



X-TRADE BROKERS DOM MAKLEPSKI S.A.

(joint stock company with its registered office in Warsaw and address at ul. Ogrodowa 58, 00-876 Warszawa, entered into the Register of Business Entities of the National Court Register under No. 0000217580)

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CURRENT REPORT NO. 16/2018

Warsaw, 6 August 2018

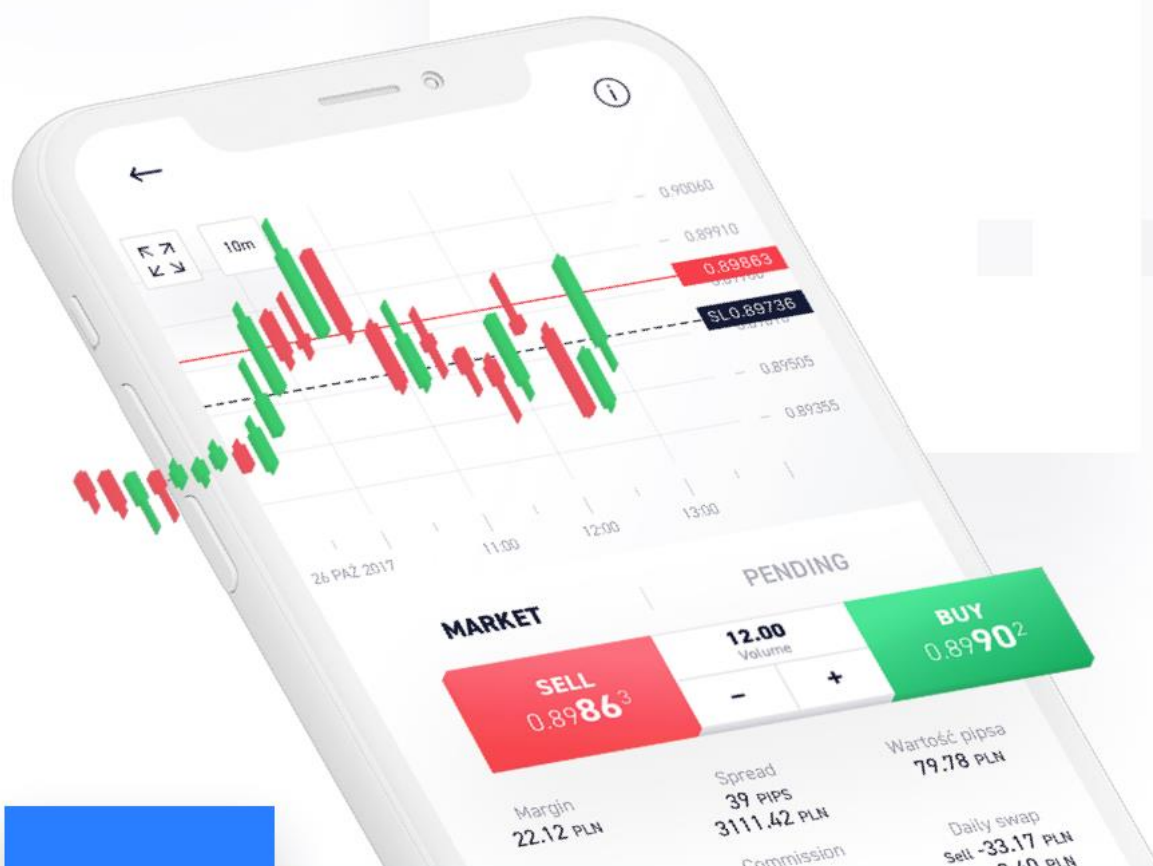
Information on the preliminary financial and operating results for the I half of 2018

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”, „Company”, „XTB”) hereby announces that on 6 August 2018 the aggregation process of financial data for the purpose of the preparation of the condensed consolidated financial statements of the Issuer’s Group for the I half of 2018 was completed. Therefore the decision was made to publish the preliminary consolidated selected financial and operating data for the above period, which the Issuer submits as an attachment to the foregoing current report.

