulations. More information is provided in Note 18.

The maximum income tax liability that could arise on a dividend distribution is provided in Note 18.

Revenue and expenses

Commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Company's performance. Such income includes brokerage fees from the companies in the same consolidation Group. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other trading activity related income is recognised at a point in time when the Company satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of other trading activity related received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes inactive fees and service commissions from payment systems.

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments that are recognised at amortized cost, using the effective interest rate method. The effective interest rate is the interest rate which when used for discounting the cash flows arising from financial asset or liability will result in the current carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all payable or receivable transaction costs, premiums or discounts related to the financial asset or liability.

Trading income includes market value changes of tradeable derivatives and other financial assets recognised at fair value through profit or loss.

Statutory reserve capital

According to the Commercial Code of the Republic of Estonia, the Company transfers at least 5% of the net profit of the current year to the statutory reserve until the reserve is at least 10% of the share capital. The statutory reserve cannot be distributed

as dividends, but it can be used to cover losses if the losses cannot be covered from unrestricted equity. The statutory reserve can also be used to increase the Company's share capital.

Cash flow statement

The cash flow statement has been prepared using the indirect method – cash flows from operating activities are calculated by adjusting net profit by eliminating the impact of non-monetary transactions and changes in business related current assets and current liabilities.

Cash flows from investing and financing activities are recognised using the direct method.

Events after the balance sheet date

The financial statements reflect all significant facts affecting the assessment of assets and liabilities which occurred between the reporting date, 31 December 2019, and the date of preparing the report, but are linked to transactions that occurred during

the reporting period or transactions of previous periods. More detailed information is provided in Note 27.

4. Use and interpretation of new amended standards and new accounting principles

Certain new IFRS, amendments to existing standards and the interpretations of the standards have been published by the time of compiling these financial statements which became mandatory for the Company's reporting periods beginning on or after 1 January 2019. The overview of these standards and the potential impact of applying the new standards and interpretations are stated below.

(a) Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became effective for the Company from 1 January 2019.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019).

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 to account for those two types of leases differently.

The Company has applied the standard from its mandatory adoption date of 1 January 2019. The standard affects the accounting for the Company's operating leases, more precisely the rent of offices. The corresponding amount was recognized in the balance sheet as asset and liability resulting in an increase in the Company's total assets and liabilities. The Company applied the simplified transition approach by applying IAS 8 and did not restate comparative amounts for the year prior to first adoption.

The Company recognised right-of-use assets and lease liabilities of approximately EUR 3,408 thousand on 1 January 2019. For more information please see Note 16.

The Company does not act as a lessor.

IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

The new standard did not have a material impact on the Company's financial position, performance nor cash flows.

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

(b) New accounting pronouncements

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

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU).

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

The Company expects that there will not be a material impact on Company's financial position, performance nor cash flows.

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company expects that there will not be a material impact on Company's financial position, performance nor cash flows.

The Company intends to apply the aforementioned standards and interpretations as at the date of entry into force, subject to them being adopted by the European Union.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. Use of estimates, assumptions and judgements

Preparation of financial statements requires management to make decisions, assumptions and estimates that affect the total amount of income and expenses, assets and liabilities and contingent liabilities recognised during the accounting period. Uncertainty in these estimates and assumptions could lead to a situation where in the future periods it may be necessary to adjust the carrying amounts of assets or liabilities to a significant extent.

The main assumptions and estimates that may affect the future and have significant impact on the carrying amounts of assets and liabilities within the next financial year are described in notes 6 and 11. Although the Company uses facts that are known at the time of the report as the basis for making estimates and assumptions, future developments may give rise to changes in the market or in the circumstances that are outside the Company's control. Such changes are taken into account in assessments at the time they occur.

Risk management



6. Risk management, principles of calculating capital requirements and capital adequacy

Admiral Markets AS offers provision of trading and investment services to retail, professional and institutional clients, being the counterparty to client transactions. According to the risk management policies of Admiral Markets, risks arising from derivatives are partly hedged through counterparties (liquidity providers).

Risk is defined as a potential negative deviation from the expected financial result. The objective of the risk management of Admiral Markets is to identify, accurately measure and manage risks. Risks are measured according to their nature as follows: qualitatively (scale of impact and the probability of occurrence) or quantitatively (monetary or percentage impact). Ultimately, the objective of risk management is to increase the income of Admiral Markets through minimizing damages and reducing the volatility of results.

Risk management is part of the internal control system of Admiral Markets AS. Risk management procedures and basis of assessment are set out in the Company's internal rules and internal risk management policy. In accordance with the established principles Admiral Markets must have enough capital to cover risks. The risk management process is the responsibility of the risk manager.

Specifically, risk management is built on the principle of the three lines of defence. The first line of defence, i.e. business units is responsible for risk taking and risk management. The second line of defence, i.e. risk management, performed by the Risk Management Unit, is responsible for the development of risk methodologies and risk reporting. The third line of defence, i.e. internal audit, carries out independent supervision of the entire Company.

Quantitatively measurable:

- Market risk, including foreign exchange, commodity and equity price risk;
- Credit risk, including counterparty risk, concentration risk, country risk;
- Liquidity risk;
- Operational risk, including control and management risk, legal risk, personnel risk, IT risk and model risk.

Qualitatively measurable:

- Reputational risk;
- Business risk;
- Strategic risk.

The Management Board of Admiral Markets AS estimates that the main risks are related to credit, market, liquidity and operational risks. The exposure of Admiral Markets to these risks, management and mitigation of these risks is described in detail below.

The general principles of effective risk management are based on the differentiation of the customer base and instruments by risk categories and the determination of the operating rules of hedging for every individual group. In the framework of client-based risk management the client base is divided into groups according to the client profile (e.g., trading volumes and activity, etc.). In accordance with risk hedging principles the total net position of a certain client profile is hedged 100% through the counterparties (liquidity providers). However, for other client profiles, the total net position is generally not hedged through the counterparty,

except if the portfolio as a whole exceeds total limits set by the risk manager. Therefore important part of risk hedging is setting limits for risk hedging, monitoring of limits set and in case of exceeding the limits immediately hedging the position that exceeds the limit.

In addition to client-based risk management, risks are managed also by instruments for which a list of instruments has been set which must be hedged through a counterparty. Instruments that are hedged through a counterparty are mostly less tradable instruments.

An important part of risk management is:

- Stop Out rate imposed on clients' trading accounts – rate of compulsory liquidation of transactions, i.e. the level of collateral in which transactions are automatically closed at current market prices;
- Selection of counterparties (liquidity providers), which is made on the basis of a thorough market analysis and by observing certain rules and principles;
- Ongoing monitoring of the risk limit set for the trading portfolio by the dealers of the Trading Department around the clock on all working days;
- Regressive leverage for customers: the larger the client's overall position, the lower the leverage that is allowed;
- The maximum possible leverage is limited to the clients during the last business hours prior to the weekend, as well as reducing the leverage of instruments before significant events affecting currency and other markets, such as elections, etc.

Capital management

The objective of Admiral Markets in managing capital is:

- (a) to ensure the continuity of operations of Admiral Markets and its ability to generate a profit for the owners;
- (b) to maintain a strong capital base that supports business development;
- (c) to meet capital requirements laid down by the supervisory authorities.

The Management Board and risk manager of Admiral Markets AS are responsible for the overall business planning process in assessing capital requirements in relation to the risk profile and for presentation of a strategy for maintaining recommended capital levels. Capitalization of Admiral Markets must be forward-looking and in line with the Company's short- and long-term business plans, as well as with expected macroeconomic developments.

Equity of Admiral Markets must at any time be equal to or exceed the minimum amount of share capital of EUR 730,000 as required by the Securities Market Act. Admiral Markets must also comply with the equity requirements provided in the European Parliament and Council Regulation (European Union) No 575/2013 (hereinafter CRR) and maintain capital buffers provided in the Credit Institutions Act.

The CRR requires that in respect of its risk assets, all credit institutions and investment companies operating in the European Union shall hold up to 4.5% of Common Equity Tier 1 (CET1) and 6% of Tier 1 Capital (Tier 1). The total Capital Adequacy Requirement (CAD), which includes both Tier 1 and Tier 2 capital, is set at 8.0%.

