

# IH 2018 RESULTS PRESENTATION

23 AUGUST 2018



# AGENDA

- ✓ Financial data
- ✓ Operational data
- ✓ Market environment
- ✓ Regulatory environment
- ✓ Appendix

**FINANCIAL**

**DATA**





# FINANCIAL DATA



## Financial consolidated highlights

(in PLN'000)	IH 2018	IH 2017	Change
Result of operations on financial instrument	194 316	123 047	71 269
Other income	3 621	2 284	1 337
<b>Total operating income</b>	<b>197 937</b>	<b>125 331</b>	<b>72 606</b>
Salaries and employee benefits	(39 116)	(36 267)	(2 849)
Marketing	(16 775)	(13 807)	(2 968)
Amortization and depreciation	(2 254)	(3 021)	767
Other operating expenses	(24 648)	(19 530)	(5 118)
<b>Total operating expenses</b>	<b>(82 793)</b>	<b>(72 625)</b>	<b>(10 168)</b>
<b>Operating profit (EBIT)</b>	<b>115 144</b>	<b>52 706</b>	<b>62 438</b>
<b>Impairment of intangible assets</b>	<b>-</b>	<b>(5 612)</b>	<b>5 612</b>
Finance income	10 319	2 421	7 898
Finance costs	(3 456)	(12 716)	9 260
<b>Profit before tax</b>	<b>122 007</b>	<b>36 799</b>	<b>85 208</b>
Income tax	(21 605)	(7 441)	(14 164)
<b>Net profit</b>	<b>100 402</b>	<b>29 358</b>	<b>71 044</b>

(in PLN'000)	30 June 2018	30 June 2017	Change
Own cash and cash equivalents	499 189	251 987	247 202
Total equity	499 290	340 965	158 325

# FINANCIAL DATA continued



Quarterly consolidated financial and operational data

(in PLN'000)	IIQ 2018	IQ 2018	IVQ 2017	IIIQ 2017	IIQ 2017	IQ 2017	IVQ 2016	IIIQ 2016
Total operating income	84 200	113 737	76 145	73 115	66 613	58 718	93 959	42 802
Total operating expenses	41 750	41 043	38 919	34 777	36 060	36 565	38 889	34 378
Operating profit	42 450	72 694	37 226	38 338	30 553	22 153	55 070	8 424
Net profit	40 915	59 487	32 273	31 342	18 718	10 640	50 422	4 238

	IIQ 2018	IQ 2018	IVQ 2017	IIIQ 2017	IIQ 2017	IQ 2017	IVQ 2016	IIIQ 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 instrument in lots <sup>1</sup>	616 082	675 344	618 893	523 769	513 814	540 082	488 660	468 686
Profitability per lot (in PLN) <sup>2</sup>	137	168	123	140	130	109	192	91

<sup>1)</sup> 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.

<sup>2)</sup> Total operating income divided by the transaction volume in CFDs in lots.

Operating income for the first half of 2018 was determined by:

- Increase in the transaction in CFD instrument in lots by 237,5 thousand lots y/y;
- Increase profitability per lot by PLN 34.3 y/y.



# FINANCIAL DATA continued



Result of operations on financial instruments by classes

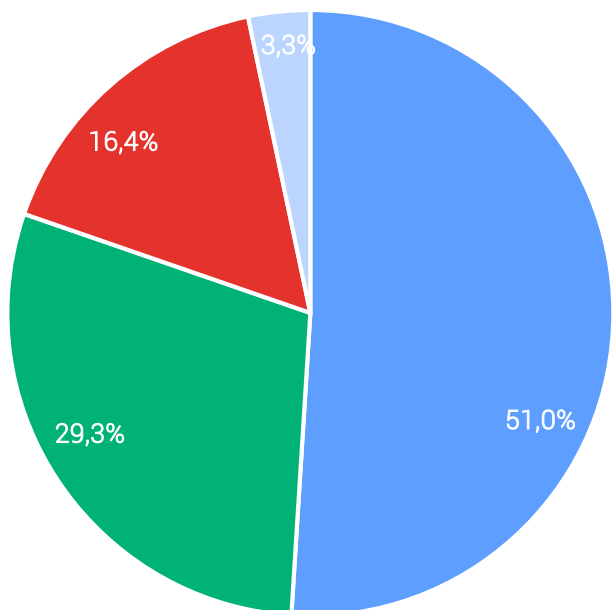
(in PLN'000)	IH 2018	IH 2017	Change
Index CFDs	100 228	64 525	35 703
Currency CFDs	57 621	40 742	16 879
Commodity CFDs	32 318	17 844	14 474
Stock CFDs	2 268	1 097	1 171
Bond CFDs	322	(257)	579
<b>Total CFDs</b>	<b>192 757</b>	<b>123 951</b>	<b>68 806</b>
Total options	3 947	3 743	204
Shares and listed derivative instruments	(34)	-	(34)
<b>Gross gain on transactions in financial instruments</b>	<b>196 670</b>	<b>127 694</b>	<b>68 976</b>
Bonuses and discounts paid to customers	(1 582)	(1 775)	193
Commission paid to cooperating brokers	(772)	(2 872)	2 100
<b>Net gain on transactions in financial instruments</b>	<b>194 316</b>	<b>123 047</b>	<b>71 269</b>