The Issuer informs also that the final financial and operating results for the I half of 2018 will be submitted in the extended consolidated report of the Issuer’s Group for the I half of 2018, publication of which was planned for 23 August 2018.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report

No. 16/2018 dated 6 August 2018



Selected consolidated financial data

(in PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Total operating income	197 937	125 331
Total operating expenses	(81 985)	(72 625)
Profit on operating activities (EBIT)	115 952	52 706
Impairment of intangibles assets	-	(5 612)
Finance income	10 319	2 421
Finance costs	(3 456)	(12 716)
Profit before tax	122 815	36 799
Income tax	(21 670)	(7 441)
Net profit	101 145	29 358

(in PLN'000)	AS AT	
	30.06.2018	30.06.2017
Own cash	499 189	251 987
Equity	500 005	340 965

Selected consolidated operating data (KPI)

	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
New clients ¹⁾	10 046	8 130
Average number of active clients ²⁾	22 135	17 748
Clients in total	107 214	95 819
New accounts ³⁾	24 052	22 915
Average number of active accounts ⁴⁾	24 918	20 016
Accounts in total	215 237	178 008
Net deposits (in PLN'000) ⁵⁾	178 586	215 986
Average operating income per active client (in PLN'000) ⁶⁾	8,9	7,1
Average operating income per active account (in PLN'000) ⁷⁾	7,9	6,3
Transaction volume in CFD instruments in lots ⁸⁾	1 291 426	1 053 896
Profitability per lot (in PLN) ⁹⁾	153	119

¹⁾ The number of new Group's clients in the individual periods.

²⁾ The average quarterly number of clients who at least one transaction has been concluded over the last three months.

³⁾ The number of accounts opened by the Group's clients in the individual periods.

⁴⁾ The average quarterly number of accounts via which at least one transaction has been concluded over the last three months.

⁵⁾ Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.

⁶⁾ The Group's operating income in a given period divided by the average quarterly number of clients who at least one transaction has been concluded over the last three months.

⁷⁾ The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.

⁸⁾ A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.

⁹⁾ Total operating income divided by the transaction volume in CFDs in lots.



IH 2018

EBIT

↑ 116,0

MM PLN

+ 120,0% y/y

NEW CLIENTS

↑ 10 046

+ 23,6% y/y

CFD VOLUME

↑ 1 291 426

LOTS

+ 22,5% y/y

NET PROFIT

↑ 101,1

MM PLN

+ 244,5% y/y

OPERATING INCOME

↑ 197,9

MM PLN

+ 57,9% y/y

AVERAGE NUMBER
OF ACTIVE CLIENTS

↑ 22 135

+ 24,7% y/y

CFD PROFITABILITY PER LOT

↑ 153,3

PLN

+ 28,9% y/y



Management Board's commentary on the preliminary results

In the I half of 2018, XTB noted a record consolidated net profit of PLN 101,1 million against PLN 29,4 million profit a year earlier. This is an increase by PLN 71,8 million, ie. 244,5%. Operating profit (EBIT) increased by PLN 63,2 million y/y ie. 120,0% reaching the value PLN 116,0 million. Consolidated revenue was PLN 197,9 million compared to PLN 125,3 million a year earlier.

Revenues

Increase of revenues in the I half of 2018 by 57,9% y/y, ie. PLN 72,6 million from PLN 125,3 million to PLN 197,9 million results mainly from the increase of transactions volume in lots and the profitability per lot. Turnover was higher by 237,5 thousand lots y/y and unit profitability by PLN 34,3 y/y.

	THREE-MONTH PERIOD ENDED							
	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016
Total operating income (in PLN'000)	84 200	113 737	76 145	73 115	66 613	58 718	93 959	42 802
Transaction volume in CFD instruments in lots ¹	616 082	675 344	618 893	523 769	513 814	540 082	488 660	468 686
Profitability per lot (in PLN) ²	137	168	123	140	130	109	192	91

¹) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.

²) Total operating income divided by the transaction volume in CFDs in lots.

XTB has a solid basis for growth in the form of constantly growing customer base and number of active clients. In the I half of 2018 the number of new clients was 10 046 and was higher by 23,6% y/y. The average number of active clients was higher by 4 387, ie. 24,7% y/y.

	PERIOD ENDED							
	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016
New clients ¹	4 734	5 312	6 582	4 201	3 860	4 270	3 918	3 023
Average number of active clients ²	22 135	22 317	18 667	17 920	17 748	17 959	15 548	15 010
New accounts ³	11 321	12 731 ⁴	16 530	11 278	9 635	13 280	9 624	8 060
Average number of active accounts ⁵	24 918	25 279	21 088	20 194	20 016	20 408	17 243	16 531

¹) The number of new Group's clients in the individual periods.

