ADMIRAL MARKETS

Investment company

Annual Report 2017

Admiral Markets AS

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Main area of activity	Investment services
Activity licence no.	4.1-1/46
Beginning and end date of financial year	1 January to 31 December
Members of the Management Board	Mindaugas Deksnys Dmitri Kuravkin Sergei Bogatenkov
Chairman of the Supervisory Board	Aleksander Tsikhilov
Members of the Supervisory Board	Dmitri Lauš Anton Tikhomirov Aleksandr Ljubovski Anatolii Mikhalchenko
Auditor	PricewaterhouseCoopers AS

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ADMIRAL MARKETS

1. Management report

AS ADMIRAL MARKETS was founded in 2003. In 2009, the Estonian Financial Supervisory Authority granted Admiral Markets AS the activity licence no. 4.1-1/46 for the provision of investment services. The Company is part of an international group which operates under a joint trademark – Admiral Markets. The parent company of Admiral Markets AS is Admiral Markets Group AS.

Business activities

The main activity of Admiral Markets AS is provision of investment services (trading with derivative products) to private persons and companies. The Company's activities are primarily targeted at experienced traders, and therefore, the Company focuses on the improvement of general trading skills and training of new enthusiasts. In addition to 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 also the possibility to use the investment platform. In line with the Group's strategy, the sister investment companies of Admiral Markets AS hedge the risks arising from their customers' transactions in Admiral Markets AS, who is also their sole liquidity partner. Under the trademark of Admiral Markets, customers are offered Forex and leveraged Contract for Difference (CFD) products in the over-the-counter market as well as listed instruments. The Company's strategic objectives include expansion of the range of products and services facilitating provision of investment services to a larger audience.

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

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

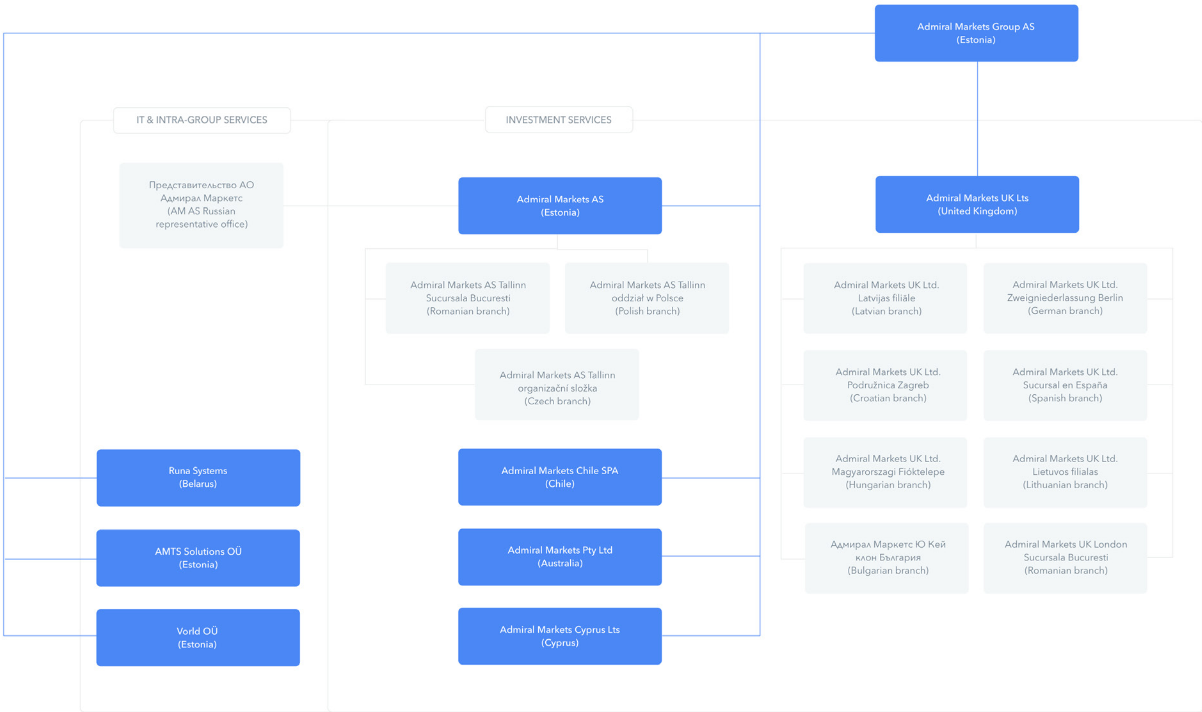
The investment companies that are part of the same consolidation group as Admiral Markets AS and actively offer investment services include Admiral Markets UK Ltd, Admiral Markets Pty Ltd and Admiral Markets Cyprus Ltd. The fifth investment company in the consolidation group Admiral Markets Chile SpA has not provided investment services since 31.05.2017.

Since Admiral Markets AS and other investment companies that are part of the same consolidation group use the same joint trademark, the reputation of the trademark of Admiral Markets has a major direct impact on the financial indicators as well as business success of Admiral Markets AS.

As of 31.12.2017, Admiral Markets AS had three active branches in Romania, Poland and the Czech Republic, and a representative office in Russia. The branches in Romania and the Czech Republic will be closed as at 31.05.2018 and service in these countries will be provided on a cross-border basis in the future.

Group structure

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



Trading platform

Admiral Markets AS offers trading through online platform only. At the beginning of 2016 Admiral Markets AS launched a new web-based trading platform MetaTrader 4 WebTrader. This platform enables trading in all operating systems (Mac, Windows, Linux) through web interface, as a result of which customers no longer have to download additional software.

Admiral Markets AS upgraded the trading conditions for the accounts on the MetaTrader 5 trading platform and since September 2017, in addition to currency pairs, customers can trade on the MT5 platform also with CFDs on indices, commodities, stocks, bonds and cryptocurrencies.

“MetaTrader 5, which retains the usability and looks of the familiar MetaTrader 4’s interface, is incomparably more advanced and feature-packed software both on the client side and on the server side. This allows it to support more instruments, markets, exchanges and trading setups, with almost no limits to the flexibility and scalability of the business,” said Sergei Bogatenkov, chairman of the Management Board of Admiral Markets AS.

In addition, Admiral Markets AS has developed a web app Trader’s Room 3 (TR3). The customers of Admiral Markets use the Trader’s Room to register themselves as users, open demo or real accounts, transmit applications for deposits and withdrawals, approve and amend personal information and submit documents required for the know-your-customer or KYC procedures. TR3 also includes a billing system and single log-on service to all services offered by the Company.

Training

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

The trader training programme includes both paid and free courses. Training courses are carried out both as classical teaching arrangements and webinars, in the course of which Admiral Markets AS introduces its services, teaches how to use the trading platform and, in addition, develops skills for analysing the economic situation and explains trading-related capital and risk management.

Customer support

Admiral Markets AS has defined swift and high-quality customer service as one of its competitive advantages. To assist customers in technical and organisational matters, Admiral Markets AS provides customer support via phone and live chat in the native languages of its target markets. An additional distinctive feature of Admiral Markets Group is its physical presence in all of its key markets, which allows to build a stronger customer relationship, get to know clients more personally, understanding them better and, therefore, offer them better service.

Key markets

Admiral Markets AS is licensed by the EFSA for investment and brokerage activities in the European Union. Thus, Admiral Markets AS is entitled to perform investment and brokerage activities in financial markets, including foreign exchange, shares, futures and CFDs. Under this license, Admiral Markets AS has the right to provide cross-border brokerage services in the 28 Member States of the European Union (EU) and in the three European Economic Area or (EEA) countries: Iceland, Norway and Liechtenstein.

In EU Member States and EEA agreement countries, investment services are mainly provided by Admiral Markets UK Ltd., sister company of Admiral Markets AS. 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 (Financial Conduct Authority of United Kingdom) was considered to be the most preferred choice. The biggest benefit to customers is the Financial Services Compensation Scheme (FSCS) provided in the United Kingdom, which gives each investor protection up to GBP 85,000 and applies to the customers of Admiral Markets UK Ltd. As Admiral Markets AS is an important service provider for Admiral Markets UK Ltd, the rearrangement has had a positive impact to its business.

Customers

As of 31 December 2017, the companies of the Admiral Markets Group had approximately 25,800 active customer accounts from more than 100 countries, of which 20,672 customer accounts are at Admiral Markets UK Ltd. By the number of active customer accounts and the domicile of account holders, the largest markets of Admiral Markets are Germany (15%), Poland (8%), Czech Republic (8%) and Bulgaria (8%). As of 31 December 2017, Admiral Markets AS has a total of 4,086 active customer accounts. The main markets are Poland (20%), Estonia (12%), Czech Republic (11%) and Latvia (8%).

Key events in 2017

Listing of bonds

On 08.12.2017, Admiral Markets AS announced the public offering, listing and admission to trading of subordinated bonds through Nasdaq Tallinn AS. Up to 50,000 bonds of Admiral Markets AS with a nominal value of EUR 100 per bond and an interest rate of 8% per annum were offered to the public. The bonds were offered in the Republic of Estonia, the Republic of Latvia and the Republic of Lithuania. The subscription period was from 08.12.2017 until 19.12.2017. Investors subscribed for the bonds in the amount of EUR 1,826,800 and consequently, on 28 December 2017 the investors received a total amount of 18,268 bonds in their securities accounts.

The maturity date of the bonds is 28.12.2027, when Admiral Markets AS must redeem all the bonds.

From 11.01.2018, it is possible to trade with the bonds of Admiral Markets on the Baltic Bond List, on the regulated market organized by Nasdaq Tallinn AS.

New products

In 2017 Admiral Markets AS started to offer the possibility to trade with CFDs on five cryptocurrency pairs with fiat currencies: Bitcoin, Bitcoin Cash, Ripple, Ethereum and Litecoin. In addition, since November 2017, Admiral Markets AS offers the possibility to trade with classic stocks. Among the instruments are major US and EU stocks, including a range of technological, banking, telecommunication and pharmaceutical giants such as Apple, Deutsche Bank, Netflix, Pfizer and BMW.

Training

In 2017, Admiral Markets AS focused on training its new and existing customers. Weekly online training courses were launched, providing market participants with real-time, fundamental, technical and wave analyses of various financial instruments. We have also put the emphasis on various specific webinars, where we teach clients to use robots and specific trading strategies, and also give information about the impact of major events in the world on the financial markets. As our previous online training programme “From Zero to Hero” proved to be very popular, we decided to create a new programme “Forex 101”. “Forex 101” is a training programme that helps inexperienced traders to begin trading. The training is free of charge and 100% online based. Every course is carried out via video with additional notes and a questionnaire. The programme has been divided into three separate courses: Beginner, Intermediate and Advanced.

