

AS Admiral Markets
Investment company

Unaudited interim report on
the first 6 months of

2017

Admiral Markets AS

Unaudited interim report on the first 6 months of 2017

Commercial Registry no.	10932555
Address	Ahtri 6A, Tallinn, 10151
Telephone	372 6 309 303
Fax	372 6 309 304
E-mail	info@admiralmarkets.com
Main area of activity	Investment services
Beginning and end date of interim report period	01. January - 30. June
Members of the Management Board	Aleksandr Ljubovski Dmitri Lauš Sergei Bogatenkov
Chairman of the Supervisory Board	Alexander Tsikhilov
Members of the Supervisory Board	Anatolii Mikhalchenko Anton Tikhomirov Juri Kartakov
Auditor	PricewaterhouseCoopers AS

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Management Board declaration

The 2017 interim report of Admiral Markets AS consists of management report and financial statements.

The data and additional information provided by Admiral Markets AS in interim report for the first 6 months of 2017 is true and complete.

The accounting policies adopted in preparing the financial statements are in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the financial position, financial performance and cash flows of the entity.

The financial statements of the interim report on the first 6 months of 2017 are unaudited.

/ digitally signed/

Sergei Bogatenkov
Chairman of the Management Board

Tallinn, 31.08.2017

1. Management report

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

Objectives and 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 active investment 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 investment sister companies of Admiral Markets AS hedge the risks arising from their clients' transactions in Admiral Markets AS, who is also their sole liquidity provider. Under the trademark of Admiral Markets, clients are offered Forex and leveraged Contract for Difference (CFD) products in the over-the-counter market. The Company's strategic objectives include expansion of the range of products and services facilitating provision of investment services to a larger audience.

The investment companies that are part of the same consolidation group as Admiral Markets AS and provide actively investment services, include Admiral Markets UK Ltd, Admiral Markets Pty Ltd and Admiral Markets Cyprus Ltd. The fifth investment company within the consolidation group, Admiral Markets Chile SpA, is not providing investment services since 31.05.2017. Within

the member states of European Union and countries of European Economic Area, Admiral Markets UK Ltd is the main investment company that provides services to retail customers. The reason for this preference is primarily the high reputation of the United Kingdom business environment and the existence of a broader investor protection (Financial Services Competition Scheme - FSCS). Admiral Markets AS has the role of a significant intra-group service provider. 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 30.06.2017, Admiral Markets AS has 3 branches: Romania, Poland and Czech branches and a representative office in Russia.

Main events in 2017

Training courses

In 2017, we have continued to focus on training our new and existing clients. We launched our weekly online training, where participants are provided with market overviews and real-time fundamental, technical and wave analysis of the markets with different 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 the first half of year 2017 we also organised new seminars related to topical issues in addition to existing trainings. Among other topics, we discussed about the impact of the US President elections on the financial markets as well as the extraordinary elections in France. We started with new training courses: “Fundamental Principles of Trading on the Financial Markets”, “Trading with Robots on the Forex Market” and “Using the Additional Application MT4 Supreme Edition”.

Awards

In the first half of 2017, Admiral Markets won several awards. In the key market Germany we got two Awards for our excellent service: “Best Service” in CFD Broker survey, from The German Institute of Customers (DKI) and a “Five Stars” Rating from financial magazine “Focus Money”.

Marketing

The Company has taken on many marketing projects in 2017, such as implementation of global weekly client newsletter communication process, restructuring of the SEO activities and organic traffic acquisition strategy, implementation of national instruments as strategic direction positioning, establishment of major economic and political events communication process for which a new website page was created, which enables an access to analysis, webinars and educational articles related to major events.

MT5 trading platform

The trading platform supplier Metaquotes will stop the support of the so far most used version MT4. The industry will see a longer migration period while still many are using the MT4, but the trend to the MT5 is clear. Admiral Markets will improve/enhance the so far already available MT5 offer with a new account type and additional Add-ons.

Cryptocurrencies

In Q3 2017 Admiral Markets started with a pilot offer for five Cryptocurrencies trading: Bitcoin, Ethereum, Ripple, Litecoin and Bitcoin Cash. After the pilot phase, the Company is planning to add more Cryptocurrency instruments and improve its offer for this new category of instruments step by step.

FX Global Code of Conduct

The Global Code of Conduct was published by Bank of International Settlements (BIS) in May 2017 and sets new standards for the Forex industry. Any broker signing a “Statement of Commitment” of this Code will show its highest reputation and compliance with standards. Admiral Markets is currently in the process of reviewing the Code.