According to the Estonian Credit Institutions Act, Admiral Markets must hold an additional capital conservation buffer of 2.5% and the systemic risk buffer of 1% from Estonian risk positions.

The equity of Admiral Markets consists of only Tier 1 and Tier 2 capital (CET1 capital):

| Own funds | 31.12.2019 | 31.12.2018 |
|--|---------------|---------------|
| Share capital | 2,586 | 2,586 |
| Statutory reserves transferred from net profit | 259 | 259 |
| Retained earnings of previous periods | 31,333 | 23,254 |
| Intangible assets | -630 | -745 |
| Total Tier 1 capital | 33,548 | 25,354 |
| Subordinated debt securities | 1,827 | 1,827 |
| Total Tier 2 capital | 1,827 | 1,827 |
| Total own funds | 35,375 | 27,181 |

As of 31.12.2019, the own funds of Admiral Markets AS amounted to EUR 35.4 million (31.12.2018: EUR 27.2 million). At the end of the reporting period, Admiral Markets AS is well-capitalized, the capital adequacy ratio was 21.1% (31.12.2018: 26.7%), and

Admiral Markets AS has complied with all regulatory capital requirements in 2019 as well as in the earlier period.

Credit risk

Credit risk arises from a probable loss that may arise from incorrect performance or non-performance of the obligations arising from the law of obligations, or other factors (including the economic situation).

arising from other financial assets. Counterparty credit risk results from the derivatives positions opened in the trading portfolio with clients and trading counterparties.

Assets open to credit risk are primarily due from credit institutions and investment companies, receivables, loans, financial assets recognised at fair value through profit or loss and receivables

Counterparty credit risk is limited mainly through leveraging clients' trading positions: the bigger the client's open position, the lower leverage for new opened positions of instruments is permitted.

| Maximum exposure to credit risk | 31.12.2019 | 31.12.2018 | Note |
|---|---------------|---------------|------|
| Due from credit institutions and investment companies | 26,543 | 22,205 | 8 |
| Financial assets at fair value through profit or loss (excluding derivatives) | 9,645 | 10,964 | 9 |
| Loans granted | 3,725 | 2,725 | 10 |
| Other receivables | 258 | 319 | 10 |
| Other financial assets | 912 | 1,045 | 11 |
| Total financial assets | 41,083 | 37,258 | |
| Off-balance sheet client bank accounts (excluding stocks) | 2,656 | 3,189 | 19 |

Due from credit institutions and investment companies

Credit risk exposure from cash and cash equivalents, which are held in credit institutions and investment companies (liquidity providers). It mainly consists of demand deposits, which upon the first request could be moved to another credit institution, without limitation of time and that by their nature bear very low credit risk, as estimated by the management of Admiral Markets AS.

For assessing the risk level of credit institutions, the Company uses ratings issued by international rating agencies Moody's, Standard & Poor's or Fitch to credit institutions or their parent companies. If a credit institution has not been issued such credit rating, the country rating is used. Generally, the credit institution must have a rating of at least AA-. The amount of demand deposits of credit institutions with lower ratings is limited.

Investment companies must have the operating permit of the supervisory authorities of their country of residence and a high reputation.

Twice a year, the ratings of credit institutions and investment companies are checked and publicly available information about potential problems is reviewed.

Due to the careful selection of investment companies and consistent monitoring, the management estimates that the credit risk arising from investment companies is low.

| Rating (Moody's) | Credit institutions | Investment companies | Total 31.12.2019 | Credit institutions | Investment companies | Total 31.12.2018 |
|-----------------------|---------------------|----------------------|------------------|---------------------|----------------------|------------------|
| Aa1 - Aa3 | 16,426 | 0 | 16,426 | 14,170 | 0 | 14,170 |
| A1 - A3 | 2,689 | 0 | 2,689 | 1,277 | 0 | 1,277 |
| Baa1 - Baa3 | 579 | 0 | 579 | 3 | 0 | 3 |
| Ba1 - Ba3 | 13 | 0 | 13 | 11 | 0 | 11 |
| Non-rated | 50 | 6,786 | 6,836 | 6 | 6,738 | 6,744 |
| Total (Note 8) | 19,757 | 6,786 | 26,543 | 15,467 | 6,738 | 22,205 |

Non-rated credit institutions are payment and investment institutions without external credit rating, however management considers their credit quality to be good based on available market information. Management has assessed that the ECL from credit institutions and investment companies exposures is

immaterial due to the strong ratings of corresponding parties, their financial position and also due to the positive economic outlook in short-term perspective, as the Company holds only very liquid positions with the counterparties.

Loans granted

Loans have been granted mainly to related parties. The Company assesses based on historical loss rate and forward looking macroeconomic information that the significant risk of the loans has not increased

compared to when the loan was issued. Therefore, it is assessed to have low credit risk and resulting expected credit loss is immaterial.

Other short-term receivables

This includes all other balance sheet financial assets. Under other short-term receivables are classified receivables from group companies and as of 31.12.2019 there were no receivables from group companies (31.12.2018: EUR 166 thousand). As at 31.12.2018 there were no overdue receivables from group companies. Management estimates that these receivables bear in substance low credit risk.

If there is a receivable from client as a result of trading activity (negative client position and credit

risk has materialised), then based on historical information the probability of default and loss given default are 100% and thus, the receivable is fully impaired and are written off with a management decision. Therefore, there is no need to assess or adjust forward looking information estimates.

Other financial assets (settlements with employees and other short-term receivables) have been settled after the balance sheet date or bear very low credit risk based on management assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of bonds and derivative positions opened at trading counterparties (liquidity providers).

The bonds are included in the liquidity management portfolio. Liquidity portfolio is part of the liquidity

buffer of Admiral Markets and it consists of investments in pledgable and high liquidity bonds. Bonds must have a minimum rating of AA by Moody's.

| Ratings of bonds | 31.12.2019 | 31.12.2018 |
|------------------|--------------|---------------|
| AAA | 3,942 | 4,785 |
| AA1 | 2,256 | 2,889 |
| AA2 | 1,430 | 1,389 |
| AA3 | 1,711 | 1,750 |
| Total | 9,339 | 10,813 |

Bonds classified as FVTPL is based on the management assessment of the instrument's business model and how management monitors these investments.

In addition, the Company has granted a convertible

loan in amount of EUR 153 thousand (31.12.2018: EUR 101 thousand), which is measured at fair value through profit or loss as the loan has conversion option (see Note 9). Management has assessed that the credit risk of the loan is within acceptable limits.

Off-balance sheet client bank accounts

When clients open a trading account they transfer funds to the bank account indicated by Admiral Markets AS. Admiral Markets AS keeps these funds in separate bank accounts in credit institutions with a high credit rating and separates client assets from its own assets in accordance with the requirements of the Securities Market Act. Admiral Markets AS is not allowed to use these client funds in its economic activities. As a result of the pass-through

arrangement, the assets are classified as off-balance sheet. Admiral Markets AS bears the credit risk associated with these accounts in case the credit institution is unable to fulfil its obligations.

As at 31.12.2019 and 31.12.2018, off-balance sheet cash and cash equivalents in credit institutions were divided by ratings as follows:

| Rating (Moody's) | 31.12.2019 | 31.12.2018 |
|------------------|--------------|--------------|
| Aa1 - Aa3 | 1,501 | 1,824 |
| A1 - A3 | 613 | 690 |
| Baa1 - Baa3 | 397 | 626 |
| Caa2 | 10 | 8 |
| Total | 2,521 | 3,148 |

Off-balance sheet client bank accounts are held in the Estonian credit institutions or subsidiaries of large EU banks with high credit ratings. Therefore, management has assessed that the ECL from credit institutions is immaterial due to the strong ratings

of corresponding parties, their financial position and also due to the positive economic outlook in short-term perspective, as the Company holds only very liquid positions with the counterparties.

Trading portfolio

Counterparty credit risk is calculated for derivatives opened at trading counterparties. Counterparty (liquidity provider) credit risk is managed as described in the section on Due from credit institutions and investment companies.