In addition to existing training, Admiral Markets AS also held seminars on current topics. The issues discussed included, among others, the impact of the US presidential elections and Donald Trump as well as the French extraordinary elections on financial markets. New training courses “Fundamental Principles for Trading on the Financial Markets,” “Trading with Robots on the Forex Market,” “Using the Additional Application MT4 Supreme Edition” and “Cryptocurrencies, their Essence and Basics” were launched.

Awards

Admiral Markets won several awards in 2017. For example, in its key market Germany, the Company received two awards for the excellent service: “Best Service” by a survey of CFD brokers conducted by the German Institute of Customers (DKI) and the “Five Star” rating from the financial magazine “Focus Money”.

Marketing

The website infrastructure made great progress in 2017, one of which was the transition to a new platform. This project has greatly improved the flexibility, performance, responsiveness, analysis, search engine optimisation and personalisation of webpages.

Several marketing campaigns were launched in 2017 focusing on the strategic direction of customer training as well as customer retention and trading conditions improvement. Other marketing projects implemented during the year helped to strengthen the corporate infrastructure, user experience and customer offers.

Regulation

The supervisory authorities of the European Union Member States keep establishing new rules and obligations for the financial services industry. The German Supervisory Authority BaFin introduced a new rule of a 100% Negative Balance Protection for the German customers – effective from 10th of August 2017. Admiral Markets has implemented these new obligatory rules in a timely manner. The new European financial area regulation MiFID II entered into force in January 2018. The implementation of the rules was a major project for the Company in 2017.

On 27 March 2018, the European Securities Market Authority (ESMA) issued a press release stating that the ESMA had decided to apply additional requirements to CFDs and binary options offered to retail customers in the European Union. As a provider of CFDs, Admiral Markets is required to comply with these additional requirements. These measures include both marketing restrictions and the distribution or sale of CFDs to retail customers.

Additional ESMA requirements for CFD trading include:

1. Restricting leverage limits for retail customers that depending on the instrument will vary between the maximum of 30:1 and a minimum of 2:1;

2. Establishing a margin close out rule on a per account basis;

3. Setting the negative balance protection on a per account basis;

4. Obliging CFD providers to refrain from offering incentives;

5. Introduction of the standardised risk warning wording.

These requirements will enter into force 2 months after being translated into the official languages of the European Union and published in the Official Journal of the European Union.

According to the MiFIR, the ESMA can only impose temporary measures that will be in force for three months from the date of their publication. Before the end of the three-month period, the ESMA will assess the need for further measures to be taken over the next three months.

Management

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

In 2017, the remuneration of the management including social security taxes totalled EUR 309, 661 (2016: EUR 386,619). As at 31.12.2017, the Company has recognised accrued holiday pay of the Management Board in the amount of EUR 24,370 (31.12.2016: EUR 5,678). In 2017, the Company paid EUR 192,187 (2016: EUR 116,347) to the members of the Supervisory Board.

Organisation

The Company's management is responsible for the organisational structure and technical arrangement of Admiral Markets AS. To manage its activities, the Company mainly uses specialists and experts employed under employment contracts, but it also outsources 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.

As at the end of 2017, the Company had 124 employees (2016: 119 employees). The employees were allocated between Admiral Markets AS, its branches and the representative office as follows: Admiral Markets AS – 109 employees, the Polish branch – 8 employees, the Czech branch – 4 employees and the Russian representative office – 3 employees. In the reporting period, remuneration paid to employees including social security taxes amounted to EUR 4,947,048 (2016: EUR 4,097,259).

1.1 Economic environment

Global economy

Productivity growth, defined as key indicator of living standards, was showing signs of decline in advanced economies before the actual global financial crisis of 2007 drove it down sharply. This was associated with the waning boom in the ICT sectors, also reflecting slowing global trade, and an aging workforce.

Moreover, both labour productivity (output per employee) and factor productivity showed signs of a decline. These two factors indicate the efficiency of using labour, capital and other elements (e.g. technology) for economic purposes. If such a trend continues, the progress in raising global living standards could be threatened. Declining productivity growth may also affect policymakers' ability to respond to future economic shocks.

The reasons for the slowdown are broad-based. Structural forces include less productive gains from the IT boom, skills shortages, weaker labour and product market reforms, and demographic factors – such as aging populations. In addition, the aftermath of the global financial crisis meant tight credit conditions in some countries, lower investments, weak demand, weak corporate balance sheets, and policy uncertainty. The slowdown in global trade is also affecting productivity in countries where trade has barely kept up with global GDP growth rate since 2012, without taking into account trade barriers, embargoes and protectionist policies.

The economic growth in the United Kingdom was below expectations, and was 0.4% instead of the expected 0.5% in the last quarter of 2017. Household spending and business investment also declined. As public spending cuts and the uncertainty surrounding Brexit continue to affect the country's economy, the GDP growth is expected to slow further in 2018. Trading Economics expects the UK economy to grow around 0.3% by the end of the first quarter of 2018 and 0.5% in 2018.

In contrast, the rising Chinese economy grew by 6.9% over the last quarter of 2017 as compared to last year, surpassing market expectations and the official growth target of 6.5%. It also exceeded the 2016 growth rate of 6.7% which was the lowest growth rate over the last 26 years. The growth was mainly driven by the resilient property market and increased industrial and export volumes. In order to deleverage, the Chinese government forecasts 6.5% growth in 2018.

In the European Union, GDP increased by 2.6% in the fourth quarter of 2017. According to the second estimate, the data was the same but the result was still slightly below 2.7%. The total GDP growth rate in 2017 was 2.4%, slightly less than the projected growth rate of 2.5%. However, 2.7% can be considered progress and is a good sign for the EU. The forecast GDP growth rates both for the euro area and EU have increased from 2.1%

to 2.3% as compared to November 2017. At the same time, inflation is projected to remain below the benchmark level of 1.5% in 2018.

The growth in the US, the largest national economy, was 2.9% on an annualised basis in the last quarter (ending December 2017). This exceeded the second estimate and market expectations, which remained at 2.7%. The trade deficit expanded, as imports outpaced exports at the fastest rate since the third quarter of 2010. Private sector investments in inventories fell more than initially expected while personal spending remained robust. The growth rate of fixed investments was revised higher. Trading Economics expects the US economy to grow 2.1% by the end of the first quarter of 2018 and 2.4% over the 12-month period.

Significant global events in 2017

Significant events in 2017:

- French general elections in April 2017
- Extraordinary election called by Theresa May on 8 June 2017
- General elections in Germany and New Zealand in September 2017
- General elections in Catalonia on 21 December 2017
- North Korea's missile tests
- Launch of Article 50 by UK
- Faster global growth
- US withdrawal from TPP
- Montenegro becomes the 29th member of the North Atlantic Treaty Organization (NATO)

Estonian economy

According to the Statistical Office of Estonia, the GDP of Estonia grew 4.9% in 2017 as compared to 2016. In the fourth quarter of 2017, the Estonian economy expanded by 5% year on year. The 2017 economic growth was clearly the fastest of the last five years, with GDP reaching EUR 6.1 billion at current prices. Economic growth was mainly supported by the ICT sector, professional, scientific and technical activities and manufacturing. Also, the energy and transport sectors contributed significantly to the GDP growth. Growth was reduced mainly by wholesale and retail trade and real estate activities.

It is important to note that imports of goods and services grew by 3.5%, mainly due to the import of vehicles. Net exports reached EUR 980 million in 2017, accounting for 4.3% of GDP. According to the Statistical Office, this is the largest share of GDP over the last six years.

A strong external sector, with the demand for Estonian exports remaining strong, combined with good investment and private consumption growth, should support the economy in 2018, although economic growth is expected to slow down as compared to 2017. Experts of FocusEconomics predict that the Estonian GDP will grow 3.6% in 2018.

1.2. Financial results

in EUR million	2017	2016	2015*	2014	2013
Net trading income	19.3	18.0	16.5	13.2	14.1
Operating expenses	12.8	12.5	19.4	11.3	11.7
Net profit	6.0	5.9	-2.5	2.2	3.6
Cost-to-income ratio	66%	69%	118%	86%	83%
Total assets	30.6	24.1	23.9	21.9	29.9
Equity	27.4	22.8	17.3	19.8	17.6
Cash and cash equivalents	22.0	18.0	15.6	17.8	17.9
Off-balance sheet assets	3.3	4.3	7.8	15.5	12.8

* Due to changes in the Swiss franc rate, operating expenses and net income in 2015 were EUR 9.4 million and EUR 7.5 million respectively without the extraordinary allowance for doubtful receivables.

In 2017, Admiral Markets AS executed operational changes, conducted new marketing projects and implemented other improvements, which increased the number of active customer accounts held at Admiral Markets Group by 5% to 25,798 as at 31.12.2017 (2016: 24,486 active customer accounts). The number of active accounts of Admiral Markets AS fell to 4,086 (2016: 7,358), in line with the Group's strategy according to which Admiral Markets UK Ltd is the main provider of investment services to retail customers of the EU Member States and EEA countries. In 2017, the net trading income and commission income of Admiral Markets AS increased by 7.8% to EUR 19,345,050 (2016: EUR 17,952,840). The net profit for 2017 increased to EUR 5,995,963 from the previous year (2016: EUR 5,887,801). As compared to 2016, profits were mainly influenced by the effect of foreign exchange losses. The balance sheet total of Admiral Markets AS increased to EUR 30,602,037 in 2017 (2016: EUR 24,122,825), mainly due to the increase in cash and cash equivalents and short-term loans, receivables and advances.

As at 02.02.2017, the parent company of Admiral Markets AS was paid dividends in the amount of EUR 1,325,000.

In 2017, the events that had the biggest potential impact on the markets for investment service providers included the French presidential elections, the general election in UK, Germany and New Zealand and the speech of the President of Catalonia on 10 October.

As these events were assumed to have a significant impact on the foreign exchange markets and cause unpredictable movements, Admiral Markets took preventive measures by limiting leverage available to customers. Therefore, the impact of these events on Admiral Markets was insignificant, and the Company continued to operate under ordinary conditions.