Regulation

The European Union country regulators are separately forcing new rules and obligations for the financial services industry. The German regulator BaFin brought up the new rule of a 100% Negative Balance Protection for the German clients - effective from 10th August 2017. Admiral Markets has implemented these new obligatory rules in time. The new rules for the financial industry in Europe, Mifid II, will be in force from January 2018. The implementation of these rules is a big project for any financial company in Europe and it remains a priority for the Company in the second part of 2017.

Management

Admiral Markets AS is managed by a four-member Supervisory Board and a three-member Management Board. The members of the Supervisory Board and the Management Board participate actively in the Company's daily business operations and have clear responsibilities. In the first 6 months of 2017, the remuneration of the management including social security taxes totalled EUR 167,218 (2016: EUR 137,585).

Organisation

The Company's management is responsible for the organisational structure and technical organisation 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.

At the end of first half of 2017, the Company had 119 employees (2016: 125 employees). The employees were allocated between Admiral Markets AS, its branches and representative office as follows: Admiral Markets AS - 105 employees, the Polish branch - 7 employees, the Czech branch - 4 employees and the Russian representative office - 3 employees. In the reporting period, remunerations paid to employees including social security taxes amounted to EUR 2,589,141 (2016: EUR 1,640,231).

1.1 Economic environment

Global economy

Major economies have gained steam along with emerging markets. The review takes into account such major economies as: The Eurozone, The United States, Japan, The United Kingdom and China.

The Eurozone

The Eurozone economy started the year with robust growth that outperformed the United States, and it seems it has set the stage for a strong rest of 2017. The last quarter of 2016 saw a jump from 0.4% to 0.5% growth according to Eurostat.

With the French presidential election in the rearview mirror and Greece's finance high enough to cover the upcoming debt payments, downside risks to the outlook have diminished substantially. The FocusEconomics panel sees a 1.9% expansion in 2017. For 2018, the growth is seen at 1.7%. The Q1 GDP saw a slight increase as we can see a seasonally-adjusted 0.6% in Q1 in comparison to 0.5% in Q4 2016.

The United States

The Second reading of U.S. Q1 2017 GDP was up 1.2% vs 0.9% growth estimate.

The Q1 saw the economy slowing down less than expected. The GDP has increased at a rate of 2.6% per year by June 2017, which is better than the predicted rate of 0.7%, and the previous reading of 1.2%. The U.S. economy seems to be at full employment, while the Government Debt to GDP is still high at 106% and going up (as compared to 101% of the previous reading).

Japan

Japan's GDP for the first quarter grew 1% year on year, and that was less than originally estimated in Q1. The GDP growth rate is still 0.3% end of Q1, whereas the unemployment rate dropped to 2.8 % end of Q2. The Government Debt to GDP is still very high at 250% as of December 2016, and climbing (as compared to 248% of the previous reading). According to Financial Times website ft.com, the revisions also erased a preliminary reading of 0.1% growth in public demand in Q1 to indicate no change from the December quarter.

The United Kingdom

GDP saw an increase of 0.1%, from 0.2% to 0.3%, in Q2, while the unemployment rate fell from 4.6% to 4.5% end of May 2017. The Government Debt to the GDP remained around 89% as of December 2016. The trade balance (the difference in value between country imports and exports)

has increased to GBP -3,073 million end of May 2017 from GBP -2,116 million of the previous month.

China

China has been enjoying a steady rise in GDP, from 1.3% in Q1 to 1.7% as of June 2017. The interest rates remain high at 4.35%, whereas the Government Debt to the GDP has increased from 42.6% to 46.2% as of December 2016, which is much lower than if compared to other major economies listed above. The unemployment rate is steady, averaging down to 3.95% end of June 2017.

Significant financial events in 2017

The significant global financial events in the first half of 2017 were Donald Trump winning the presidential election in the United States and taking office in January (impacting USD), the United Kingdom activating Article 50 of the Treaty of Lisbon in March (impacting GBP),

French presidential election in April-May (impacting EUR), US Federal Reserve raising interest rates in March and June (impacting USD) and general elections in the United Kingdom in June. In September-October 2017 German Parliament elections will be the next significant financial event to be kept in mind.