# FINANCIAL DATA continued

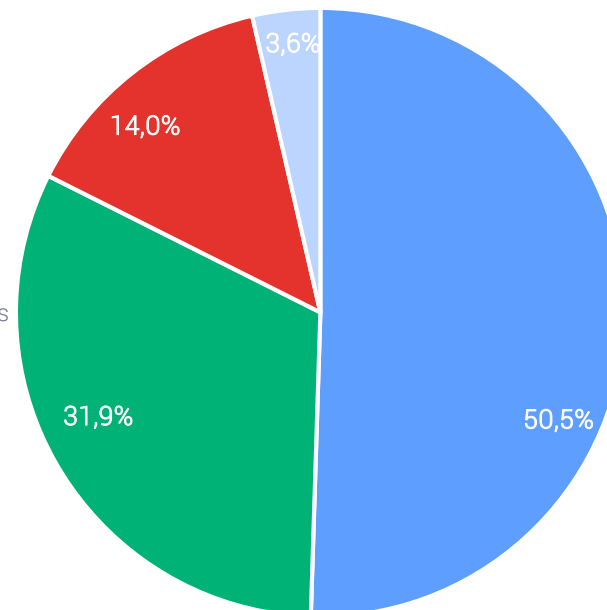
Result of operations on financial instruments by classes



Revenue by class of instrument  
IH 2018



Revenue by class of instrument  
IH 2017



- Index CFD's
- Currency CFD's
- Commodity CFD's
- Other

# FINANCIAL DATA continued



## Revenue by geographical area and segments

(in PLN'000)	IH 2018	IH 2017	Change
Central and Eastern Europe	104 718	50 247	54 471
- including Poland	63 999	24 405	39 594
Western Europe	83 133	67 046	16 087
- including Spain	29 725	28 791	934
Latin America and Turkey	10 086	8 038	2 048
- including Turkey	-	5 073	(5 073)
<b>Total operating income</b>	<b>197 937</b>	<b>125 331</b>	<b>72 606</b>

- Diversification of revenues in geographical terms:
  - Poland: 32,3% (IH 2017: 19,5%) and Spain: 15,0% (IH 2017: 23,0%).
  - The share of other countries does not exceed in any case 15%.
  - Latin America is gaining in importance, which has already replaced the gap in Turkey.

(in PLN'000)	IH 2018	IH 2017	Change
Retail segment	186 943	105 187	81 756
Institutional segment (X Open Hub)	10 994	20 144	(9 150)
<b>Total operating income</b>	<b>197 937</b>	<b>125 331</b>	<b>72 606</b>



# FINANCIAL DATA continued

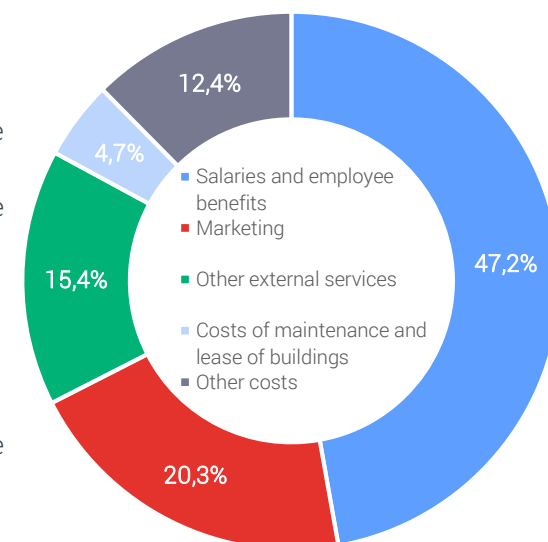
## Operating expenses by type

(in PLN'000)	IH 2018	IH 2017	Change
Salaries and employee benefits	39 116	36 267	2 849
Marketing	16 775	13 807	2 968
Other external services	12 729	10 125	2 604
Costs of maintenance and lease of buildings	3 915	3 763	152
Amortization and depreciation	2 254	3 021	(767)
Taxes and fees	923	1 346	(423)
Commission expenses	4 034	2 621	1 413
Other costs	3 047	1 675	1 372
<b>Total operating expenses</b>	<b>82 793</b>	<b>72 625</b>	<b>10 168</b>