Key financial indicators

Indicator	2017	2016
Net profit in the reporting period, EURm	6.0	5.9
Net profit per share, EUR	14.8	14.5
Return on equity, %	23.9	29.4
Equity ratio	1.1	1.1
Return on assets, %	21.9	26.4
Short-term liabilities current ratio	21.9	17.0

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
Current ratio = current assets / current liabilities

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

One important event that took place during the preparation of financial statements that significantly influenced the results of the 2017 financial year is the development of the new Floating Leverage system. Unlike before, the choice of leverage is no longer bound/limited to the account status, but is now tied to the open position (or planned order volume of a new trade). Hence, Admiral Markets limited the maximum potential leverage available to customers in the last trading hours before the weekend (or trading holidays), because in these time periods individual customers usually engage in major speculative and aggressive trading strategies culminating in great losses, and sometimes even negative balances. As a result of limiting leverage, there has been an 80% decrease in negative account balances in 2017 as compared to the previous year.

1.3. Risk management and capital adequacy

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

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

For calculating capital requirements for credit and market risk, Admiral Markets uses the standardised approach and a basic indicator approach 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. A detailed overview of risks taken by Admiral Markets AS is provided in Note 5 of the annual report.

As of 31.12.2017, the own funds of Admiral Markets amounted to EUR 21.8 million (31.12.2016: EUR 15.4 million). At the end of the reporting period, Admiral Markets was well capitalised, the capital adequacy level was 21.3% (31.12.2016: 19.0%).

Own funds

(in EUR)	31.12.2017	31.12.2016
Paid-in share capital	2,585,600	2,585,600
Statutory reserve capital transferred from net profit	258,550	258,550
Retained earnings*	17,257,581	12,694,780
Intangible assets	-93,282	-128,538
Total Tier 1 capital	**20,008,449**	**15,410,392**
Subordinated debt securities	1,826,800	0
Total Tier 2 capital	**1,826,800**	**0**
Total own funds	**21,835,249**	**15,410,392**

Risk-weighted assets

(in EUR)	31.12.2017	31.12.2016
Credit institutions and investment companies under standardised approach	6,448,251	4,852,019
Retail claims under standardised approach	5,782,529	3,419,414
Other assets under standardised approach	4,748,860	3,513,367
Total credit risk and counterparty credit risk	**16,979,640**	**11,784,800**
Foreign currency risk under standardised approach	39,675,940	24,377,500
Equity portfolio risk under standardised approach	5,667,939	10,473,073
Commodities risk under standardised approach	6,354,175	3,810,896
Total market risk	**51,698,054**	**38,661,468**
Credit valuation adjustment risk under standardised method	**3,892**	**6,172**
Operational risk under basic indicator approach	**34,017,226**	**30,572,948**
Total risk exposure	**102,698,812**	**81,025,388**
Capital adequacy	**21.3%**	**19.0%**

* 2017 retained earnings has been adjusted by dividends paid to the owners in February 2018 (Note 25).

1.4. Governance of the entity

Supervisory Board

Alexander Tsikhilov

Founder and Chairman of the Supervisory Board

Has been involved in several entrepreneurial projects, including providing online services. Founded Admiral Markets in March 2001. Obtained MBA in 2006 and PhD in Business Administration in the Swiss Business School in 2015.

Dmitri Lauš

Founder and member of the Supervisory Board

Obtained a Bachelor's degree from the Estonian Business School. Together with Alexander Tsikhilov, founded the headquarters of Admiral Markets in Estonia. With a background in financial technology, played an integral part in the Company's technological development.

Anatolii Mikhalchenko

Member of the Supervisory Board

Joined Admiral Markets in 2004 as a cooperation partner. Obtained a degree from ITMO University in St. Petersburg.

Anton Tikhomirov

Member of the Supervisory Board

Has been working in the financial 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 KPIs and other critical business metrics.

Aleksandr Ljubovski

Member of the Supervisory Board

Obtained a degree in Logistics and Transportation from TTK University of Applied Sciences. Joined Admiral Markets as a customer service manager in March 2010. In 2013-2017 was member of the Management Board of Admiral Markets AS and in 2016-2017 in Admiral Markets Group AS. As member of the Supervisory Board, focuses on risk management and compliance.

Management Board

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. Took management courses from Leipzig Graduate School of Management (HHL). Has over 10 years of experience in consulting, banking and asset management. Held various positions in Swedbank, Versobank, Ernst&Young, and Bank of Estonia.

Dmitri Kuravkin

Member of the Management Board

Joined Admiral Markets in 2017. Holds a Master's degree in law from the University of Tallinn. He has completed several courses in financial law and compliance control. More than 10 years of professional experience in financial law (including participation in legislative processes). Previously worked in various legal and compliance control positions at Swedbank and Pocopay.

Mindaugas Deksnys

Member of the Management Board

Joined Admiral Markets in 2013. Obtained a Bachelor's degree from Concordia International University and a Master's degree from Concordia University in the USA. Currently a PhD candidate in management, with special interest in corporate agility. Has over 14 years of experience in management, private banking, sales, and business development in the banking and insurance industry. Has worked in Merrill Lynch, Danske Bank, Finasta Bank, and Mandatum Life.

1.5. Corporate Governance Report

Admiral Markets AS (hereinafter in Corporate Governance Report AM) pursues its business activities observing the Company's articles of association, national legislation, the instructions and recommendations of the Financial Supervision Authority, Nasdaq Tallinn Rules and Regulations and the rules of good governance practices described in the internal rules of AM. Managing AM must in particular adhere to the interests of AM and provide an adequate opportunity to customers, investors and other interested parties to obtain an overview of it. Disclosure and governance requirements of AM must ensure equal treatment of shareholders and investors. AM adheres to good corporate governance practices, with the exception of cases outlined in this report.

1. General meeting

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

If the investment company has only one shareholder, the decisions of shareholders of the investment company shall be made in writing in accordance with § 305 of the Commercial Code. Consequently, 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 until AM has only one shareholder.

The sole shareholder of AM is Admiral Markets Group AS, registry code 11838516. The shareholders of Admiral Markets Group AS are:

1. Admiral Markets Group AS (69,375 shares, representing 2.775% of the total number of shares);
2. Montes Auri OÜ (1,225,000 shares, representing 49.0% of the total number of shares);
3. Alexander Tsikhilov (684,375 shares, representing 27.375% of the total number of shares);
4. Laush OÜ (446,250 shares, representing 17.85% of the total number of shares);
5. Anatolii Mikhalchenko (25,000 shares, representing 1.0% of the total number of shares);
6. Anton Tikhomirov (25,000 shares, representing 1.0% of the total number of shares);

7. Juri Kartakov (25 000 shares, representing 1.0% of the total number of shares).

In 2017, the general meeting of the shareholders of AM made five decisions.

On 1 February 2017, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Dmitri Lauš, decided to pay out dividends in the amount of EUR 1,325,000 to the Company's shareholders from retained earnings for the year 2015.

On 10 May 2017, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Sergei Bogatenkov, decided to approve the 2016 annual report of AM and transfer the profit for 2016 to retained earnings.

On 25 May 2017, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Sergei Bogatenkov, decided to extend the mandate of Anton Tikhomirov, the member of the Supervisory Board, by five years.

On 31 August 2017, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Sergei Bogatenkov, decided to recall the member of the Supervisory Board Juri Kartakov and nominate Aleksander Ljubovki as member of the Supervisory Board for a term of five years.

On 20 October 2017, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Sergei Bogatenkov, decided to nominate audit company PricewaterhouseCoopers as its auditor for the 2017 financial year.

2. Supervisory Board

The members of the Supervisory Board are elected at the general meeting of AM. 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 AM, 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 AM or an entity controlled by AM less than three (3) years ago shall simultaneously be members of the Supervisory Board.

Supervisory Board of AM:

- plans the operations of AM in collaboration with the Management Board,
- organises the management of AM (including participation in making important decisions in relation to operations of AM)
- supervises the activities of the Management Board in accordance with the procedures and extent established by the legislation, inter alia regularly evaluates the Management Board's actions in implementing AM's strategy, financial condition, risk management system, legality of the activities of the Management Board and whether essential information about

AM is disclosed to the Supervisory Board and to the public as required, and

- determines and regularly reviews AM's strategy, its general action plan, risk management policies and annual budget.

The Supervisory Board may set up committees. When setting up committees by the Supervisory Board, AM publishes on its website information about the existence, functions, composition and location of committees in the AM structure. In case of a change in circumstances related to committees, AM shall publish the content and time of implementation of the amendment in the same procedure.

It is expected that the Supervisory Board sets up at least the following committees: Credit Committee, Remuneration Committee, Risk Management and Audit Committee and Nomination Committee.

The mandate of the members of the Committees shall be valid for a maximum of five (5) years.

On the basis of the decisions of AM general meetings the Supervisory Board members of AM, at the time of preparation of the annual report, are:

- Anatolii Mikhalchenko, term of office 21.05.2021;
- Anton Tikhomirov, term of office 14.05.2022;
- Dmitri Laush, term of office 02.02.2023;
- Alexander Tsikhilov, Chairman of the Supervisory Board, term of office 21.05.2019;
- Aleksandr Ljubovski, term of office 01.09.2022

On the basis of the decisions of AM general meetings, the members of the Supervisory Board of AM in 2017 were:

- Anatolii Mikhalchenko, term of office 21.05.2021;
- Anton Tikhomirov, term of office 14.05.2022;
- Alexander Tsikhilov, Chairman of the Supervisory Board, term of office 21.05.2019;
- Aleksandr Ljubovski term of office 01.09.2022;
- Juri Kartakov, term of office 01.09.2017

In addition to the activities prescribed by the law and internal rules of AM, in 2017 the Supervisory Board gave its consent to the Management Board in issues that were outside the daily business operations and in issues described in law that require the consent of the Supervisory Board. The Supervisory Board has adopted 16 resolutions, including arrangement of 9 meetings. 7 resolutions were adopted without calling a meeting, in compliance with Subsection 323 (1) of the Commercial Code, pursuant to which the Supervisory Board has the right to adopt resolutions without calling a meeting if all members of the Supervisory Board agree with the decision. Pursuant to subsection (6) of the same article, a Supervisory Board resolution can be drawn up without the statutory notice and record of vote if all members of the Supervisory Board agree to the resolution and sign it.

In the framework of regular meetings, the Supervisory Board received regular reviews of operational and financial results of AM and investment companies which are part of the same consolidation group.

The member of the Supervisory Board Alexander Tsikhilov was absent from four (4) Supervisory Board meetings. Anatolii Mikhalchenko, Aleksandr Ljubovski and Anton Tikhomirov were absent from one (1) Supervisory Board meeting.

In 2017, the Supervisory Board has set up four committees, whose responsibilities and structure is presented below.