Estonian economy

The GDP of Estonia increased by 4.4% in the first quarter of 2017 as compared to the first quarter of the previous year. Estonian economy looks strong, but although we can see an increase in the GDP, net taxes on products at real prices have somehow slowed the GDP growth. The inflation rate dropped to 2.9% end of June 2017, whereas the unemployment rate fell to 5.6% end of March 2017, which indicates a very strong labour market. The imports of goods and services increased, which seems to be mainly due to the growth in the imports of transport equipment and basic metals.

1.2 Financial results

<i>in EUR million</i>	6M 2017	6M 2016
Net income from trading	9.0	8.9
Operating expenses	6.2	6.2
Net profit	2.2	2.6
Cost-to-income ratio	69%	70%
<i>in EUR million</i>	30.06.2017	31.12.2016
Total assets	25.0	24.1
Equity	23.6	22.8
Cash and cash equivalents	19.1	18.0
Off-balance sheet assets	3.6	4.4

In the first half of 2017 Admiral Markets implemented operational changes, new marketing projects and other improvements, which brought 30% more active leads compared to the first half of 2016. Although net profit from trading of financial assets at fair value through

profit or loss with clients and liquidity providers increased more than 13%, brokerage and commission fee expense increased as well resulting in a slight increase in net income from trading to EUR 9.0 million as compared to EUR 8.9 million a year before. The net profit for the first

half of 2017 was 2.2 million EUR, a decrease compared to EUR 2.6 million the previous year, mainly due to higher corporate income tax and loss from exchange rate changes.

On 15 January 2015, the Swiss National Bank announced that it would terminate its ceiling where one euro equalled 1.20 francs that had been in place for 3 years. In the foreign exchange market the decision created unprecedented volatility (i.e. a sequence of sudden price changes), which led to an almost instant loss of highly leveraged Swiss franc investments for the customers who had bet on the franc's weakening and a record profit for the customers who had been sceptical about the policy of the Swiss National Bank and the information disclosed at the press conferences. As a result, the accounts receivable of Admiral Markets AS increased in 2015. In the 2015 Annual Report part of the receivables was deemed to be uncollectible with a decision of the Management Board. In 2016, decisions were made to recognise all receivables

related to the Swiss franc as doubtful receivables in 2015. In connection with this, the profit of Admiral Markets AS for the first 6 months of 2016 increased by EUR 2,500,000 and the adjusted profit for the first half of 2016 was EUR 2,580,464.

As at 02.02.2017, the owners of Admiral Markets AS were paid dividends in the amount of EUR 1,325,000.

In the first half of 2017, the major events for investment service providers included the French presidential election and general elections in the United Kingdom. Since the events were expected to have a major impact on currency markets and difficulties in predicting trends, the Company implemented preventive measures by limiting the available leverages for its clients, which is why they did not have a significant impact on Admiral Markets, and the Company continued to operate under normal conditions.

Main financial ratios

Indicator	6M 2017	6M 2016
Net profit in the accounting period, EUR mln	2.2	2.6
Net profit per share, EUR	5.4	6.4
Return on equity, %	9.4	13.9
Equity ratio	1.1	1.1
Return on assets, %	8.9	12.2
Short-term liabilities current ratio	16.9	10.1

Equations used for the calculation of ratios:

Net profit per share, in EUR = net profit / average number of shares

Return on equity (ROE), % = net profit / average equity * 100

Equity ratio = average assets / average equity

Return on assets (ROA), % = net profit / average assets * 100

Short-term liabilities current ratio = current assets / current liabilities

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

1.3 Risk management and capital adequacy

As of 30.06.2017, the own funds of Admiral Markets amounted to EUR 21.3 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 22.9% (31.12.2016: 19.0%).

Own funds

<i>in EUR</i>	30.06.2017	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 of previous periods *	18,582,581	12,694,780
Intangible assets	-139,135	-128,538
Total Tier 1 own funds	21,287,596	15,410,392
Total own funds	21,287,596	15,410,392

*Own funds of 2016 are adjusted by dividends paid to shareholders in February 2017 (Note 8).