The credit risk of clients' trading portfolio is mainly managed through leveraging derivatives and collateral rates. Generally, the leverage of clients and collateral depend on the whole position opened by them. The greater the contingent value of the open position, the lower the leverage that is permitted for them. Also, the so-called Stop Out rate is assigned to each client's trading account. If the value of the

client's open position relative to the collateral on the account is reduced to a certain level, the open position will be automatically closed in accordance with the agreement concluded with the client.

In addition, collateral and leverage rates are reviewed before known high-risk events in order to prevent a sharp drop in the client's trading portfolio that exceeds the value of the collateral held by the Company and that could create a credit risk for the Company. For example, in 2019 client leverages were reduced before the United Kingdom general elections.

Market risk

Market risk of Admiral Markets AS is mainly due to assets on balance-sheet that are quoted in currencies other than the euro and derivatives related to currencies, equities and commodities in the trading portfolio. For managing the market risk, the Company has set an enterprise-level general limit. A separate limit has been set for the trading portfolio. The limit set for the trading portfolio is monitored in real time, five days a week. If the limit is exceeded, the excess risk is hedged with derivative positions opened at trading counterparties.

Counterparty credit risk that may occur in the realization of the market risk is limited primarily through leveraging clients' trading positions: the

greater the client's open position, the lower the leverage for new opened positions of instruments is permitted. In addition, leverage and collateral rates are changed before known high-risk events in order to prevent a sharp drop in client's trading portfolio that would exceed the value of the collateral held by the Company and that could create a credit risk for the Company. For example, in 2019 client leverages were reduced before the United Kingdom general elections.

The market risk related to the business activities of Admiral Markets AS is divided into three parts: currency risk, equity risk and commodity risk.

Foreign currency risk

Foreign currency risk is the main part of market risk for Admiral Markets AS in respect of which a set of internal risk management principles have been set. Foreign currency risk is defined as the potential damage caused by unfavorable movement of exchange rates. The foreign currency net open position is calculated by taking into account all assets and liabilities that depend on the changes in exchange rates. The euro is not considered as a foreign currency.

Foreign currency net open position is calculated separately for each currency. Admiral Markets AS has set a certain limit on the level of the foreign currency open position and holds an additional capital buffer to cover the foreign exchange risk.

The currency risk is hedged by converting monetary funds into euros and by hedging positions arising from the transactions. The open foreign currency position is also continuously monitored and hedged by holding the net position resulting from foreign currency positions as low as possible.

Foreign currency risk arises mainly from derivatives consisting of currency pairs. In addition, clients are offered commodity and equity derivatives that are quoted in a currency other than the euro. Admiral Markets AS also has a number of foreign currency denominated assets, mainly in the form of demand deposits. Currency risk includes all assets that are not denominated in euros and trading portfolio derivatives linked to currencies and gold.

Below is a summary of the foreign currency risk bearing on and off-balance sheet financial assets financial and liabilities of Admiral Markets AS:

| 31.12.2019 | EUR | USD | GBP | AUD | JPY | CAD | Other | Total | Note |
|---|---------------|---------------|--------------|----------|----------|----------|------------|---------------|------|
| Due from credit institutions and from investment companies | 23,064 | 1,214 | 2,113 | 0 | 0 | 0 | 152 | 26,543 | 8 |
| Financial assets at fair value through profit or loss (excluding derivatives) | 306 | 9,339 | 0 | 0 | 0 | 0 | 0 | 9,645 | 9 |
| Loans and receivables | 3,973 | 10 | 0 | 0 | 0 | 0 | 0 | 3,983 | 10 |
| Total financial assets | 27,343 | 10,563 | 2,113 | 0 | 0 | 0 | 152 | 40,171 | |
| Subordinated debt | 1,827 | 0 | 0 | 0 | 0 | 0 | 0 | 1,827 | 17 |
| Other financial liabilities | 1,572 | 39 | 99 | 0 | 0 | 0 | 23 | 1,733 | 14 |
| Lease liabilities | 4,145 | 0 | 0 | 0 | 0 | 0 | 0 | 4,145 | 16 |
| Total financial liabilities | 7,544 | 39 | 99 | 0 | 0 | 0 | 23 | 7,705 | |
| | | | | | | | | | |
| Long positions of trading portfolio | 174,516 | 142,983 | 33,495 | 17,001 | 12,721 | 17,170 | 31,939 | 429,825 | |
| Short positions of trading portfolio | 120,614 | 206,060 | 25,490 | 19,142 | 15,500 | 8,069 | 12,432 | 407,307 | |
| Net open foreign currency position | 73,701 | -52,553 | 10,019 | -2,141 | -2,779 | 9,101 | 19,636 | 54,984 | |

| 31.12.2018 | EUR | JPY | CAD | AUD | USD | GBP | Other | Total | Note |
|---|---------------|----------|----------|----------|---------------|-----------|------------|---------------|------|
| Due from credit institutions and from investment companies | 20,335 | 0 | 0 | 0 | 1,588 | 91 | 191 | 22,205 | 8 |
| Financial assets at fair value through profit or loss (excluding derivatives) | 151 | 0 | 0 | 0 | 10,813 | 0 | 0 | 10,964 | 9 |
| Loans and receivables | 3,044 | 0 | 0 | 0 | 10 | 0 | 0 | 3,044 | 10 |
| Total financial assets | 23,530 | 0 | 0 | 0 | 12,401 | 91 | 191 | 36,213 | |
| Subordinated debt | 1,827 | 0 | 0 | 0 | 0 | 0 | 0 | 1,827 | 17 |
| Other financial liabilities | 1,364 | 0 | 0 | 0 | 0 | 0 | 31 | 1,395 | 14 |
| Total financial liabilities | 3,191 | 0 | 0 | 0 | 0 | 0 | 31 | 3,222 | |
| Long positions of trading portfolio | 112,851 | 34,067 | 13,643 | 8,554 | 143,002 | 34,783 | 20,313 | 367,213 | |
| Short positions of trading portfolio | 78,825 | 13,302 | 28,745 | 21,865 | 159,695 | 35,269 | 21,151 | 358,852 | |
| Net open foreign currency position | 54,365 | 20,765 | -15,102 | -13,311 | -4,292 | -395 | -678 | 41,352 | |

In the last four years, the currency with the largest position was USD, which has the greatest effect on Admiral Markets profitability. The highest intraday fluctuation (4.7%) was recorded on the day of the Brexit vote (2016). The EURUSD fluctuation exceeded 2% in six other days. Due to EURUSD intraday maximum fluctuations of 4.7%, which was the largest in recent years, the management has

assessed it as a reasonable basis for the sensitivity analysis (5%).

The sensitivity analysis that was carried out shows the impact of fluctuations in exchange rates to the statement of comprehensive income if all other parameters are constant.

Impact on the statement of comprehensive income:

| | USD | GBP | CAD | JPY | AUD |
|--|-------|-----|-----|-------|-----|
| Exchange rate change in relation to EUR +/- 5% | | | | | |
| 2019 | 2,628 | 501 | 455 | 139 | 107 |
| 2018 | 215 | 20 | 755 | 1,038 | 666 |

Equity risk

Equity risk includes instrument risk related to equities and stock indices that for Admiral Markets AS is mainly due to clients' trading portfolio. Equity instruments must be hedged 100%, therefore only potential credit risk arises from stock indices. Instruments related to stock indices must be hedged in accordance with the recommendations of the Company's Management Board and risk manager.

More detailed information about exposures to equity risk and how risk is managed, including internal policies and processes, is disclosed in the beginning of Note 6.