Credit Committee

The Credit Committee develops and makes a proposal to the Management Board for establishing the limits of the credit offered to customers. The Credit Committee shall evaluate, no less often than one (1) time a year and each time when applicable legislation is amended, the implementation of the limits of credit and, where necessary, makes a proposal for updating the limits of credit and prepares a corresponding draft resolution.

In 2017, the Credit Committee held one meeting.

The members of the Credit Committee are the Chairman of the Management Board of AM Sergei Bogatenkov, and Anatolii Mikhalchenko and Anton Tikhomirov who are members of the Supervisory Board of AM.

The Members of the Credit Committee receive no fee for membership in the committee.

Remuneration Committee

The Remuneration Committee is responsible for evaluating the implementation of the remuneration principles (incl. the reward system) in AM and in companies that belong to the same consolidation group as AM, and the impact of remuneration-related resolutions on compliance with the requirements laid down about risk management and prudential requirements.

The Remuneration Committee exercises supervision of the remuneration (incl. rewarding) of the members of the Management Board and the employees of AM and companies that belong to the same consolidation group as AM, not less often than once (1) a year evaluates the implementation of the remuneration principles and, where necessary, makes a proposal for updating the remuneration principles and prepares draft resolutions on remuneration to the Supervisory Board (concerning the remuneration of the members of the Management Board) and to the Chairman of the Management Board (concerning the remuneration of employees), respectively.

In 2017, the Remuneration Committee held one meeting when it discussed and made a proposal to the Supervisory Board regarding the performance-based remuneration and revised the procedure for paying additional remuneration to employees.

The members of the Remuneration Committee are Anatolii Mikhalchenko and Anton Tikhomirov, who are both final beneficiaries of the AM, holding both 25,000 shares of Admiral Markets Group AS, and are members of the Supervisory Board of AM.

The Members of the Remuneration Committee receive no fee for membership in the committee.

Risk and Audit Committee

Responsibilities of the Risk and Audit Committee:

- to evaluate the implementation of the risk management principles in AM and in companies that belong to the same consolidation group as AM, following the risk management principles of AM and applicable legislation;
- upon occurrence of unexpected events that may have a significant impact on AM and/or on a company that belongs to the same consolidation group as AM, to ensure the implementation of the procedure that ensures the continuity of activities and, where necessary, to develop, without delay, a more detailed or additional action plan in order to prevent or at least minimise an adverse impact on AM and on companies that belong to the same consolidation group as AM;
- to evaluate, not less often than once (1) a year, the implementation of the risk management principles and the principles of ensuring the continuity of activities and make proposals, where necessary, for updating these principles and prepare, where necessary, proposals for amendment;
- to advise the Supervisory Board on exercising supervision of accounting, auditing and internal control, establishment of the budget as well as lawfulness of activities;
- to monitor and analyse processing of 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;
- to make 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.

In 2017 the Risk and Audit Committee held three ordinary meetings where it revised regular risk reports ICAAP operational processes, provisions and the Supervisory Review and Evaluation Process (SREP) report. In addition, the internal auditor gave an overview of conducted audits and observations.

The members of the Risk and Audit Committee are Anatolii Mihkhalchenko and Anton Tikhomirov, who are both final beneficiaries of the AM, holding both 25,000 shares of Admiral Markets Group AS, and are members of the Supervisory Board of AM.

Members of the Risk and Audit Committee receive no fee for membership in the committee.

Nomination Committee

The responsibility of the Nomination Committee is to make proposals to a corresponding management body of AM or of a company that belongs to the same consolidation group for appointing members of a lower level management body.

The Nomination Committee finds suitable candidates, assesses their background and compliance with the requirements provided in the legislation and in the internal rules of entities belonging to the AM consolidation group, and at least two weeks prior to the appointment of the corresponding member of the management body submits its own proposals, together with the reasons for it.

In 2017, the Nomination Committee held one meeting in which possible candidates for vacant key positions were discussed.

The members of the Nomination Committee are Anatolii Mihkhalchenko and Anton Tikhomirov, who are both final beneficiaries of the AM, holding both 25,000 shares of Admiral Markets Group AS, and are members of the Supervisory Board of AM.

The members of the Nomination Committee receive no fee for membership in the committee.

3. The Management Board

The Management Board manages and represents AM and organises daily operations of AM in the conditions and procedure laid down in the legislation, AM articles of association and decisions of the Supervisory Board or the Management Board, acting in the most economical manner and adhere to AM's best interests.

Members of the Management Board are elected by the Supervisory Board. The Management Board of AM must have at least two members. If the Management Board has more than two members, the Supervisory Board shall designate one of them as Chairman of the Management Board. Member of the Management Board of AM must meet, inter alia, the following requirements:

- must have an 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. Member of the Management Board may be Chairman of the Supervisory Board of the issuer that belongs to the same group as AM.

The Supervisory Board specifies the area of responsibility of every member of the Management Board, limiting the tasks and powers of every member of the Management Board as accurately as possible. Also the basis of cooperation between members of the Management Board is determined. The Chairman of the Supervisory Board or a person authorised by the Supervisory Board concludes a contract of service with the member of the Management Board for fulfilment of his or her functions. Specific responsibilities and tasks of every member of the Management Board can be set out in the job description added to his or her contract of service. In addition, the Management Board:

- makes daily management decisions independently, leaving aside personal interests and/or interests of the controlling shareholder;
- undertakes to ensure the sustainable development of AM accordance with set objectives and strategies;
- does its best to ensure that AM and all entities belonging to the same group as AM observe effective legislation in their operations.

At the time of preparation of the annual report, the Management Board of AM consisted of three members:

- Sergei Bogatenkov, terms of office 17.12.2018;
- Dmitry Kuravkin, term of office 01.09.2020;
- Mindaugas Deksnys, term of office 02.02.2021.

On 07.04.2017 Sergei Bogatenkov was appointed as Chairman of the Management Board of AM.

All these members of the Management Board have higher education and work experience necessary for managing an investment company. No member of the Management Board mentioned herein is Chairman of the Supervisory Board of any listed issuer or another issuer.

Functions of member of the Management Board Sergei Bogatenkov are according to the contract of service concluded with him:

- Financial management and financial reporting;
- Investment management;
- Fulfilment of individual obligations of a member of the Management Board arising from the Commercial Code and other laws;
- Coordination of IT activities.

Functions of member of the Management Board Dmitry Kuravkin are according to the contract of service concluded with him:

- Revision and management of internal control systems (compliance and internal audit);
- Fulfilment of individual obligations of a member of the Management Board arising from the Commercial Code and other laws.

Functions of member of the Management Board Mindaugas Deksnys are according to the contract of service concluded with him, coordination of marketing activities.

4. 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 interest of AM and refrain from acting in his or her own or another person's interest.

AM does not disclose remuneration of individual members of the Management Board, since according to the contract concluded with them, it is confidential information.

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

5. Disclosure of information

AM has a website which includes a specially developed subsite for investors www.admiral.ee. This website is available in both Estonian and English.

The website of AM contains annual reports (along with the report of the CGR), interim reports, articles of association, composition of the Management Board and Supervisory Board and the information about the auditor. Since 2016, the annual reports have also been published in English.

AM neither discloses the financial calendar, information concerning the Annual General Meeting, 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 AM and high awareness of the parent company of AM as the sole shareholder.

AM discloses the total amount of fees paid to members of the Management Board in the note to the financial statements. AM does not disclose remuneration of individual members of the Management Board and Supervisory Board, since according to the contracts concluded with them, it is confidential information.

6. Financial reporting and auditing

AM prepares and publishes the annual report of the financial year and the interim report on its website. The annual report is subject to an audit.

Considering the proposals of the Management Board and the auditor's consent, under the resolution of the Annual General Meeting of AM held on 20.10.2017, the Company's auditor for the 2017 annual report is company AS PricewaterhouseCoopers, registry code 10142876.

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

During 2017, the Company's auditor has provided other assurance services, the provision of which is the obligation arising from the Securities Market Act, as well as other advisory services permitted in accordance with the Auditors Activities Act in force in the Republic of Estonia.

2. Financial Statements

Statement of Financial Position

(in EUR)	Note	31.12.2017	31.12.2016
ASSETS			
Current assets			
Cash and cash equivalents	7	22,001,637	18,018,135
Financial assets at fair value through profit or loss	8	3,361,109	2,421,927
Short-term loans, receivables and prepayments	9,10	4,247,126	2,822,597
Total current assets		**29,609,872**	**23,262,659**
Non-current assets			
Long-term loans	10	450,818	492,560
Long-term investments		50,000	0
Tangible assets		398,065	239,069
Intangible assets		93,282	128,537
Total non-current assets		**992,165**	**860,166**
TOTAL ASSETS		**30,602,037**	**24,122,825**

LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit or loss	8	176,930	51,782
Liabilities and prepayments	11	1,175,613	1,075,312
Provisions	15	0	244,000
Total current liabilities		**1,352,543**	**1,371,094**
Long-term liabilities			
Subordinated debt securities	14	1,826,800	0
Total long-term liabilities		**1,826,800**	**0**
TOTAL LIABILITIES		**3,179,343**	**1,371,094**
EQUITY			
Share capital	18	2,585,600	2,585,600
Statutory reserve capital		258,550	258,550
Retained earnings		24,578,544	19,907,581
TOTAL EQUITY		**27,422,694**	**22,751,731**
TOTAL EQUITY AND LIABILITIES		**30,602,037**	**24,122,825**

Notes on pages 40 to 88 are an integral part of the Financial Statements.

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Statement of Comprehensive income

(in EUR)	Note	2017	2016
Net profit from trading of financial assets at fair value through profit or loss with clients and liquidity providers		27,794,610	24,852,520
Brokerage fee income		71,638	653,267
Brokerage and commission fee expense		-8,653,308	-,7,325,048
Other trading activity related expenses		132,110	-227,899
Net income from trading	**19**	**19,345,050**	**17,952,840**
Other income		403,974	163,433
Interest income		109,053	70,567
Net gain (loss) on exchange rate changes		-826,195	391,350
Other financial income and expenses		0	-16,675
Personnel expenses	20	-5,256,709	-4,483,878
Operating expenses	21	-7,247,722	-7,751,332
Depreciation of fixed assets		-200,213	-308,156
Profit before income tax		**6,327,238**	**6,018,149**
Income tax	16	-331,275	-130,348
Profit for the reporting period		**5,995,963**	**5,887,801**
Comprehensive income for the reporting period		**5,995,963**	**5,887,801**
Basic and diluted earnings per share		14.84	14.57

Notes on pages 40 to 88 are an integral part of the Financial Statements.