Capital requirements

<i>in EUR</i>	30.06.2017	31.12.2016
Credit institutions and investment companies under standard method	5,061,195	4,852,019
Retail claims under standard method	4,253,751	3,419,414
Other assets under standard method	4,895,009	3,513,367
Total credit risk and counterparty credit risk	14,209,955	11,784,800
Foreign currency risk under standard method	38,142,198	24,377,500
Equity portfolio risk under standard method	5,648,904	10,473,073
Commodities risk under standard method	4,434,105	3,810,895
Total market risk	48,225,207	38,661,468
Credit valuation adjustment risk under standard method	9,257	6,172
Operational risk under base method	30,572,948	30,572,948
Total risk position	93,017,367	81,025,388
Capital adequacy	22.9%	19.0%

2. Interim Financial Statements

Statements of Financial Position

(in EUR)	Note	30.06.2017	31.12.2016
ASSETS			
Current assets			
Cash and cash equivalents	4	19,080,477	18,018,135
Financial assets at fair value through profit and loss	3	939,408	2,421,927
Short-term loans, receivables and prepayments	5	4,186,551	2,822,597
Total current assets		24,206,436	23,262,659
Non-current assets			
Long-term loans and receivables		486,678	492,560
Tangible assets		213,258	239,069
Intangible assets		139,135	128,537
Total non-current assets		839,071	860,166
TOTAL ASSETS		25,045,507	24,122,825
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit and loss	3	141,754	51,782
Liabilities and prepayments	6	1,047,055	1,075,312
Provisions		244,000	244,000
Total current liabilities		1,432,809	1,371,094
TOTAL LIABILITIES		1,432,809	1,371,094
EQUITY			
Share capital	8	2,585,600	2,585,600
Statutory reserve capital		258,550	258,550
Retained earnings		20,768,548	19,907,581
TOTAL EQUITY		23,612,698	22,751,731
TOTAL EQUITY AND LIABILITIES		25,045,507	24,122,825

Statements of Comprehensive Income

<i>(in EUR)</i>	Note	6M 2017	6M 2016 *adjusted
Net profit from trading of financial assets at fair value through profit or loss with clients and liquidity providers		13,322,483	11,772,200
Brokerage fee income		42,244	226,692
Brokerage and commission fee expense		-4,333,766	-2,917,351
Other trading activity related expenses		-27,927	-132,940
Net income from trading	9	9,003,034	8,948,601
Other income and expenses		196,532	56,148
Interest income and expenses		19,744	-8,942
Losses from foreign exchange rate changes		-483,849	-179,266
Personnel expenses		-2,589,141	-2,332,956
Operating expenses	10	-3,522,263	-3,704,974
Depreciation of fixed assets		-106,840	-154,705
Profit before income tax		2,517,217	2,623,907
Income tax		-331,250	-43,444
Profit for the accounting period		2,185,967	2,580,464
Other comprehensive income for the accounting period		0	0
Comprehensive income for the accounting period		2,185,967	2,580,464
Basic and diluted earnings per share		5.41	6.39

* Some balances are presented with adjusted amounts; for more information refer to Note 12.

Statements of Cash Flows

<i>(in EUR)</i>	Note	6M 2017	6M 2016 *adjusted
Cash flow from operating activities			
Profit for the accounting period		2,185,967	2,580,464
Adjustments for:			
Depreciation of fixed assets		106,840	154,704
Gains on the sale of property, plant and equipment		-37,083	0
Change in provisions		0	54,819
Interest income and expense		-19,744	8,942
Allowance for doubtful receivables		22,332	0
Adjusted operating profit		2,258,312	2,798,929
Change in receivables and prepayments relating to operating activities		455,697	-1,288,893
Change in restricted cash balance		-173,160	43,601
Change in liabilities and prepayments relating to operating activities		61,715	-1,078,996
Interest received		0	12,577
Corporate income tax paid		-331,250	-40,000
Net cash from operating activities		2,271,314	447,218
Cash flow from investing activities			
Disposal of tangible and intangible assets		21,076	0
Purchase of tangible and intangible assets		-100,467	-71,141
Loans granted		0	-445,000
Repayments of loans granted		0	58,272
Net cash used in investing activities		-79,391	-457,869
Cash flow from financing activities			
Dividends paid		-1,325,000	-160,000
Net cash used in financing activities		-1,325,000	-160,000
TOTAL CASH FLOWS		866,923	-170,651
Cash and cash equivalents at the beginning of the period		17,776,764	15,165,375
Change in cash and cash equivalents		866,923	-170,651
Effect of exchange rate changes		22,259	-47,689
Cash and cash equivalents at the end of the period**	4	18,665,946	14,947,035

* Some balances are presented with adjusted amounts; for more information refer to Note 12.