The following are the positions of derivatives bearing the equity position risk in the trading portfolio as at 31.12.2019 and 31.12.2018:

| 31.12.2019 | | | 31.12.2018 | | |
|----------------------------|----------------|-----------------|----------------------------|----------------|-----------------|
| Equity / Index | Long positions | Short positions | Equity / Index | Long positions | Short positions |
| [DAX30] | 28,076 | 26,152 | [DAX30] | 7,994 | 12,446 |
| [DJI30] | 16,906 | 7,010 | [SP500] | 1,529 | 694 |
| [SP500] | 6,023 | 2,967 | [DJI30] | 6,180 | 5,406 |
| [NQ100] | 3,529 | 1,062 | [NQ100] | 1,038 | 742 |
| [CAC40] | 1,408 | 265 | [FTSE100] | 352 | 188 |
| Other equities and indexes | 4,253 | 6,517 | Other equities and indexes | 2,889 | 2,801 |
| Total | 60,195 | 43,973 | Total | 19,982 | 22,277 |

The following sensitivity analysis identifies the impact of the largest stock index changes on the profit/ loss arising from trading positions. Similarly with the currency risk, the largest possible volatility

was also analysed. The largest intraday fluctuation in the last years of the DAX30 index took place on the Brexit vote day, and was 9%. In addition, on one day the biggest daily fluctuation in a stock index

was 5.6% in 2016. Accordingly, the management has estimated that the reasonable basis for the sensitivity analysis is the largest intraday fluctuation of ca 10%.

The following sensitivity analysis is also based on the largest intraday fluctuation of ca 10%.

Impact on the statement of comprehensive income:

| | [DJI30] | [SP500] | [NQ100] | [DAX30] |
|-------------------------------|---------|---------|---------|---------|
| Change in stock index +/- 10% | | | | |
| 2019 | 990 | 305 | 247 | 192 |
| 2018 | 77 | 84 | 30 | 445 |

A possible credit loss caused by the realisation of the equity position is managed according to the principles described at the beginning of market risk chapter.

Commodity risk

Commodity risk includes derivatives related to various raw materials (oil and gas) and precious metals (silver, platinum and palladium). More detailed information about exposures to commodity

risk and how risk is managed, including internal policies and processes, is disclosed in the beginning of Note 6.

Below are the commodity related derivative positions of the trading portfolio:

| 31.12.2019 | | | 31.12.2018 | | |
|-------------------|----------------|-----------------|-------------------|----------------|-----------------|
| Commodity | Long positions | Short positions | Commodity | Long positions | Short positions |
| WTI | 3,508 | 1,458 | WTI | 952 | 3,208 |
| SILVER | 999 | 3,818 | PLATINUM | 699 | 1,128 |
| BRENT | 692 | 465 | SILVER | 2,494 | 2,837 |
| PALLADIUM | 483 | 535 | BRENT | 565 | 473 |
| Other commodities | 885 | 1,563 | Other commodities | 626 | 437 |
| Total | 6,567 | 7,839 | Total | 5,336 | 8,083 |

The following sensitivity analysis is also based on the largest intraday fluctuation of ca 5%.

Impact on the statement of comprehensive income:

| | WTI | SILVER | BRENT | PALLADIUM |
|------|-----|--------|-------|-----------|
| 2019 | 103 | 141 | 11 | 3 |

| | WTI | PLATINUM | SILVER | BRENT |
|------|-----|----------|--------|-------|
| 2018 | 113 | 21 | 17 | 5 |

A possible credit loss caused by the realisation of the commodity position is managed according to the principles described at the beginning of the market risk chapter.

Liquidity risk

Liquidity risk is related to the solvency of Admiral Markets AS' contractual obligations in a timely manner due to differences in maturities between assets and liabilities. To manage the liquidity risk, probable net position of receivables and payables of different periods of time is monitored on a daily

basis and by keeping at any time on the account adequate liquid assets, as well as the concentration of liabilities by maturity is monitored. As at 31.12.2019 nor 31.12.2018, Admiral Markets AS had no overdue payables.

31.12.2019

| | On demand | 0 – 3 months | 3 – 12 months | 1 – 5 years | Over 5 years | Total | Carrying amount | Note |
|---|---------------|--------------|---------------|--------------|--------------|---------------|-----------------|------|
| Assets held for managing liquidity risk by contractual maturity dates | | | | | | | | |
| Due from credit institutions and investment companies | 26,543 | 0 | 0 | 0 | 0 | 26,543 | 26,543 | 8 |
| Financial assets at fair value through profit or loss (excluding derivatives) | 0 | 2,377 | 3,225 | 4,037 | 153 | 9,792 | 9,645 | 9 |
| Financial assets at fair value through profit or loss (derivatives) | 0 | 114 | 0 | 0 | 0 | 114 | 114 | 9 |
| Loans and receivables | 0 | 258 | 225 | 3,500 | 0 | 3,983 | 3,983 | 10 |
| Total assets | 26,543 | 2,749 | 3,450 | 7,537 | 153 | 40,432 | 40,285 | |

| | On demand | 0 – 3 months | 3 – 12 months | 1 – 5 years | Over 5 years | Total | Carrying amount | Note |
|--|-----------|--------------|---------------|--------------|--------------|--------------|-----------------|------|
| Liabilities by contractual maturity dates | | | | | | | | |
| Subordinated debt securities | 0 | 0 | 146 | 584 | 2,265 | 2,995 | 1,827 | 17 |
| Other financial liabilities | 0 | 1,733 | 0 | 0 | 0 | 1,733 | 1,733 | 14 |
| Lease liabilities | 0 | 114 | 348 | 2,527 | 1,550 | 4,539 | 4,145 | 16 |
| Financial liabilities at fair value through profit or loss (derivatives) | 0 | 66 | 0 | 0 | 0 | 66 | 66 | 9 |
| Total liabilities | 0 | 1,893 | 434 | 2,840 | 3,772 | 8,939 | 7,771 | |

31.12.2018

| | On demand | 0 – 3 months | 3 – 12 months | 1 – 5 years | Over 5 years | Total | Carrying amount | Note |
|---|---------------|--------------|---------------|--------------|--------------|---------------|-----------------|------|
| Assets held for managing liquidity risk by contractual maturity dates | | | | | | | | |
| Due from credit institutions and investment companies | 22,205 | 0 | 0 | 0 | 0 | 22,205 | 22,205 | 8 |
| Financial assets at fair value through profit or loss (excluding derivatives) | 0 | 903 | 5,605 | 4,631 | 50 | 11,189 | 10,964 | 9 |
| Financial assets at fair value through profit or loss (derivatives) | 0 | 83 | 0 | 0 | 0 | 83 | 83 | 9 |
| Loans and receivables | 0 | 319 | 225 | 2,500 | 0 | 3,044 | 3,044 | 10 |
| Total assets | 22,205 | 1,305 | 5,830 | 7,131 | 50 | 36,521 | 33,746 | |

| | On demand | 0 – 3 months | 3 – 12 months | 1 – 5 years | Over 5 years | Total | Carrying amount | Note |
|--|-----------|--------------|---------------|-------------|--------------|--------------|-----------------|------|
| Liabilities by contractual maturity dates | | | | | | | | |
| Subordinated debt securities | 0 | 0 | 146 | 584 | 2,411 | 3,141 | 1,827 | 17 |
| Other financial liabilities | 0 | 1,395 | 0 | 0 | 0 | 1,395 | 1,395 | 14 |
| Financial liabilities at fair value through profit or loss (derivatives) | 0 | 176 | 0 | 0 | 0 | 176 | 176 | 9 |
| Total liabilities | 0 | 1,571 | 146 | 584 | 2,411 | 4,712 | 3,398 | |

Interest rate risk

In 2019 and 2018, Admiral Markets AS' exposure to interest rate risk was low due to very low interest rates in the current economic environment.

Subordinated debt securities are not exposed to interest rate risk, because of fixed interest rate.

Admiral Markets is exposed to interest risk:

| | 31.12.2019 | 31.12.2018 | Note |
|---|---------------|---------------|------|
| Due from credit institutions and investment companies | 26,543 | 22,205 | 8 |
| Financial assets at fair value through profit or loss (bonds) | 9,339 | 10,813 | 9 |
| Total | 35,882 | 33,018 | |

Concentration risk

Concentration risk is defined as risk arising from a large exposure to a single counterparty or related counterparties, or counterparties whose risk is influenced by a common risk factor or whose risk is in a strong positive correlation (including concentration risk based on a single economic sector, geographic region or activities/products).