ADMIRAL MARKETS

Statement of Cash Flows

(in EUR)	Note	2017	2016
Cash flow from operating activities			
Profit for the accounting period		5,995,963	5,887,801
Adjustments for:			
Depreciation of fixed assets		200,213	308,156
Gains on the sale of property, plant and equipment		-37,083	-11,191
Changes in provisions	15	0	17,060
Net interest income		-109,053	-70,567
Allowance for doubtful receivables	9	57,836	421,157
Corporate income tax expenses		331,275	130,348
Other financial income and expenses		826,194	-526,917
Adjusted operating profit		**7,265,345**	**6,155,847**
Change in receivables and prepayments relating to operating activities		-1,372,495	2,194,957
Change in derivatives assets		10,955	58,288
Change in restricted cash balance		-89,791	178,370
Change in payables and prepayments relating to operating activities		-143,699	-1,648,943
Change in the derivative liabilities		125,148	-70,404
Interest received		43,391	40,438
Corporate income tax paid		-331,275	-122,368
Net cash from operating activities		**5,507,579**	**6,786,186**
Cash flow from investing activities			
Disposal of tangible and intangible assets		34,884	37,353

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Purchase of tangible and intangible assets		-324,805	-146,378
Loans granted	10,23	-220,000	-1,450,000
Repayments of loans granted	23	220,000	113,272
Acquisition of bonds		-3,486,746	-2,290,190
Proceeds from disposal of bonds		2,296,892	0
Acquisition of shares		-50,000	0
Net cash from/used in investing activities		**-1,529,775**	**-3,735,943**
Cash flow from financing activities			
Dividends paid	18	-1,325,000	-460,000
Proceeds from subordinated debt securities issued		1,826,800	0
Net cash used in financing activities		**501,800**	**-460,000**
TOTAL CASH FLOWS		**4,479,604**	**2,590,243**
Cash and cash equivalents at the beginning of the period	**7**	**17,776,764**	**15,165,375**
Change in cash and equivalents		**4,479,604**	**2,590,243**
Effect of exchange rate changes on cash and cash equivalents		**-585,893**	**21,146**
Cash and cash equivalents at the end of period *	**7**	**21,670,475**	**17,776,764**

* Except restricted cash; for more information refer to Note 7.

Notes on pages 40 to 88 are an integral part of the Financial Statements.

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Statement of Changes in Equity

(in EUR)	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 01.01.2016	**2 585,600**	**258,550**	**14,479,780**	**17,323,930**
Dividends paid	0	0	-460,000	-460,000
Profit for the reporting period	*0*	*0*	*5,887,801*	*5,887,801*
Total comprehensive income for the reporting period	0	0	5,887,801	5,887,801
Balance as at 31.12.2016	**2,585,600**	**258,550**	**19,907,581**	**22,751,731**
Balance as at 01.01.2017	**2,585,600**	**258,550**	**19,907,581**	**22,751,731**
Dividends paid	0	0	-1,325,000	-1,325,000
Profit for the reporting period	*0*	*0*	*5,995,963*	*5,995,963*
Total comprehensive income for the reporting period	0	0	5,995,963	5,995,963
Balance as at 31.12.2017	**2,585,600**	**258,550**	**24,578,544**	**27,422,694**

For more information of share capital refer to Note 18.
Notes on pages 40 to 88 are an integral part of the Financial Statements.

3. Notes to the Financial Statements

1. General information

AS ADMIRAL MARKETS (hereinafter "Admiral Markets", "Company", "AM" or "AM AS") is an investment company since 05.06.2009. The Company's head office is located at Ahtri 6a, Tallinn, Estonia. The annual report for the year ending 31 December 2017 was approved for publication on 26.04.2018 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. 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 §110[1] of the Securities Market Act that is presented in Note 5. The financial statements contain the financial results of Admiral Markets AS and its branches. These financial statements are not consolidated since Admiral Markets AS has no subsidiaries.

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 3 and 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 2017 and ended on 31 December 2017. The Company's functional currency is the euro. The annual financial statements are presented in euros and integers, 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 currency is the 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 gain (loss) from foreign exchange rate changes."

Financial assets

The Company classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Loans and receivables (L&R)

Financial assets are initially recognised at cost, being the fair value of the payment made or received for the financial asset. The acquisition cost includes all transaction expenses directly related to financial assets, except financial assets at fair value through profit or loss.

Financial assets are derecognised from the statement of financial position when the Company loses the right to receive cash flows from the financial asset or assigns to a third party cash flows arising from the assets and significant risks and rewards connected to the financial assets.

Purchases and sales of financial assets are consistently recognised at the settlement date, i.e. at the date when the Company becomes the owner of a financial asset or loses its ownership of the financial asset that has been sold.

I. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:

A) Financial assets held for trading in trading accounts

B) Derivatives, including currency pairs

Financial instruments measured at fair value are assessed at each balance sheet date to their current fair value, without deducting any transaction costs related to disposal of the financial instrument.

Fair value gains/losses arising from financial assets and derivatives held for trading are recognised as profit or loss in the statement of profit or loss on line „Net profit from trading of financial assets at fair value through profit or loss with clients and liquidity providers".

Derivatives

A derivative is a financial instrument or other contract, which has the following characteristics:

- its value changes in response to changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, price or rate index, credit rating or credit index, or other variable, provided that in case of non-monetary variable the variable is not specifically associated with the party to the contract;
- it is settled in the future.

Derivatives are futures contracts, forward contracts, swap contracts, options contracts and other instruments of similar nature that are related to the change in underlying assets. A derivative usually has a nominal amount, which is the amount of money, number of shares, number of weight or volume units or other units specified in the contract. Financial assets held for trading include open:

- foreign exchange net spot positions
- net forward positions
- rolling spot forex contracts
- Contracts for Differences (CFD)

Derivatives (e.g. futures, forward, swap and option contracts) are recognised in the statement of financial position at their market value. If derivatives are quoted in an active market, the fair value shall be the market value on the balance sheet date. Subsequently, reporting a revaluation is made and the result is recognised in the statement of profit or loss line „Net profit from trading of financial assets at fair value through profit or loss with clients and liquidity providers".

Derivatives are recognised in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet only when the Company has a legally enforceable right to set off the recognised amounts and the Company intends to set them off on a net basis, or to realise the asset and settle the liability simultaneously. Legally applicable right may not be dependent on the upcoming events and must be applied to the ordinary course of business, and in case of breach of contract, insolvency and bankruptcy of the Company or transaction partner.

The Company does not use special hedge accounting rules when accounting for derivatives.

Assessment of fair value

The Company assesses financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the amount at the valuation date for which an asset can be exchanged or a liability can be settled in the normal course of business between independent parties. 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).

II. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are recorded until they are repaid or written off. After initial recognition, the Company recognises loans and advances at amortised cost (less the repayment of principal and, where appropriate, possible discounts), and in the following periods accounts for interest income from the receivable using the effective interest rate method.

Customer receivables arise from the provision of the service to clients and they are initially measured at fair value including transaction costs and they are subsequently measured at amortized cost, using the effective interest rate method (less any refunds and write-down from impairment).

Impairment losses of financial assets are recognised in the statement of profit or loss during the period when the loss event (or events) occurs after the asset's initial recognition and that loss event (or events) has an impact on the future cash flows of financial asset or group of financial assets that can be reliably estimated. The Company assesses the risks, taking into consideration all known information on the solvency of the debtor and whether there is objective evidence of impairment (buyer's financial difficulties, bankruptcy or inability to meet its obligations to the Company).

Trade receivables

Trade receivables are receivables arising in the Company's ordinary course of business. Trade receivables are recognised at amortized cost (i.e. nominal value less any impairments, if necessary).

Accounts receivables are valued in the statement of financial position on the basis of the amounts collectible. This includes an assessment of each customer's outstanding receivables separately, considering the information available on the solvency of the customer. Any impairment losses related to doubtful receivables are recognised in operating expenses. Uncollectible receivables are written off from the statement of financial position. Receipts of previously impaired uncollectible receivables are recorded as a reduction of cost of uncollectible receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, short-term (with maturity of less than three months) bank deposits, which have no material market value change risk.

Cash in trading accounts in banks and investment companies also contains restricted cash. Cash and cash equivalents in the cash flow statement do not contain such cash balances with restricted use.

According to customer agreements, cash balance held in client accounts as a technical reserve belongs to Admiral Markets AS and can be transferred at any time to AM's bank account and is therefore recognised as a cash equivalent.

Recognition of off-balance assets

Customer funds are held in custody in the bank accounts of Admiral Markets.

These instruments are accounted for off balance sheet.

Property, plant and equipment

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	3-4 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 there is doubt that the value of the intangible asset may have decreased, an impairment test will be carried out on the same basis as for property, plant and equipment.

Impairment of property, plant and equipment 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 are doubts that the asset's value may have fallen below its carrying amount, an impairment test will be 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

Financial liabilities include trade payables, as well as short and long-term debt and subordinated debt securities. Financial liabilities are initially recognised at cost, i.e. at the fair value of the payment made or received for the financial liability. The amortized cost of short-term financial liabilities generally equals their nominal value. Non-current financial liabilities at amortized cost are initially recognised at fair value (net of transaction costs) and the interest expense for subsequent periods is accounted by using the effective interest method.

Liabilities with maturity more than one year from the balance sheet date are recognised in the statement of financial position as non-current liabilities, and the rest as current liabilities.

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

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.

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 three branches in various European Union Member States and a representative office in the Russian Federation. Although the main activity of the branches and the representative office is to offer support services to the head office, and the branches 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 16.

The maximum income tax liability that could arise on a dividend distribution is provided in Note 16.

Revenue and expenses

Revenue and expenses are recognised on an accrual basis. Revenue from the sale of goods is recognised when there is a reasonable expectation that the benefits resulting from the transaction will flow to the Company, the income can be reliably measured and the services are provided by the Company. Revenue is recognised at the fair value of the consideration received or receivable. Revenue from provision of the service is recognised in the same period when the services were provided.

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

Commission and brokerage fee income and expenses include the consideration received or receivable and consideration paid or payable at fair value for mediation of the service during the Company's ordinary course of business.

The bonus recognised as a result of client trading is recorded as a reduction of net trading income in the period when the bonus is granted. Bonus points can be redeemed within one calendar year.

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments that are carried 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.

Other service fee income and other income are recognised on an accrual basis when the transaction occurs.

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 2017, 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 25.