²) The average quarterly number of clients respectively for 6, 3 months of 2018 and 12, 9, 6, 3 months of 2017 and 12, 9, 6 months of 2016.

³) The number of accounts opened by the Group's clients in the individual periods

⁴) Data for the period adjusted for the effect of a technical error including test accounts.

⁵) The average quarterly number of accounts respectively for 6, 3 months of 2018 and 12, 9, 6, 3 months of 2017 and 12, 9, 6 months of 2016.

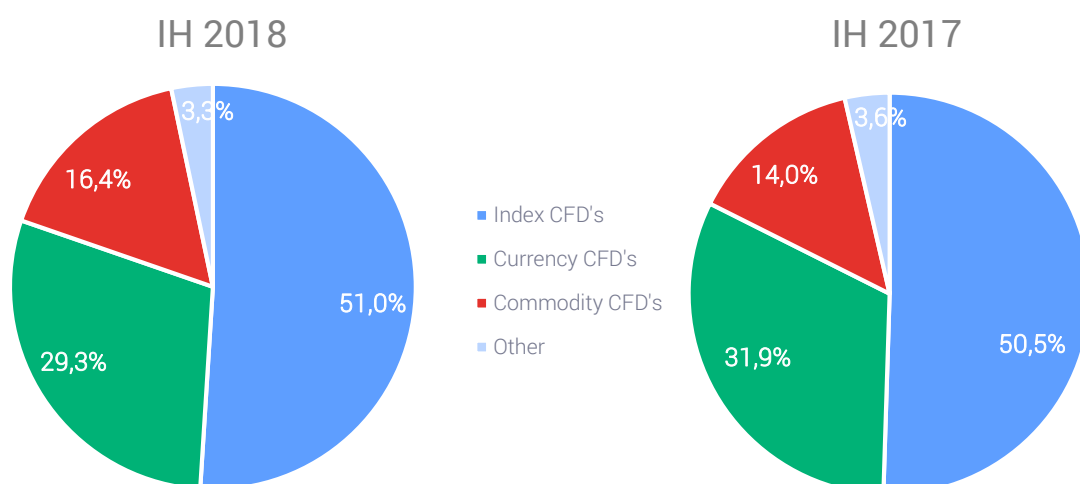


Similarly to the prior quarters of the previous year, in the first half of 2018, XTB implemented an optimized sales and marketing strategy and introduced new products. The favorable situation on the financial markets was an additional factor supporting the growth of the client base was.

In the following quarters of 2018 the Management Board will strive to stabilize the number of new clients and average number of active clients at the levels observed in the previous quarters, which was record breaking. In addition, the Management Board sees the greatest potential for business growth in the German, French and Latin America markets.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that, CFDs based on stock indices dominated similarly as in the earlier periods. Their share in the structure of revenues on financial instruments in the I half of 2018 was 51,0% against 50,5% a year earlier. Traditionally, CFD instruments based on the German DAX stock index (DE30) was of the highest interest among XTB clients. CFD based on US indices were also very popular. Revenues on CFD instruments based on currency pairs amounted to 29,3% of total revenues against 31,9% a year earlier. Among this class of instruments, the EURUSD currency pair was the most popular among XTB clients.

(in PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Index CFDs	100 228	64 525
Currency CFDs	57 621	40 742
Commodity CFDs	32 318	17 844
Stock CFDs	2 268	1 097
Bond CFDs	322	(257)
Total CFDs	192 757	123 951
Options	3 947	3 743
Shares and listed derivative instruments	(34)	-
Gross gain on transactions in financial instruments	196 670	127 694
Bonuses and discounts paid to costumers	(1 582)	(1 775)
Commission paid to cooperating brokers	(772)	(2 872)
Net gain on transaction in financial instruments	194 316	123 047



Geographically, XTB revenues were well diversified. Their growth has occurred in both, Central and Eastern Europe and Western Europe. Countries from which the Group derives more than 15% of revenues are Poland with shares amounted to 32,3% (I half of 2017: 19,5%) and Spain shares amounted to 15,0% (I half of 2017: 23,0%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%. Latin America is also gaining on importance, which has already replaced the gap in Turkey.