Concentration risk is the ratio of Admiral Markets AS' risk exposure to Company's own funds. The

activities of Admiral Markets are aimed at avoiding excessive concentration risks, both geographically and by individual counterparties. To this end, the Company's management has established limits on concentration risk. With regard to banks the limit is 100% of own funds. With regard to investment companies the counterparty concentration risk limit is 25% of own funds

| Due from credit institutions and investment companies and clients' bank accounts distributed by countries | | | | | |
|---|------------------------|----------------------------|-----------------|------------------------|----------------------------|
| 31.12.2019 | | | 31.12.2018 | | |
| Country | Balance sheet balances | Off-balance sheet balances | Country | Balance sheet balances | Off-balance sheet balances |
| Estonia | 15,941 | 1,697 | Estonia | 14,139 | 2,259 |
| United Kingdom | 8,221 | 533 | United Kingdom | 5,602 | 23 |
| Switzerland | 1,513 | 0 | Switzerland | 1,378 | 0 |
| Denmark | 419 | 0 | Poland | 807 | 122 |
| Poland | 233 | 159 | Bulgaria | 3 | 535 |
| Other countries | 216 | 267 | Other countries | 276 | 250 |
| Total | 26,543 | 2,656 | Total | 22,205 | 3,189 |

Operational risk

Operational risk is the risk of loss from the activities of people (including employees, clients or third parties), internal procedures or systems not functioning as expected, or external events. Operational risk is expressed as the probability of damage, management and control mistakes, fraud, embezzlement by employees, damages caused by unprofessionalism, errors in the Company's internal systems and human errors.

This includes IT risk, which could cause damage in case of unauthorized access to information or technological failure.

The main methods for managing operational risk are the personnel policy, implementation of various internal controls and business continuity plan. For managing operational risk on a daily basis, the Company uses systems of transaction limits and competence systems and in work procedures the principle of segregation of duties is implemented.

In assessment, monitoring and managing of operational risks, compliance and internal audit function have key role. The main task of the person performing compliance control is to define, in accordance with the Credit Institutions Act and the Securities Market Act, the risk of non-compliance of the activities of Admiral Markets AS with legal acts, voluntary guidelines of the Financial Supervision Authority and internal rules of Admiral Markets AS, taking into consideration the business scope and complexity of services rendered, and to arrange for their hedging or prevention.

For managing the operational risk, Admiral Markets AS uses the database of incidents and loss events of operational risks. Incidents are analysed individually and together, in order to determine potential significant shortcomings in the processes and products of Admiral Markets AS. In addition, the Company is implementing key risk indicators in order to introduce various levels of operational risk in different areas.

Off-setting of financial assets and financial liabilities

| 31.12.2019 | Gross amount in statement of financial position | Off-setting amount under agreement | Net amount | Notes |
|--|--|---------------------------------------|---------------|-------|
| Financial assets | | | | |
| Due from investment companies | 6,786 | 0 | 6,786 | 8 |
| Financial assets at fair value through profit and loss (derivatives) | 114 | 66 | 48 | 9 |
| Total | 6,900 | 66 | 6,834 | |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit and loss (derivatives) | 66 | 66 | 0 | 9 |
| Total | 66 | 66 | 0 | |

| 31.12.2018 | Gross amount in statement of financial position | Off-setting amount under agreement | Net amount | Notes |
|--|--|---------------------------------------|---------------|-------|
| Financial assets | | | | |
| Due from investment companies | 6,738 | 0 | 6,738 | 8 |
| Financial assets at fair value through profit and loss (derivatives) | 83 | 83 | 0 | 9 |
| Total | 6,821 | 83 | 6,738 | |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit and loss (derivatives) | 176 | 83 | 93 | 9 |
| Total | 176 | 83 | 93 | |

7. Assessment of fair value of financial assets and liabilities

Quantitative data disclosed on the assessment of fair value hierarchy as at 31.12.2019:

| | Assessment of fair value using | | | | |
|---|--------------------------------|---------|---------|---------|------|
| | Total | Level 1 | Level 2 | Level 3 | Note |
| Financial assets recognised at fair value through profit or loss: | | | | | |
| Bonds | 9,339 | 9,339 | 0 | 0 | 9 |
| Convertible loan | 153 | 0 | 0 | 153 | 9 |
| Equity investments at fair value through profit or loss | 153 | 0 | 0 | 153 | 9 |
| Derivatives: | | | | | |
| Currency pairs | 28 | 0 | 28 | 0 | 9 |
| CFD derivatives | 72 | 0 | 72 | 0 | 9 |
| Other derivatives | 14 | 0 | 14 | 0 | 9 |
| Total | 9,759 | 9,339 | 114 | 306 | |

| | | | | | |
|---|-----------|----------|-----------|----------|---|
| Financial liabilities recognised at fair value through profit or loss: | | | | | |
| Derivatives: | | | | | |
| Currency pairs | 12 | 0 | 12 | 0 | 9 |
| CFD derivatives | 42 | 0 | 42 | 0 | 9 |
| Other derivatives | 12 | 0 | 12 | 0 | 9 |
| Total | 66 | 0 | 66 | 0 | |

| Financial assets recognized at amortised cost | | | | | |
|---|---------------|----------|---------------|--------------|----|
| Due from credit institutions | 19,757 | 0 | 19,757 | 0 | 8 |
| Due from investment companies | 6,786 | 0 | 6,786 | 0 | 8 |
| Loans | 3,736 | 0 | 0 | 3,736 | 10 |
| Other financial assets | 247 | 0 | 0 | 247 | |
| Total | 30,526 | 0 | 26,543 | 3,983 | |
| Financial liabilities recognized at amortised cost: | | | | | |
| Other financial liabilities | 1,733 | 0 | 0 | 1,733 | 14 |
| Subordinated debt securities | 1,827 | 0 | 0 | 1,827 | 17 |
| Total | 3,560 | 0 | 0 | 3,560 | |

Quantitative data disclosed on the assessment of fair value hierarchy as at 31.12.2018:

| | Assessment of fair value using | | | | |
|--|--------------------------------|---------------|-----------|------------|------|
| | Total | Level 1 | Level 2 | Level 3 | Note |
| Financial assets recognised at fair value through profit or loss: | | | | | |
| Bonds | 10,813 | 10,813 | 0 | 0 | 9 |
| Convertible loan | 101 | 0 | 0 | 101 | 9 |
| Equity investments at fair value through profit or loss | 50 | 0 | 0 | 50 | 9 |
| Derivatives: | | | | | |
| Currency pairs | 51 | 0 | 51 | 0 | 9 |
| CFD derivatives | 15 | 0 | 15 | 0 | 9 |
| Other derivatives | 17 | 0 | 17 | 0 | 9 |
| Total | 11,047 | 10,813 | 83 | 151 | |

| | | | | | |
|---|------------|----------|------------|----------|---|
| Financial liabilities recognised at fair value through profit or loss: | | | | | |
| Derivatives: | | | | | |
| Currency pairs | 116 | 0 | 116 | 0 | 9 |
| CFD derivatives | 44 | 0 | 44 | 0 | 9 |
| Other derivatives | 16 | 0 | 16 | 0 | 9 |
| Total | 176 | 0 | 176 | 0 | |

| Financial assets recognized at amortised cost | | | | | |
|---|---------------|----------|---------------|--------------|--------|
| Due from credit institutions | 15,467 | 0 | 15,467 | 0 | 8 |
| Due from investment companies | 6,738 | 0 | 6,738 | 0 | 8 |
| Loans | 2,731 | 0 | 0 | 2,731 | 10, 26 |
| Receivables from group companies | 166 | 0 | 0 | 166 | 10, 26 |
| Other financial assets | 147 | 0 | 0 | 147 | 10 |
| Total | 25,249 | 0 | 22,205 | 3,044 | |

| Financial liabilities recognized at amortised cost: | | | | | |
|---|--------------|----------|----------|--------------|----|
| Other financial liabilities | 1,395 | 0 | 0 | 1,395 | 14 |
| Subordinated debt securities | 1,827 | 0 | 0 | 1,827 | 17 |
| Total | 3,222 | 0 | 0 | 3,222 | |

Other financial assets and liabilities that are carried at amortized cost are short-term and the management estimates that their fair value is not materially different from their carrying amount.

Levels used in the hierarchy:

Level 1 – quoted price in an active market

Level 2 – valuation technique based on market data

Level 3 – other valuation methods with estimated inputs

Financial instruments on level 2

The value of trading derivatives is based on quotations received from counterparties (liquidity providers) and other public quotations.