Off-balance sheet assets and liabilities

Admiral Markets AS acts as an intermediary of investment services and is responsible for depositing customer funds. Assets are considered as off-balance sheet assets, see Note 17.

3. 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 2017. 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 2017.

Disclosure Initiative - Amendments to IAS 7

(effective for annual periods beginning on or after 1 January 2017).

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Company has disclosed the required information in accordance with the new standards in Note 14.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2018 that 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 2018, and which the Company has not early adopted.

IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost (AC), those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and to sell assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice,

the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The table below shows the carrying amount of financial assets taking into account their historical measurement categories in accordance with IAS 39 and the new measurement categories for the transition to IFRS 9 on January 1, 2018:

	Measurement category		Carrying value per IAS 39 (closing balance as at 31.12.2017)	Effect/ remeasure-ment	Carrying value per IFRS 9 (opening balance as at 1.1.2018)	Note
	IAS 39	IFRS 9		ECL		
Financial assets						
Bonds	FVTPL	FVTPL	3,332,837	0	3,332,837	8
Derivatives	FVTPL	FVTPL	28,272	0	28,272	8
Trade Receivables	L&R	AC	14	0	14	
Settlements with employees	L&R	AC	25,394	0	25,394	
Loans and receivables to group companies	L&R	AC	3,038,380	0	3,038,380	10,23
Other short-term receivables	L&R	AC	184,188	0	184,188	
Total financial assets			**6,609,085**	0	**6,609,085**	

Revenue from contracts with customers, amendment regarding the enforcement of IFRS 15 (effective for annual periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The new standard will not have an impact on Company's financial position, performance nor cash flows.

Revenue from Contracts with Customers - Amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018)

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a Company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a Company when it first applies the new standard.

The new standard will not have an impact on Company's financial position, performance nor cash flows.

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.

As of 31.12.2017, Admiral Markets AS has liabilities from long-term operating lease agreements in the amount of EUR 3,909,046 (see Note 13). From 01.01.2019, Admiral Markets AS recognizes the corresponding amount in the balance sheet as assets and liabilities resulting in an increase in the Company's total assets.

IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU).

The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e. the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework.

The new standard will not have an impact on Company's financial position, performance nor cash flows.

Prepayment Features with Negative Compensation - Amendments to IFRS 9, (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU).

The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification.

The Company is currently assessing the impact of the new standard on its financial statements.

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

4. 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 below. 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.

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

Admiral Markets AS offers the service of trading with derivative products (trading platform) to private persons and companies, 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 provider). 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 is 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% (until 1.08.2016: 2%).

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

Own funds	31.12.2017	31.12.2016
(in EUR)		
Share capital	2,585,600	2,585,600
Statutory reserves transferred from net profit	258,550	258,550
Retained earnings of previous periods *	17,257,581	12,694,780
Intangible assets	-93,282	-128,538
Total Tier 1 capital	**20,008,449**	**15,410,392**
Subordinated debt securities	1,826,800	0
Total Tier 2 capital	**1,826,800**	**0**
Total own funds	**21,835,249**	**15,410,392**

* 2017 retained earnings has been adjusted by dividends paid to the owners in February 2018 (Note 25).

As of 31.12.2017, the own funds of Admiral Markets amounted to EUR 21.8 million (31.12.2016: EUR 15.4 million). At the end of the reporting period, Admiral Markets is well-capitalized, the capital adequacy ratio was 21.3% (31.12.2016: 19.0%), and Admiral Markets has complied with all regulatory capital requirements in 2017 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).

Assets open to credit risk are primarily cash and cash equivalents, receivables, loans, financial assets recognised at fair value through profit or loss and receivables arising from other financial assets. Counterparty credit risk results from the derivatives positions opened in the trading portfolio with clients and trading counterparties.

Admiral Markets started to account for counterparty credit risk in 2016. 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			
(IN EUR)	Note	31.12.2017	31.12.2016
Cash and cash equivalents	7	**22,001,637**	**18,018,135**
Financial assets at fair value through profit or loss	8	3,361,109	2,421,927
Loans granted	10	1,870,818	1,887,560
Other financial assets	9	1,827,976	768,921
Total assets		**29,061,540**	**23,096,543**
Off-balance sheet client bank accounts	17	3,344,487	4,431,567

Cash and cash equivalents

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.

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) (in EUR)	Credit institutions	Investment companies	Total 31.12.2017	Credit institutions	Investment companies	Total 31.12.2016
Aa1 - Aa3	14,733,710	0	14,733,710	11,674,315	0	11,674,315
A1 - A3	1,135,871	0	1,135,871	2,129,918	0	2,129,918
Baa1 - Baa3	638	0	638	110,415	0	110,415
Ba1 - Ba3	14,563	0	14,563	2,744	0	2,744
Non-rated	4,176	5,656,076	5,660,252	13,228	3,533,267	3,546,495
Cash in transit	28,075	0	28,075	386,732	0	386,732
Total (Note 7, except cash on hand and cash on client accounts)	**15,917,033**	**5,656,076**	**21,573,109**	**14,317,352**	**3,533,267**	**17,850,619**

Loans granted

Loans have been granted mainly to related parties and to the parent company, which is why the management assesses the credit risk to be low due to the Group's financial position.

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 (in EUR)	31.12.2017	31.12.2016
Aaa	502,400	1,434,017
Aa1	830,036	948,683
Aa2	332,483	0
Aa3	1,667,918	0
Total	**3,332,837**	**2,382,700**

Counterparty credit risk is calculated for derivatives opened at trading counterparties. Counterparty (liquidity provider) credit risk is managed as described in the section on cash and cash equivalents.

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 2017 client leverages were reduced before the German federal elections and the Catalan independence referendum in Spain.

Other financial assets

This includes all other on-balance sheet financial assets. They primarily consist of receivables from group companies. Management estimates that these receivables bear in substance low credit risk. As at 31.12.2017 and 31.12.2016 there were no overdue receivables from partners.

Off-balance sheet client bank accounts

When clients open a trading account they transfer funds to the bank account indicated by Admiral Markets. Admiral Markets 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 is not allowed to use these client funds in its economic activities, and therefore they are classified as off-balance sheet. Admiral Markets bears the credit risk associated with these accounts in case the credit institution is unable to fulfil its obligations. As at 31.12.2017 and 31.12.2016, off-balance sheet cash and cash equivalents in credit institutions were divided by ratings as follows:

Rating (Moody's) (in EUR)	31.12.2017	31.12.2016
Aa1 - Aa3	2,476,042	3,638,298
A1 - A3	1,111,464	504,590
Baa1 - Baa3	60,527	319,412
Caa2	94,673	53,238
Total	**3,743,496**	**4,515,538**
incl Admiral Markets' cash on client accounts (Note 7)	*428,528*	*160,455*
incl off-balance sheet client bank accounts (Note 17)	*3,314,968*	*4,355,083*

Market risk

Market risk of Admiral Markets 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 2017 client leverages were reduced before the German federal elections and the Catalan independence referendum in Spain.

The market risk related to the business activities of Admiral Markets 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 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 unfavourable 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 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 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 assets and liabilities of Admiral Markets:

(in EUR)	Note	EUR	USD	JPY	GBP	Other currencies	Total
31.12.2017							
Cash and cash equivalents	7	11,373,995	10,192,688	0	46,745	388,209	22,001,637
Financial assets at fair value through profit or loss (bonds)	8	0	3,332,837	0	0	0	3,332,837
Loans and other financial assets	9, 10	2,901,754	0	0	0	346,222	3,247,976
Total financial assets		**14,275,749**	**13,525,525**	**0**	**46,745**	**734,431**	**28,582,450**
Subordinated debt	8	1,826,800	0	0	0	0	1,826,800
Other financial liabilities	11	552,208	92,343	0	11,212	87,325	743,088
Total financial liabilities		2,379,008	92,343	0	11,212	87,325	2,569,888
Long positions of trading portfolio		134,686,081	113,621,167	15,045,848	26,081,317	45,188,502	334,622,915

Short positions of trading portfolio		92,845,545	157,812,734	24,251,941	20,683,617	37,828,043	333,421,880
Net open foreign currency position		**53,737,277**	**-30,758,385**	**-9,206,093**	**5,433,233**	**8,007,565**	**27,213,597**

(in EUR)	Note	EUR	USD	JPY	AUD	Other currencies	Total
31.12.2016							
Cash and cash equivalents	7	13,046,136	4,085,490	0	0	886,509	18,018,135
Financial assets at fair value through profit or loss (bonds)	8	0	2,382,700	0	0	0	2,382,700
Loans and other financial	9, 10	1,781,994	8,435	0	384,256	481,796	2,656,481
Total financial assets		**14,828,130**	**6,476,625**	**0**	**384,256**	**1,368,305**	**23,057,316**
Financial liabilities at fair value through profit or loss	8	0	0	0	0	0	0
Other financial liabilities	11	438,266	100,989	0	0	24,487	563,742
Total financial liabilities		**438,266**	**100,989**	**0**	**0**	**24,487**	**563,742**
Long positions of trading portfolio		65,421,471	88,820,031	18,453,866	5,119,107	28,171,691	205,986,166
Short positions of trading portfolio		68,322,931	80,858,711	26,526,274	10,405,761	27,050,586	213,164,263
Net open foreign currency position		**11,488,404**	**14,336,956**	**-8,072,408**	**-4,902,398**	**2,464,923**	**15,315,477**

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

2017 (in EUR)	USD	JPY	AUD
Exchange rate change in relation to EUR +/- 5%			
2017	1,537,919	460,305	271,662

2016 (in EUR)	USD	JPY	GBP
Exchange rate change in relation to EUR +/- 5%			
2016	716,848	403,620	245,120

Equity risk

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

The following are the positions of derivatives bearing the equity position risk in the trading portfolio as at 31.12.2017 and 31.12.2016 (in EUR):

31.12.2017			31.12.2016		
Equity / Index	**Long positions**	**Short positions**	**Equity / Index**	**Long positions**	**Short positions**
[DAX30]	18,825,807	22,227,869	[DAX30]	17,001,002	8,396,804
[DJI30]	8,798,632	7,055,253	[DJI30]	7,229,015	6,442,172
[NQ100]	868,704	1,806,842	[SP500]	1,025,918	366,390
[SP500]	1,661,294	655,439	[JP225]	414,857	737,181
[FTSE100]	1,026,705	928,715	[NQ100]	129,940	287,533
Other equities and indexes	2,155,405	2,438,680	Other equities and indexes	803,771	546,008
Total	**33,336,547**	**35,112,798**	**Total**	**26,604,503**	**16,776,089**

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

(in EUR)	[DAX30]	[DJI30]	[SP500]
Change in stock index +/- 10%			
2017	340,206	174,338	100,586
2016	860,420	78,684	65,952

Commodity risk

Commodity risk includes derivatives related to various raw materials (oil and gas) and precious metals (silver, platinum and palladium).