(in PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Central and Eastern Europe	104 718	50 247
- including Poland	63 999	24 405
Western Europe	83 133	67 046
- including Spain	29 725	28 791
Latin America and Turkey	10 086	8 038
- including Turkey	-	5 073
Total operating income	197 937	125 331

XTB puts strong emphasis on diversification of segment revenues. Therefore, from 2013, it develops institutional activities (X Open Hub), under which it provides liquidity and technology to other financial institutions, including brokerage houses. Revenues from this segment are subject to significant fluctuations from quarter to quarter, analogically to the retail segment, which is typical of the business model adopted by the Group.

(in PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Retail segment	186 943	105 187
Institutional segment (X Open Hub)	10 994	20 144
Total operating income	197 937	125 331



Expenses

Operating expenses in the I half of 2018 amounted to PLN 82,0 million (I half of 2017: PLN 72,6 million) and were higher by PLN 9,4 million ie. 12,9% y/y. This increase was higher by:

- PLN 3,0 million of marketing costs mainly due to higher expenditures on marketing online campaigns;
- PLN 2,8 million of salaries and employee benefits costs mainly due to the increase in variable remuneration elements (bonuses);
- PLN 2,6 million of other external services costs as a result of incurring more expenditure on : 1) IT systems and licenses (increased by PLN 1,281 thousand y/y); 2) legal and advisory services (increased by PLN 705 thousand y/y); 3) internet and telecommunications (increased by PLN 314 thousand y/y);
- PLN 1,4 million of commission costs resulting from higher amounts paid to payment service providers through which clients deposit their funds to transaction accounts.

(in PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Salaries and employee benefits	39 041	36 267
Marketing	16 775	13 807
Other external services	12 729	10 125
Costs of maintenance and lease of buildings	3 915	3 763
Amortization and depreciation	2 254	3 021
Taxes and fees	923	1 346
Commission expenses	4 034	2 621
Other expenses	2 314	1 675
Total operating expenses	81 985	72 625

In terms of q/q, operating expenses were at a similar level as in the first quarter of 2018 and were slightly reduced by 0.2%.

	THREE-MONTH PERIOD ENDED							
	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016
Total operating income including: (in PLN'000)	40 942	41 043	38 919	34 777	36 060	36 565	38 889	34 378
- Marketing	8 976	7 799	6 243	5 615	6 632	7 175	8 997	8 041
New clients	4 734	5 312	6 582	4 201	3 860	4 270	3 918	3 023
Average number of active clients	22 135	22 317	18 667	17 920	17 748	17 959	15 548	15 010



The Management Board expects that in 2018 operating expenses to be at a level comparable (slightly higher) to that observed in the 2017. The final level will depend on the variable remuneration elements paid to employees, the level of marketing expenditures and the impact of ESMA's product intervention on the level of revenues generated by the Group. The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures will depend on the impact of the results and profitability of the Group and on responsiveness of the customers to the actions taken. The impact of ESMA's product intervention on the Group's revenues will determine, if necessary, a revision of the cost assumptions for further quarters of this year.

Development perspectives

The Group plans further development by expanding the customer base and product offer, penetrating existing markets and expanding geographically to new markets in Africa and Asia, as well as Latin America, using its presence in Belize as a starting point for expansion and business development in other countries of the region.

The entry into force of product intervention by ESMA creates both opportunities and threats for XTB. On the one hand, there is a temporary drop in trade volumes among European brokers. On the other hand, the Management Board of XTB is convinced of the business's vitality over a longer time horizon. It seems likely that clients gradually adjust their trading strategies to a lower level of financial leverage and FX/CFD market will be consolidated. Changes in regulations may make business activity unattractive for some entities, especially those focused on a quick profit and aggressive marketing strategies. Brokers with a wide range of products and an established business position, as in the case of XTB, have a chance to increase their existing market share.

The current financial situation of XTB is very good. In July this year, XTB received a supervisory assessment BION. The supervisory rating is at the level recommended by the PFSA criteria and allows payment of dividend from the profit for 2018. XTB's dividend policy assumes payment of dividend at 50-100% of the company's net profit for a given financial year, taking into account financial results and possibilities companies, as well as ensuring an adequate level of capital adequacy ratios and capital necessary for the development of the Group.