Financial instruments on level 3

Interest rates on loans are 2-4% p.a. and considering a relatively short period between the loan origination date and the balance sheet date, the management has estimated there have not been material changes in the market interest rates. Hence, the carrying

values of the loans are close approximations of their fair value at the balance sheet date. Significant estimates of management are used to assess the fair value of loans, so they are classified in level 3.

Subordinated debt securities are listed, but liquidity is too low for using directly the market quotes. Management has estimated that carrying value of the subordinated debt securities are close approximation of their fair value at the balance sheet date.

Other financial assets and liabilities have been incurred in the course of ordinary business and are payable in the shortterm, therefore, the management estimates that their fair value does not significantly differ from their carrying amount. These receivables and liabilities are interest-free.

Risks arising from client-related open positions are disclosed in Note 6.

8. Due from credit institutions and investment companies

| | 31.12.2019 | 31.12.2018 |
|--|---------------|---------------|
| Demand and term deposits with maturity less than 3 months* | 19,757 | 15,467 |
| Demand deposits on trading accounts | 6,786 | 6,738 |
| Total | 26,543 | 22,205 |

*cash and cash equivalents in the statement of cash flows

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

| Instrument | 31.12.2019 | | 31.12.2018 | | Note |
|---|--------------|-----------|---------------|------------|------|
| | Asset | Liability | Asset | Liability | |
| Bonds | 9,339 | 0 | 10,813 | 0 | 7 |
| Convertible loan | 153 | 0 | 101 | 0 | 7 |
| Equity investments at fair value through profit or loss | 153 | 0 | 50 | 0 | 7 |
| Currency pairs | 28 | 12 | 51 | 116 | 7 |
| CFD derivatives | 72 | 42 | 15 | 44 | 7 |
| Other derivatives | 14 | 12 | 17 | 16 | 7 |
| Total | 9,759 | 66 | 11,047 | 176 | |

Risks arising from client-related open positions are disclosed in Note 6.

10. Loans and receivables

| | 31.12.2019 | 31.12.2018 | Note |
|----------------------------------|--------------|--------------|------|
| Financial assets | | | |
| Trade receivables | 13 | 0 | |
| Doubtful receivables | -2 | 0 | |
| Settlements with employees | 14 | 81 | |
| Loans granted | 3,725 | 2,725 | |
| Receivables from group companies | 0 | 166 | 26 |
| Other short-term receivables | 233 | 72 | |
| Total | 3,983 | 3,044 | |

Please refer to Note 6, section credit risk for information regarding credit quality and expected credit losses.

| | 31.12.2019 | Distribution by maturity | | | Due date | Base currency | Interest receivable as at 31.12.2019 | Note |
|--------------|--------------|--------------------------|--------------|-----------------------|----------|---------------|--------------------------------------|------|
| | | Up to 1 year | 2-5 years | Interest rate | | | | |
| Loan 1 | 25 | 25 | 0 | 12 month Euribor + 4% | 03.2020 | EUR | 7 | 26 |
| Loan 2 | 200 | 200 | 0 | 2% | 12.2020 | EUR | 4 | 26 |
| Loan 3 | 2,500 | 0 | 2,500 | 2% | 12.2023 | EUR | 0 | 26 |
| Loan 4 | 1,000 | 0 | 1,000 | 2% | 11.2024 | EUR | 0 | 26 |
| Total | 3,725 | 225 | 3,500 | | | | 11 | |

Based on management assessment of these loan exposures, there have not been significant increase in credit risk after initial recognition of these loan exposures, hence all loans have been assessed to

be in stage 1 as of the balance sheet date. 12-month ECL has been considered immaterial, given the low probability of default and loss given default.

| | 31.12.2018 | Distribution by maturity | | Interest rate | Due date | Base currency | Interest receivable as at 31.12.2018 | Note |
|--------------|--------------|--------------------------|--------------|-----------------|----------|---------------|--------------------------------------|------|
| | | Up to 1 year | 2-5 years | | | | | |
| Loan 1 | 25 | 25 | 0 | 12M Euribor +4% | 03.2019 | EUR | 6 | 26 |
| Loan 2 | 200 | 200 | 0 | 2% | 12.2019 | EUR | 0 | 26 |
| Loan 3 | 2,500 | 0 | 2,500 | 2% | 12.2023 | EUR | 0 | 26 |
| Total | 2,725 | 225 | 2,500 | | | | 6 | |

11. Other assets

| | 31.12.2019 | 31.12.2018 | Note |
|---------------------------------------|------------|--------------|------|
| Prepaid expenditure of future periods | 304 | 222 | |
| Prepayments to suppliers | 200 | 138 | |
| Prepaid taxes | 408 | 685 | 15 |
| Total | 912 | 1,045 | |

12. Tangible and right-of-use assets

| | Tangible assets | Right-of-use asset | Total |
|---|-----------------|--------------------|--------------|
| Balance as at 31.12.2017 | | | |
| Cost | 1,250 | 0 | 1,250 |
| Accumulated depreciation and amortisation | -852 | 0 | -852 |
| Carrying amount | 398 | 0 | 398 |
| | | | |
| Acquisition | 1,112 | 0 | 1,112 |
| Non-current assets sold | 0 | 0 | 0 |
| Depreciation/amortisation charge | -243 | 0 | -243 |
| Balance as at 31.12.2018 | | | |
| Cost | 2,317 | 0 | 2,317 |
| Accumulated depreciation and amortisation | -1,050 | 0 | -1,050 |
| Carrying amount | 1,267 | 0 | 1,267 |
| | | | |
| Change in accounting policies | 0 | 3,408 | 3,408 |
| Acquisition | 377 | 1,071 | 1,448 |
| Non-current assets sold | -20 | 0 | -20 |
| Depreciation/amortisation charge | -341 | -420 | -761 |
| Balance as at 31.12.2019 | | | |
| Cost | 2,674 | 4,479 | 7,153 |
| Accumulated depreciation and amortisation | -1,391 | -420 | -1,811 |
| Carrying amount | 1,283 | 4,059 | 5,342 |

The Company's non-current assets increased in 2019 by EUR 4.1 million due to the application of IFRS 16 "Leases", which resulted in Admiral Markets AS' office rental space being accounted for as a financial lease asset and liability. The rest of tangible assets

stayed at previous year's level and consist mainly of improvements to the new office in Tallinn. The Company moved to a new office to facilitate the growth of employees over the years.

13. Intangible assets

| | Total |
|---|------------|
| Balance as at 31.12.2017 | |
| Cost | 355 |
| Accumulated depreciation and amortisation | -262 |
| Carrying amount | 93 |
| Acquisition of non-current assets | 688 |
| Non-current assets sold | 0 |
| Depreciation/amortisation charge | -36 |
| Balance as at 31.12.2018 | |
| Cost | 1,043 |
| Accumulated depreciation and amortisation | -298 |
| Carrying amount | 745 |
| Acquisition of non-current assets | 56 |
| Non-current assets sold | 0 |
| Depreciation/amortisation charge | -171 |
| Balance as at 31.12.2019 | |
| Cost | 1,099 |
| Accumulated depreciation and amortisation | -469 |
| Carrying amount | 630 |

Intangible assets consist mainly of the development costs of Trader's Room 3.

14. Liabilities and prepayments

| Type of liability | 31.12.2019 | 31.12.2018 | Note |
|----------------------------------|--------------|--------------|------|
| Financial liabilities | | | |
| Liabilities to trade creditors | 646 | 824 | |
| Payables to related parties | 989 | 460 | 26 |
| Interest payable | 1 | 0 | |
| Other accrued expenses | 97 | 111 | |
| Subtotal | 1,733 | 1,395 | |
| Non-financial liabilities | | | |
| Payables to employees | 361 | 175 | |
| Taxes payable | 255 | 273 | 15 |
| Subtotal | 616 | 448 | |
| Total | 2,349 | 1,843 | |

15. Tax liabilities

| | 31.12.2019 | | 31.12.2018 | | Note |
|--|---------------|----------------|---------------|----------------|--------------|
| | Prepaid taxes | Taxes payables | Prepaid taxes | Taxes payables | |
| Value-added tax | 41 | 0 | 147 | 0 | |
| Corporate income tax | 0 | 10 | 0 | 5 | |
| Individual income tax | 0 | 81 | 0 | 96 | |
| Social security tax | 0 | 143 | 0 | 155 | |
| Unemployment insurance payments | 0 | 9 | 0 | 10 | |
| Contributions to funded pension | 0 | 7 | 0 | 7 | |
| Other tax receivables/liabilities in foreign countries | 118 | 5 | 0 | 0 | |
| Prepayments account | 249 | 0 | 538 | 0 | |
| Total | 408 | 255 | 685 | 273 | 11,14 |

16. Financial and operating lease

Financial lease

As at 31.12.2018 the Company had no liabilities under financial lease.