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

Statement of Changes in Equity

<i>(in EUR)</i>	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 01.01.2016 *adjusted	2,585,600	258,550	14,479,780	17,323,930
Dividends paid	0	0	-160,000	-160,000
Profit for the accounting period	0	0	2,580,464	2,580,464
Other comprehensive income for the accounting period	0	0	0	0
Total comprehensive income for the accounting period	0	0	2,580,464	2,580,464
Balance as at 30.06.2016 *adjusted	2,585,600	258,550	16,900,239	19,744,389
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 accounting period	0	0	2,185,967	2,185,967
Other comprehensive income for the accounting period	0	0	0	0
Total comprehensive income for the accounting period	0	0	2,185,967	2,185,967
Balance as at 30.06.2017	2,585,600	258,550	20,768,548	23,612,698

* Some balances are presented with adjusted amounts; for more information refer to Note 12

3. Notes to the interim financial statements

Note 1. General information

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

The interim report of Admiral Markets AS has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 “Interim Financial Reporting”. The accounting policies adopted when preparing the

interim report are consistent with the accounting principles used in the annual financial statements as at 31 December 2016 and the report should be read in conjunction with the annual financial statements as at 31 December 2016.

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

The interim financial statements are presented in euros and integers, unless otherwise stated.

Note 2. Risk management

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

The interim financial statements do not include all financial risk management information and disclosures

required in the annual financial statements and should be read in conjunction with the annual financial statements as at 31 December 2016 of Admiral Markets AS.

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

Note 3. Financial assets and liabilities at fair value through profit or loss

Instrument	30.06.2017		31.12.2016	
	Asset	Liability	Asset	Liability
Bonds	877,400	0	2,382,700	0
Currency pairs	50,361	43,309	22,325	47,289
CFD derivatives	9,754	18,185	11,144	2,841
Indexes	0	94	3,595	904
Other	1,893	80,166	2,163	748
Total	939,408	141,754	2,421,927	51,782

Note 4. Cash and cash equivalents

Type of cash	30.06.2017	31.12.2016
Cash on hand	8,691	7,061
Cash in transit	0	386,732
Demand deposits	14,969,485	13,930,620
Cash on client accounts*	666,960	160,455
Cash on trading accounts**	3,435,341	3,533,267
Total cash and cash equivalents	19,080,477	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 Admiral Markets at any time.

**Recognized as cash in trading accounts in banks and investment companies which includes, inter alia, EUR 414,531 in restricted cash, 31.12.2016: EUR 241,371. As at 30.06.2017, the balance of restricted cash has increased due to the change in trading conditions.

Note 5. Short-term loans, receivables and prepayments

	30.06.2017	31.12.2016
Financial assets		
Trade receivables	975,310	10,763,309
Doubtful receivables	-972,109	-10,763,289
Settlements with employees	14,896	3,072
Loans and receivables from group companies	3,707,601	2,141,958
Other short-term receivables	57,048	18,871
Subtotal	3,782,746	2,163,921
Non-financial assets		
Prepaid expenditure of future periods	109,413	228,559
Prepayments to suppliers	37,765	43,712
Prepaid taxes	256,627	386,405
Subtotal	403,805	658,676
Total	4,186,551	2,822,597

Information on doubtful receivables:	30.06.2017	31.12.2016
Doubtful receivables at the beginning of the accounting period	-10,763,289	-10,191,913
Receivables recognised as doubtful	-22,332	-421,157
Collection of previously recognized as doubtful receivables	18,622	17,178
Impact of exchange rate changes	418,820	-167,397
Doubtful receivables at the end of the reporting period	-10,348,179	-10,763,289

Note 6. Liabilities and prepayments

Type of liability	30.06.2017	31.12.2016
Financial liabilities		
Liabilities to trade creditors	511,046	401,060
Liabilities to related parties	18,325	15,003
Other accrued expenses	143,791	147,679
Subtotal	673,162	563,742
Non-financial liabilities		
Payables to employees	146,650	138,280
Taxes payable	227,243	373,290
Subtotal	373,893	511,570
Total	1,047,055	1,075,312

Note 7. Off-balance sheet assets

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

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

Off-balance sheet assets	30.06.2017	31.12.2016
Bank accounts	3,529,833	4,355,083
Interim accounts of card payment systems	32,926	16,484
TOTAL	3,562,759	4,371,567

Note 8. Share capital

	30.06.2017	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.

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

In 2017, owners were paid dividends in the total amount of EUR 1,325,000, i.e. EUR 3.28 per share.