Below are the commodity related derivative positions (in euros) of the trading portfolio.

31.12.2017			31.12.2016		
Commodity	**Long positions**	**Short positions**	**Commodity**	**Long positions**	**Short positions**
BRENT	4,264,852	4,579,204	BRENT	1,216,321	463,198
WTI	3,453,041	1,734,713	Silver	414,949	944,260
Silver	1,510,284	1,946,167	WTI	801,233	541,473
Other commodities	932,012	1,287,528	Other commodities	272,645	396,048
Total	**10,160,189**	**9,547,612**	**Total**	**2,705,148**	**2,344,979**

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

(in EUR)	WTI	Silver	BRENT
Change in commodity price +/- 5%			
2017	171,833	43,588	31,435
2016	12,988	26,466	37,656

Liquidity risk

Liquidity risk is related to the solvency of Admiral Markets' 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 31.12.2017 nor 31.12.2016, AM AS had no overdue payables.

(in EUR)	Note	31.12.2017	31.12.2016
Liabilities by contractual maturity dates			
Liabilities by contractual maturity dates	11	743,087	563,742
Total liabilities		**743,087**	**563,742**
Assets held for managing liquidity risk by contractual maturity dates			
Cash and cash equivalents (except cash in trading accounts and cash in transit), demand deposits	7	16,317,486	14,098,136
Bonds (0-3 months)	8	502,400	948,683
Bonds (3-12 months)	8	2,830,437	1,434,017
Total assets		**19,650,323**	**16,480,836**

31.12.2017 (in EUR)	Note	0-3 months	3-12 months	More than 5 years	Total
Liabilities by contractual maturity dates					
Liabilities to trade creditors	11	621,017	0	0	621,017
Liabilities to related parties	11	21,716	0	0	21,716
Other accrued expenses	11	17,435	82,919	0	100,354
Subordinated debt securities	14	0	0	1,826,800	1,826,000
Total liabilities		**660,168**	**82,919**	**1,826,800**	**2,569,887**

31.12.2016 (in EUR)	Note	0-3 months	3-12 months	More than 5 years	Total
Liabilities by contractual maturity dates					
Liabilities to trade creditors	11	401,060	0	0	401,060
Liabilities to related parties	11	15,003	0	0	15,003
Other accrued expenses	11	2,904	144,775	0	147,679
Total liabilities		**418,967**	**144,775**	**0**	**563,742**

Interest rate risk

In 2017 and 2016, Admiral Markets' 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:

(in EUR)	31.12.2017	31.12.2016	Note
Cash and cash equivalents	22,001,637	18,018,135	7
Bonds	3,361,109	2,382,700	8
Total	**25,362,746**	**20,400,835**	

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' 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.

Cash (except cash on hand and cash in transit) and clients' bank accounts distributed by countries					
31.12.2017			31.12.2016		
Country	Balance sheet balances	Off-balance sheet balances	Country	Balance sheet balances	Off-balance sheet balances
Estonia	15,010,170	2,547,851	Estonia	12,182,333	3,776,871
England	4,562,588	24,154	England	3,487,281	27,012
Switzerland	1,372,743	0	Switzerland	1,076,854	0
Poland	61,570	279,412	Poland	141,985	327,422
Bulgaria	77,057	56,643	Czech Republic	193,020	77,112
Other countries	889,434	436,427	Other countries	542,868	163,150
Total	**21,973,562**	**3,344,487**	**Total**	**17,624,342**	**4,371,567**

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 with legal acts, voluntary guidelines of the Financial Supervision Authority and internal rules of Admiral Markets, 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 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. 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

31.12.2017	Gross amount in statement of financial position	Off-setting amount under agreement	Net amount
Financial assets			
Cash on trading accounts (Note 7)	5,656,076	0	5,656,076
Financial assets at fair value through profit and loss (Note 8)	28,272	28,272	0
Total	**5,684,348**	**28,272**	**5,656,076**
Financial liabilities			
Financial liabilities at fair value through profit and loss (Note 8)	176,930	28,272	148,658
Total	**176,930**	**28,272**	**148,658**

31.12.2016	Gross amount in statement of financial position	Off-setting amount under agreement	Net amount
Financial assets			
Cash on trading accounts (Note 7)	3,533,267	0	3,533,267
Financial assets at fair value through profit and loss (Note 8)	39,227	32,214	7,014
Total	**3,572,494**	**32,214**	**3,540,281**
Financial liabilities			
Financial liabilities at fair value through profit and loss (Note 8)	51,782	32,214	19,588
Total	**51,782**	**32,214**	**19,588**

6. Assessment of fair value of financial assets and liabilities

Quantitative data disclosed on the assessment of fair value hierarchy as at 31.12.2017:

			Assessment of fair value using		
	Notes	Total	Level 1	Level 2	Level 3
Financial assets recognised at fair value:					
Bonds	8	3,332,837	3,332,837	0	0
Derivatives:					
Currency pairs	8	16,963	0	16,963	0

CFD derivatives	8	5,432	0	5,432	0
Other derivatives	8	5,877	0	5,877	0
TOTAL		**3,361,109**	**3,332,837**	**28,272**	**0**
Financial liabilities recognised at fair value:					
Derivatives:					
Currency pairs	8	125,557	0	125,557	0
CFD derivatives	8	7,108	0	7,108	0
Indexes	8	540	0	540	0
Other derivatives	8	43,725	0	43,725	0
TOTAL		**176,930**	**0**	**176,930**	**0**
Financial assets not recognized at fair value:					
Loans and receivables to group companies	9,10	3,038,380	0	0	3,038,380
Other financial assets	9	209,596	0	0	209,596
TOTAL		**3,247,976**	**0**	**0**	**3,247,976**
Financial liabilities not recognized at fair value:					
Other financial liabilities	11	743,087	0	0	743,087
Subordinated debt securities	14	1,826,800	0	0	1,826,800
TOTAL		**2 569,887**	**0**	**0**	**2 569,887**

Quantitative data disclosed on the assessment of fair value hierarchy as at 31.12.2016:

			Assessment of fair value using		
	Notes	Total	Level 1	Level 2	Level 3
Assets recognised at fair value:					
Bonds	8	2,382,700	2,382,700	0	0
Derivatives:					
Currency pairs	8	22,325	0	22,325	0
CFD derivatives	8	11,144	0	11,144	0
Indexes	8	3,595	0	3,595	0
Other derivatives	8	2,163	0	2,163	0
TOTAL		**2,421,927**	**2,382,700**	**39,227**	**0**
Liabilities recognised at fair value:					
Derivatives:					
Currency pairs	8	47,289	0	47,289	0
CFD derivatives	8	2,841	0	2,841	0
Indexes	8	904	0	904	0
Other derivatives	8	748	0	748	0
TOTAL		**51,782**	**0**	**51,872**	**0**
Financial assets not recognized at fair value:					
Loans and receivables to group companies	9,10	2,141,958	0	0	2 141,958
Other financial assets	9	21,963	0	0	21,963
TOTAL		**2 163,921**	**0**	**0**	**2 163,921**

Financial liabilities not recognized at fair value:					
Other financial liabilities	11	563,742	0	0	563,742
TOTAL		**563,742**	**0**	**0**	**563,742**

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 these loans are approximate (3.5% and 3.0%) and considering a relatively short period between the loan given and the balance sheet date, it can be said that there have been no significant changes in interest rates by the balance sheet date. Therefore, the fair value of these loans does not significantly differ from their book value. Significant estimates of management are used to assess the fair value of loans, so they are classified in level 3.

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 5.

7. Cash and cash equivalents

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

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

** Recognized as cash in trading accounts in banks and investment companies which includes, inter alia, EUR 331,162 in restricted cash (2016: EUR 241,371). As at 31.12.2017, the balance of restricted cash has increased due to the change in trading conditions.

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

	31.12.2017		31.12.2016		
Instrument	Asset	Liability	Asset	Liability	Note
Bonds	3,332,837	1,826,800	2,382,700	0	6
Currency pairs	16,963	125,557	22,325	47,289	6
CFD derivatives	5,432	7,108	11,144	2,841	6
Indexes	0	540	3,595	904	6
Other	5,877	43,725	2,163	748	6
Total	**3,361,109**	**2,003,730**	**2,421,927**	**51,782**	

Risks arising from client-related open positions are disclosed in Note 5.

9. Short-term loans, receivables and prepayments

	31.12.2017	31.12.2016	Lisa
Financial assets			
Trade receivables *	1,556	10,763,309	
Doubtful receivables *	-1,542	-10,763,289	
Settlements with employees	25,394	3,072	10,23
Loans and receivables from group companies	3,038,380	2,141,958	
Other short-term receivables	184,188	18,871	
Subtotal	**3,247,976**	**2,163,921**	
Non-financial assets			
Prepaid expenditure of future periods	248,040	228,559	
Prepayments to suppliers	72,068	43,712	12
Prepaid taxes	679,042	386,405	
Subtotal	**999,150**	**658,676**	
Total	**4,247,126**	**2,822,597**	

* On 15 January 2015, the Swiss National Bank announced that it will terminate its ceiling where one euro equals 1.20 francs that had been in place for 3 years. The decision resulted in unprecedented volatility (i.e. a sudden change in the price sequence) in the foreign exchange market, which led to a greater leverage on Swiss franc investments and virtually instant destruction for those who had contributed to the depreciation of franc or a record growth of those who were sceptical about the Swiss National Bank's policy and the information published in the press conferences. As a result, in 2015 customer receivables of Admiral Markets AS increased and receivables in the amount of EUR 9,870,962 were impaired in 2015. In 2016 receivables were impaired in the amount of EUR 421,157 and in 2017 all requirements and uncollectible claims related to the Swiss franc events for 2015 were withdrawn from the balance sheet.