Non-cancellable operating lease payments in the future periods as at 31.12.2018 were as follows for the Company:

| | 31.12.2018 |
|------------------|--------------|
| During 12 months | 343 |
| 1-5 years | 1,873 |
| Over 5 years | 1,586 |
| Total | 3,802 |

Since the application of IFRS 16 in 2019, Admiral Markets AS office premises are recognized as financial lease. As the total non-cancellable operating lease payments in the future periods as at 31.12.2018 included Admiral Markets AS Polish branch and Russian Federation representative office lease payments these were removed from the total

amount before discounting the non-cancellable operating lease payments. The Company used a 2% incremental borrowing rate on the initial application of IFRS 16 at 1st of January 2019. As of 1st of January 2019, the Admiral Markets AS recognised the right-of-use asset and lease liability of EUR 3,408 thousand.

The table below analyses the movement in right-of-use asset for year 2019:

| Right-of-use asset | |
|------------------------------|--------------|
| Balance at 31.12.2018 | 0 |
| IFRS 16 adjustments | 3,408 |
| Balance at 01.01.2019 | 3,408 |
| Additions* | 1,207 |
| Depreciation | -420 |
| Adjustments | -136 |
| Balance at 31.12.2019 | 4,059 |

The table below analyses the movement in lease liabilities for year 2019:

| Lease liabilities | |
|------------------------------|--------------|
| Balance at 31.12.2018 | - |
| IFRS 16 adjustments | 3,408 |
| Balance at 01.01.2019 | 3,408 |
| Additions* | 1,203 |
| Repayment of lease liability | -406 |
| Interest expense | 76 |
| Adjustments | -136 |
| Balance at 31.12.2019 | 4,145 |

* New lease contracts and extension of the lease period for existing contracts

The right-of-use asset and lease liability are recorded on separate lines in the statement of financial position.

Operating lease

In 2019 operating lease expenses amounted to 57 thousand EUR (2018: EUR 303 thousand). The costs include Admiral Markets AS' parking premises rent and Polish branch and Russian representative office rent.

17. Subordinated debt securities

In 2017 Admiral Markets AS issued 18,268 subordinated debt securities and listed these on 11.01.2018 on the Nasdaq Tallinn Stock Exchange. The maturity date for bonds is 2027. The total number of shareholders at the end of the year was 305. Bondholder structure according to holders groups as at 31.12.2019 was the following:

- Private persons: 54%
- Legal persons: 46%

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

In 2019, 72 transactions in the amount of EUR 269 thousand were made with Admiral Markets AS bonds.

| Subordinated debt | Issuance year | Amount | Interest rate | Maturity date |
|---|---------------|--------|---------------|---------------|
| Subordinated bonds (ISIN: EE3300111251) | 2017 | 1,827 | 8% | 28.12.2027 |

18. Corporate income tax

According to Estonian laws, retained earnings are not taxed with corporate income tax, whereas paid-out dividends are taxed. Dividends paid to shareholders during the year 2019 amounted to

EUR 1,390 thousand (2018: EUR 1,325 thousand) and the accompanying income tax expense was in the amount of EUR 309 thousand (2018: EUR 331 thousand).

| Income tax | 2019 | 2018 |
|--|------------|------------|
| Income tax expense associated with profit earned in branches | 2 | 3 |
| Income tax expense associated with dividends payment | 309 | 331 |
| Total income tax | 311 | 334 |

In 2019, the income tax on corporate profits were paid in the representative office in Russia. In 2018 the branches established in the Republic of Romania and in the Czech Republic were closed.

2019

| Country | Russia | Total |
|---------------------------|--------|-------|
| Income tax rate in 2019 | 20% | - |
| Profit before tax | 10 | 10 |
| Income tax expense | 2 | 2 |
| Effective income tax rate | 20% | - |

2018

| Country | Czech Republic | Total |
|---------------------------|----------------|-------|
| Income tax rate in 2018 | 19% | - |
| Profit before tax | 14 | 14 |
| Income tax expense | 3 | 3 |
| Effective income tax rate | 15% | - |

Potential income tax

As at 31.12.2019, the Company's retained earnings amounted to EUR 35,937 thousand (2018: EUR 32,724 thousand). Distribution of retained earnings as dividends to the owners is subject to the income tax at the rate of 20/80 on the amount paid out as net dividends. From 2019, regular dividend payments will be subject to corporate income tax at the reduced rate of 14/86 to the extent of the average dividend distribution of the three preceding years. 2018 was the first year that can be taken into account for the

latter corporate income tax calculation. Therefore, taking into account regulatory requirements for net own funds and capital, from the retained earnings available at the reporting date, it is possible to pay out to the shareholders as dividends as at 31.12.2019 EUR 17,032 thousand (31.12.2018: EUR 13,996 thousand) and the corresponding income tax would have amounted to EUR 4,258 thousand (31.12.2018: EUR 3,499 thousand).

19. Off-balance sheet assets

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

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

| Off-balance sheet assets | 31.12.2019 | 31.12.2018 |
|--|--------------|--------------|
| Bank accounts | 2,521 | 3,148 |
| Interim accounts of card payment systems | 135 | 41 |
| Stock | 75 | 401 |
| Total | 2,731 | 3,590 |

20. Share capital

| | 31.12.2019 | 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 |
| Basic and diluted earnings per share | 11.40 | 23.44 |

Basic and diluted earnings per share are calculated as follows:

| | 31.12.2019 | 31.12.2018 |
|--|------------|------------|
| Profit attributable to the equity holders of the Company | 4,604 | 9,470 |
| Weighted average number of ordinary shares (pc) | 404,000 | 404,000 |
| Basic and diluted earnings per share | 11.40 | 23.44 |

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

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

In 2019, owners were paid dividends in the total amount of EUR 1,390 thousand i.e. EUR 3.44 per share (2018: 1,325 thousand i.e. EUR 3.27 per share).

21. 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 annual report.

22. Net income from trading

| | 2019 | 2018 |
|---|---------------|---------------|
| Net gains from trading of financial assets at fair value through profit or loss with clients | 37,542 | 36,472 |
| Net loss from trading of financial assets at fair value through profit or loss with liquidity providers | -2,704 | -2,391 |
| Brokerage income | 71 | 85 |
| Brokerage and commission fee expenses | -11,708 | -9,960 |
| Other trading activity related income | 31 | 74 |
| Other trading activity related expenses | -22 | -44 |
| Net income from trading | 23,210 | 24,236 |

23. Personnel expenses

The remuneration for employees including social security taxes amounted to EUR 6,857 thousand (2018: EUR 4,659 thousand) and the remuneration for the management amounted to EUR 149 thousand

(2018: EUR 423 thousand).

Admiral Markets AS had 147 employees at the end of 2019 (2018: 123 employees).

| | 2019 | 2018 |
|--|---------------|---------------|
| Employees (headquarters of Admiral Markets AS) | -6,513 | -4,218 |
| Employees (branches and rep. office) | -283 | -362 |
| Remuneration of the Management Board and Supervisory Board | -149 | -423 |
| Vacation pay reserve | -61 | -79 |
| Total | -7,006 | -5,082 |

There were no direct pension contribution expenses in 2018 and 2019. The social security tax includes a lump-sum payment of social, health and other insurances.