Statutory reserve capital

According to the Commercial Code of the Republic of Estonia the Company has transferred each year 1/20 of the net profit to the statutory reserve. The statutory reserve can be used to cover losses and to increase the Company's share capital. The statutory reserve cannot be distributed as dividends to shareholders.

Note 9. Net trade income

	6M 2017	6M 2016
Net gain from trading of financial assets at fair value through profit or loss with clients	16,559,870	13,600,684
Net loss from trading of financial assets at fair value through profit or loss with liquidity providers	-3,237,387	-1,828,484
Brokerage income	42,244	226,692
Brokerage and commission fee expense	-4,333,766	-2,917,351
Other trading activity related expenses	-27,927	-132,940
Net income from trading	9,003,034	8,948,601

Note 10. Operating expenses

Type of expense	6M 2017	6M 2016*
Marketing expenses	-1,485,499	-1,258,203
IT expenses	-892,566	-721,290
Other outsourced services	-133,329	-539,404
VAT expenses	-335,074	-179,821
Office rent and utilities	-152,107	-194,995
Legal and audit services	-137,246	-60,715
Regulative reporting services	-78,833	-104,881
Transport and communication costs	-45,819	-58,012
Travelling expenses	-36,145	-55,492
Expenses of doubtful receivables	-5,775	-122,922
Other operating expenses	-219,870	-409,240
Total operating expenses	-3,522,263	-3,704,975

* Some balances are presented with adjusted amounts; for more information refer to Note 12.

Note 11. Transactions with related parties

Transactions with related parties are transactions with the parent company, shareholders, members of the management, their close relatives and entities that they control or over which they have significant influence. The parent company of Admiral Markets AS is Admiral Markets Group AS.

Revenue

	Relation	6M 2017	6M 2016
Revenue from brokerage and commission fees*	Companies in the same consolidation group	14,454,980	9,766,777
Services	Companies in the same consolidation group	169,347	28,071
Interest income	Companies in the same consolidation group	0	2,193
Other	Parent company	1,870	30,000
Total transactions with related parties		14,626,197	9,827,041

*The majority of clients have concluded trading contracts with the entities which are part of the same consolidation group that mediate their trading transactions with the entity and to whom the entity pays a commission fee (see the next table). In the first half of 2017, the income from trading and brokerage fees increased in connection with the growth in the trading volumes of the clients mediated by these entities.

Expenses

	Relation	6M 2017	6M 2016
Commission fees	Companies in the same consolidation group	3,269,316	2,696,804
Services	Companies in the same consolidation group	225,216	225,411
Services	Parent company	35,349	43,085
Total transactions with related parties		3,529,881	2,965,300

Loans and receivables

	30.06.2017	31.12.2016
Receivables from parent company (short-term)	1,527,989	1,529,206
Receivables from other companies in the same consolidation group (short-term)	2,179,612	612,752
Receivables from parent company (long-term)	461,678	467,560
Total receivables from related parties	4,169,279	2,609,518

Liabilities

	30.06.2017	31.12.2016
Liabilities to other companies in the same consolidation group	18,325	15,003
Total liabilities to related parties	18,325	15,003

Note 12. Error corrections

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 skeptical 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. In 2016, a significant error was discovered in calculating doubtful receivables for the previous year in the amount of EUR 3,441,181.

The error have been corrected retrospectively and the important information related to the adjustment has been disclosed in the tables below:

Impact of the error correction of the Statement of Profit or Loss:

Statement of Profit or Loss line item	6M 2016 adjusted	Impact of error	6M 2016 before adjustments
Operating expenses	-3,704,974	2,500,000	-6,204,974
Profit before income tax	2,623,907	2,500,000	123,908
Profit for the accounting period	2,580,464	2,500,000	80,464
Basic and diluted earnings per share	6.39		0.20

Impact of the error correction on the Statement of Cash Flows:

Statement of Cash Flows line item	6M 2016 adjusted	Impact of error	6M 2016 before adjustments
Adjustments:			
Profit for the accounting period	2,580,464	2,500,000	80,464
Allowance for doubtful receivables	0	-2,500,000	2,500,000

Impact of the error correction on the Statement of Changes in Equity:

Statement of Changes in Equity line item	6M 2016 adjusted	Impact of error	6M 2016 before adjustments
Adjustments:	14,479,780	-3,441,181	17,920,961
Balance as at 01.01.2016			