10. Loans granted

	31.12.2017	Distribution by maturity Up to 1 year	Distribution by maturity 2-5 years	Interest rate	Due date	Base currency	Interest receivable as at 31.12.2017	Note
Loan 1	25,000	25,000	0	12 months Euribor 4%	03.2018	EUR	5,088	
Loan 2*	0	0	0	-	-	AUD	0	23
Loan 3	1,395,000	1,395,000	0	3-3.5%	12.2017	EUR	66,203	23
Loan 4	125,000	0	125,000	3%	12.2019	EUR	6,731	23
Loan 5	325,818	0	325,818	3%	02.2019	AUD	20,404	23
Total	**1,870,818**	**1,420,000**	**450,818**			**EUR**	**98,426**	

	31.12.2016	Distribution by maturity Up to 1 year	Distribution by maturity 2-5 years	Interest rate	Due date	Base currency	Interest receivable as at 31.12.2016	Note
Loan 1	25,000	0	25,000	12 kuu Euribor + 4%	03.2018	EUR	4,088	
Loan 2*	0	0	0	6%	12.2018	AUD	40,797	23
Loan 3	1,395,000	1,395,000	0	3-3,5%	12.2017	EUR	23,253	23
Loan 4	125,000	0	125,000	3%	12.2019	EUR	2,356	23
Loan 5	342,560	0	342,560	3%	02.2019	AUD	899	23
Total	**1,887,560**	**1,395,000**	**492,560**			**EUR**	**71,393**	

* Loan 2 is subordinated loan.

11. Liabilities and prepayments

Type of liability	31.12.2017	31.12.2016	Note
Financial liabilities			
Liabilities to trade creditors	621,017	401,060	
Liabilities to related parties	21,716	15,003	23
Other accrued expenses	100,354	147,679	
Subtotal	**743,087**	**563,742**	
Non-financial liabilities			
Payables to employees	138,989	138,280	
Taxes payable	293,537	373,290	12
Subtotal	**432,526**	**511,570**	
Total	**1,175,613**	**1,075,312**	

12. Tax liabilities

	31.12.2017		31.12.2016		
	Prepaid taxes	Tax payables	Prepaid taxes	Tax payables	Note
Value-added tax	448,917	6,523	0	209,304	
Corporate income tax	0	7,339	0	7,533	
Individual income tax	0	82,151	0	50,408	
Social security tax	0	151,082	0	94,071	
Unemployment insurance payments	0	10,401	0	5,442	
Contributions to funded pension	0	8,016	0	3,727	
Other tax receivables/liabilities in foreign countries	34,028	28,025	32,672	2,805	
Prepayments account	196,097	0	353,733	0	
Total	**679,042**	**293,537**	**386,405**	**373,290**	**9, 11**

13. Financial and operating lease

Tangible assets acquired under financial lease

As at 31.12.2017 and 31.12.2016, the Company has no liabilities under financial lease.
In 2018, the Company plans to move to new premises. New lease agreement has been signed for 10 years.

Operating lease

The Company leases office premises under operating lease. In 2017 costs amounted to EUR 245,581 (in 2016: EUR 304,707).

Non-cancellable operating lease payments in the future periods.

	31.12.2017	31.12.2016
During 12 months	25,169	18,935

14. 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 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.

Subordinated debt	Issuance year	Amount	Interest rate	Maturity date
Subordinated bonds 31.12.2017	2017	1,826,800	8%	28.12.2027

15. Provisions

	31.12.2017	31.12.2016
Potential court dispute expenses	0	244,000
TOTAL	**0**	**244,000**

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16. 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 2017 amounted to EUR 1,325,000 (2016: EUR 460,000) and the accompanying income tax liability was in the amount of EUR 331,250 (2016: EUR 115,000).

In 2017, the corporate income tax withheld from the interest income received from Australia amounted to EUR 4,796 (2016: EUR 5,749).

As a result of setting up branches, the Company had an income tax liability of EUR 2,084.

	2017	2016
Income tax expense associated with profit earned in branches	2,084	9,599

In 2017, the income tax on corporate profits were paid by branches in Romania and in representative office in Russia.

2017:

Country	Russia	Romania	Czech Republic	Total
Income tax rate in 2017	20%	16%	19%	-
Profit before tax	10,300	150	0	**10,450**
Income tax expense	2,060	24	0	**2,084**
Effective income tax rate	20%	16%	19%	-

In 2016, the income tax on corporate profits was paid by branches in Lithuania, Romania,Czech Republic and in representative office in Russia.

2016:

Country	Russia	Latvia	Lithuania	Romania	Czech Republic	Total
Income tax rate in 2016	20%	15%	15%	16%	19%	-
Profit before tax	3,276	0	23,713	16,581	17,837	**61,407**
Income tax expense	655	0	3,557	2,653	3,389	**10,254**
Effective income tax rate	20%	15%	15%	16%	19%	-

Potential income tax

As at 31.12.2017, the Company's retained earnings amounted to EUR 24,578,544 (2016: EUR 19,907, 581). 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. 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 31.12.2017 8,602,068 (31.12.2016: 6,482,755) euros and the corresponding income tax would have amounted to 2,150,517 (31.12.2016: 1,620,689) euros.

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

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

18. Share capital

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

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

In 2017, owners were paid dividends in the total amount of EUR 1,325,000, i.e. EUR 3.27 per share.

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

19. Net income from trading

	2017	2016
Net gain from trading of financial assets at fair value through profit or loss with clients	32,947,215	29,666,927
Net gain from trading of financial assets at fair value through profit or loss with liquidity providers	-5,152,605	-4,814,407
Brokerage income	71,638	653,267
Brokerage and commission fee expense	-8,653,308	-7,325,048
Other trading activity related income and expenses	132,110	-227,899
Net income from trading	**19,345,050**	**17,952,840**

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20. Personnel expenses

The remuneration for employees including social security taxes amounted to EUR 4,947,048 (2016: EUR 4,097,259) and the remuneration for the management amounted to EUR 309,661 (2016: EUR 386,619). The average number of employees was 124 persons (2016: 119 persons).

	2017	2016
Employees (headquarters of Admiral Markets AS)	-4,364,843	-3,129,333
Employees (branches)	-515,903	-911,736
Remuneration of the Management Board and Supervisory Board	-309,661	-386,619
Vacation pay reserve	-66,302	-56,190
Total	**-5,256,709**	**-4,483,878**

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PricewaterhouseCoopers, Tallinn

21. Operating expenses

Type of expense	2017	2016
Marketing expenses	-3,405,524	-2,696,358
IT expenses	-1,708,362	-1,516,489
Other outsourced services	-253,084	-724,639
Expenses of doubtful receivables	-2,011	-638,869
VAT expenses	-264,708	-571,551
Rent and utilities expenses	-338,261	-372,501
Legal and audit services	-493,174	-192,019
Regulative reporting services	-118,237	-122,350
Transport and communication costs	-85,543	-106,278
Travelling expenses	-73,381	-89,850
Supervision fee of the Financial Supervision Authority	-59,349	-47,502
Other operating expenses	-446,088	-672,926
Total operating expenses	**-7,247,722**	**-7,751,332**

22. 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 2016 - 2017. The Company's management estimates that in year 2018 there are no such circumstances, which may lead the tax authorities to impose significant additional taxes on the Company.

23. 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	2017	2016
Revenue from brokerage and commission fees*	Companies in the same consolidation Group	28,948,185	23,078,516
Services	Companies in the same consolidation Group	433,874	109,355
Interest income	Companies in the same consolidation Group	0	21,569
Interest income	Senior management and companies related to them	1,219	1,875
Interest income	Parent company	67,137	23,253
Sale of property, plant and equipment	Companies in the same consolidation Group	1,870	805
Total transactions with related parties		**29,452,285**	**23,235,373**

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

Expenses

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

Loans and receivables

	31.12.2017	31.12.2016	Note
Loans and receivables from parent company (short-term)	1,505,377	1,529,206	9
Receivables from other companies in the same consolidation Group (short-term)	1,601,341	612,752	9
Loans and receivables from parent company (long-term)	450,818	467,560	10
Total receivables from related parties	**3,557,536**	**2,609,518**	

Liabilities

	31.12.2017	31.12.2016	Note
Liabilities to other companies in the same consolidation Group	21,716	15,003	11
Total liabilities to related parties	**21,716**	**15,003**	

Payments made and benefits granted to the management

	2017	2016
Payments made and benefits granted to the management (gross)	309,661	386,619

As at 31.12.2017, there were no unpaid salaries which were accrued. The Company is obligated to pay the severance to a member of the management board in the total amount equal to the remuneration, bonuses, compensations and other benefits paid to him during the last two months. No severance benefits were paid out in 2017.

24. Segment reporting

The Management Board is responsible for the allocation of resources and assessment of the results of operating segments. In 2016 and 2017, the Management Board monitored the operations of the Company as one operating segment.

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

25. Events after the balance sheet date

Pursuant to the Articles of Association of AM and the Commercial Code, in February 2018 the Company's management proposed to pay shareholders a dividend EUR 1,325,000, i.e. EUR 3.27 per share from retained earnings.

4. Signatures of the Management Board members to the 2017 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 2017.

The Management Board confirms that Management Report of Admiral Markets AS on pages 5 to 33 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 34 to 39 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.

„ 26" April 2018

Chairman of the Management Board:

Sergei Bogatenkov ______________________

Member of the Management Board:

Dmitri Kuravkin ______________________

Member of the Management Board:

Mindaugas Deksnys ______________________

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 2017, 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.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of cash flow 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 a summary of 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.

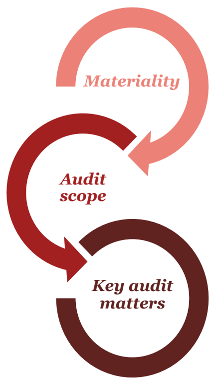
Independence

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 § 59^1 of the Auditors Activities Act of the Republic of Estonia.

Our audit approach

Overview



Materiality
Overall materiality is 316 thousand euros, which represents 5% of profit before tax.

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

Key audit matter
- 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 materiality	316 thousand euros
How we determined it	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*
Trading revenue recognition (detailed information is provided in Note 2 "Notes to the Financial Statements" and Note 19 "Net income from trading") The Company provides its clients various Forex and Contract for Difference (CFD) products with leverage. 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.	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). 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. We determined that we could rely on these controls for the purposes of our audit. We have performed the following detailed testing: • 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. As a result of our work, we noted no material exceptions.

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 financial services 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 contained in the annual report in addition to 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. The total period of our uninterrupted engagement appointment for the Company, as a public interest entity, is 1 year.

AS PricewaterhouseCoopers

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

Verner Uibo
Auditor's certificate no. 568

26 April 2018

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* *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

The Management Board proposes to transfer the profit in the amount of EUR 5,995,963 to retained earnings.

7. Allocation of activity according to EMTA classificators

EMTAK	Activity	2017
66121	Security and commodity contracts brokerage	19,342,212
85599	Other education not classified elsewhere	2,838