24. Operating expenses

| Type of expense | 2019 | 2018 | Note |
|--|----------------|---------------|------|
| Marketing expenses | -5,525 | -4,773 | |
| IT expenses | -2,400 | -2,090 | |
| Other outsourced services | -239 | -491 | |
| VAT expenses | -621 | -445 | |
| Rent and utilities expenses | -165 | -372 | |
| Legal and audit services | -283 | -338 | |
| Regulative reporting services | -318 | -183 | |
| Transport and communication costs | -107 | -102 | |
| Travelling expenses | -238 | -116 | |
| Supervision fee of the Financial Supervision Authority | -79 | -62 | |
| Small tools | -212 | -96 | |
| Other operating expenses | -519 | -64 | |
| Intra-group expenses | -562 | -711 | 26 |
| Total operating expenses | -11,268 | -9,843 | |

25. Contingent liabilities

Tax authorities have the right to review the Company's tax records for up to 5 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax

audits at the Company during 2018 - 2019. The Company's management estimates that in year 2019 there are no such circumstances, which may lead the tax authorities to impose significant additional taxes on the Company.

26. 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 | 2019 | 2018 |
|--|---|---------------|---------------|
| Revenue from brokerage and commission fees* | Companies in the same consolidation Group | 35,806 | 34,254 |
| Services | Companies in the same consolidation Group | 400 | 265 |
| Interest income | Senior management and companies related to them | 5 | 5 |
| Interest income | Parent company | 52 | 62 |
| Total transactions with related parties | | 36,263 | 34,586 |

* The majority of clients have concluded trading contracts with the entities which are part of the same consolidation group that mediate their trading transactions with the entity and to whom the entity pays a commission fee (see the next table).

Expenses

| | Relation | 2019 | 2018 | Note |
|--|---|----------------|----------------|------|
| Commission fees | Companies in the same consolidation Group | -11,359 | -9,554 | |
| Services | Companies in the same consolidation Group | -83 | -288 | 24 |
| Services | Parent company | -479 | -423 | 24 |
| Total transactions with related parties | | -11,921 | -10,265 | |

Loans and receivables

| | 31.12.2019 | 31.12.2018 | Note |
|---|--------------|--------------|------|
| Receivables from other companies in the same consolidation Group (short-term) | 0 | 166 | 10 |
| Loans from parent company (long-term) | 3,500 | 2,500 | 10 |
| Receivables from companies related to higher management | 255 | 302 | |
| Total receivables from related parties | 3,755 | 2,968 | |

Payables

| | 31.12.2019 | 31.12.2018 | Note |
|---|------------|------------|------|
| Payables to other companies in the same consolidation Group | 989 | 460 | 14 |
| Total payables to related parties | 989 | 460 | |

The payments made and benefits granted to the management (gross) were EUR 465 thousand and EUR 423 thousand respectively in 2019 and 2018.

As at 31.12.2019 outstanding unpaid salaries were in amount of 17 thousand EUR.

27. Events after the balance sheet date

Jens Chrzanowski was appointed on 10.02.2020 as member of the Management Board of Admiral Markets AS. Jens Chrzanowski has been a member of the Management Board of Admiral Markets Group AS since 2017. He founded the Berlin Office of Admiral Markets in 2011 and under his leadership Admiral Markets has won the most significant awards and recognitions in the financial world in Germany in 2019. Prior to joining Admiral Markets, Jens Chrzanowski has worked at FXCM, a finance firm, as a senior sales associate, at E*Trade as a sales manager and as a brokerage consultant at Deutsche Bank.

Dmitry Kuravkin, the board-member of Admiral Markets AS, left the Company. His authorization as a member of the Management Board expired on 13.03.2020.

In addition, in the first months of 2020, Admiral Markets AS established a subsidiary, Admiral Markets AS/Jordan LLC, in Jordan. The company is inactive at the moment.

4. Signatures of the Management Board members to the 2019 Annual Report

The Management Board has prepared the Management Report and the Financial Statements of Admiral Markets AS for the financial year ended on 31 December 2019.

The Management Board confirms that Management Report of Admiral Markets AS on pages 9 to 57 provides a true and fair view of the Company's business operations, financial results and financial position.

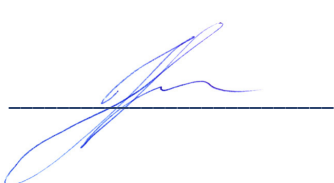
The Management Board confirms that according to their best knowledge the Financial Statements of Admiral Markets AS on the pages 58 to 122 presents a true and fair view of the Company's assets, liabilities, financial position and financial results according to the IFRS as they are adopted by the European Union and contains description of the main risks and doubts.

„16“ March 2020

Chairman of the Management Board:

Sergei Bogatenkov 

Member of the Management Board:

Dmitri Lauš 

Member of the Management Board:

Jens Chrzanowski 



Independent Auditor's Report

To the Shareholder of Admiral Markets AS

(Translation of the Estonian original)*

Report on the audit of the financial statements

Our opinion

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

Our opinion is consistent with our additional report to the Audit Committee dated 16 March 2020.

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59¹ of the Auditors Activities Act of the Republic of Estonia. The non-audit services that we have provided to the Company in 2019 are disclosed in the management report.

Our audit approach

Overview



Overall audit materiality is EUR 250 thousand, which represents approximately 5% of profit before tax.

The audit team performed full scope audit procedures for the Company.

- Trading revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|--|--|
| Overall audit materiality | EUR 250 thousand |
| How we determined it | Approximately 5% of profit before tax |
| Rationale for the materiality benchmark applied | We have applied this benchmark, as profit before tax is one of the principal considerations when assessing the Company's performance and a key performance indicator for Management and Supervisory Board. |

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Trading revenue recognition (detailed information is provided in Note 3 “Accounting policies and estimates used in preparing the financial statements” and Note 22 “Net income from trading”)</p> <p>The Company provides its clients various Forex and Contract for Difference (CFD) products with leverage.</p> <p>The Company’s trading revenue predominantly comprises net revenues from these CFD transactions placed by clients, and the net gains or losses from the hedging trades that the Company places with external liquidity providers to manage its risk.</p> | <p>We assessed whether the Company’s accounting policies over trading revenue recognition comply with International Financial Reporting Standards as adopted by the European Union (IFRS EU).</p> <p>We assessed the design and operating effectiveness of the controls related to trading revenue. We tested whether the trading revenue reports include all transactions, i.e. the reports are complete and the system calculates the revenue from trading transactions accurately.</p> <p>We determined that we could rely on these controls for the purposes of our audit.</p> <p>We have performed the following detailed testing:</p> <ul style="list-style-type: none"> • we reconciled the detailed revenue recognition system reports with trading revenue recorded in the financial statements; • we tested that revenue is solely recognised from trading transactions; • we performed the cash and cash equivalent balances confirmation letters procedure, including on and off-balance sheet cash balances, and verified that both on and off-balance sheet bank account balances are accurate; • we reconciled the net loss from trading of financial assets at fair value through profit or loss with liquidity providers with the regular reports provided by liquidity providers; • we analysed the customer complaints register held in accordance with internal policy, to identify whether there are any shortfalls in the Company’s processes and controls, which could result in over or under statement of Company’s revenue. |

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

The audit team performed full scope audit procedures for the Company.



Other information

The Management Board is responsible for the other information. The other information comprises Highlights 2019, To the investors of Admiral Markets, Management report, Proposal for profit distribution and Allocation of activity according to EMTA classificators (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the financial statements

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

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of the Company, as a public interest entity, for the financial year ended 31 December 2017 and the total period of our uninterrupted engagement appointment for the Company, as a public interest entity, is 3 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of the Company can be extended for up to the financial year ending 31 December 2026 and after a new tendering process for up to the financial year ending 31 December 2036.

AS PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Raimla'.

Tiit Raimla
Certified auditor in charge, auditor's certificate no.287

A handwritten signature in blue ink, appearing to read 'Uibo'.

Verner Uibo
Auditor's certificate no.568

16 March 2020

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

6. Proposal for profit distribution

Management Board proposes the General Meeting of shareholders to transfer the profit in the amount of EUR 4,604 thousand to retained earnings and EUR 1,371 thousand to be paid out as dividends out of retained earnings accumulated until 31 December 2019.

7. Allocation of activity according to EMTA classificators

| EMTAK | Activity | 2019 |
|-------|--|--------|
| 66121 | Security and commodity contracts brokerage | 23,210 |