## Operating expenses structure IH 2018

Increase in operating expenses by PLN 10.2 million ie. 14,0% 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:
  - IT systems and licenses (increased by PLN 1.3 million y/y);
  - legal and advisory services (increased by PLN 0.7 million y/y);
  - internet and telecommunications (increased by PLN 0.3 million 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;
- PLN 1.4 million of other costs.

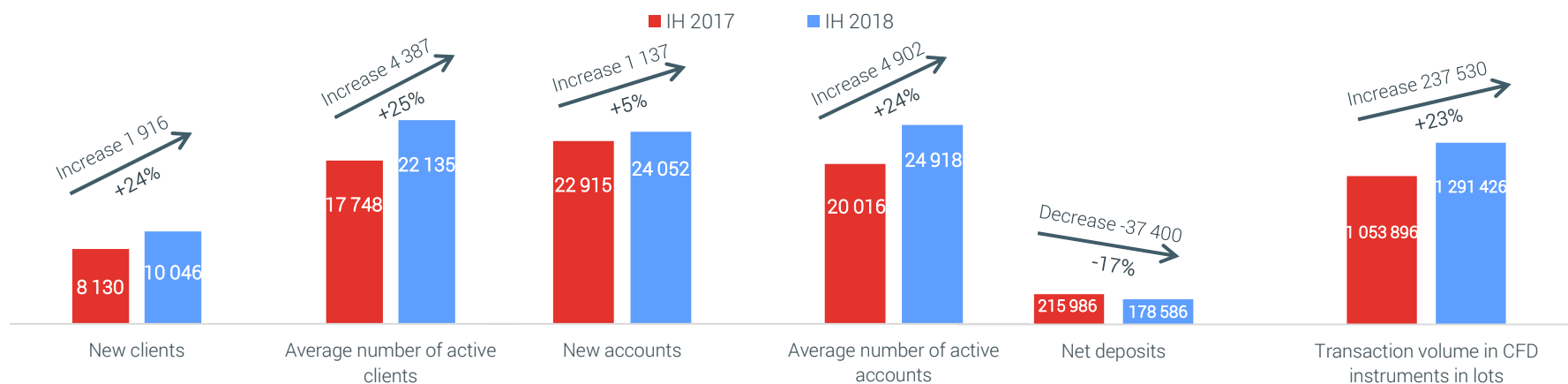


# OPERATIONAL DATA



# OPERATIONAL DATA

## Consolidated KPIs



	IIQ 2018	IQ 2018	IVQ 2017	IIIQ 2017	IIQ 2017	IQ 2017	IVQ 2016	IIIQ 2016
New clients	4 734	5 312	6 582	4 201	3 860	4 270	3 918	3 023
Average number of active clients <sup>1</sup>	22 135	22 317	18 667	17 920	17 748	17 959	15 548	15 010
Clients in total	107 214	103 907	105 662	99 542	95 819	92 369	87 323	83 878
New accounts	11 321	12 731	16 530	11 278	9 635	13 280	9 624	8 060
Average number of active accounts <sup>1</sup>	24 918	25 279	21 088	20 194	20 016	20 408	17 243	16 531
Accounts in total	215 237	205 997	204 064	188 380	178 008	169 031	156 501	146 939
Net deposits (in PLN'000)	91 617	86 969	84 911	56 779	108 200	107 786	116 759	60 717
Average operating income per active client (in PLN'000) <sup>2</sup>	8,9	5,1	14,7	11,1	7,1	3,3	16,1	10,4
Average operating income per active account (in PLN'000) <sup>2</sup>	7,9	4,5	13,0	9,8	6,3	2,9	14,5	9,5
Transaction volume in CFD instruments in lots	616 082	675 344	618 893	523 769	513 814	540 082	488 660	468 686
Profitability per lot (in PLN)	137	168	123	140	130	109	192	91

1) Average quarterly number of accounts/clients respectively for 6, 3 months of 2018 and 12, 9, 6 and 3 months of 2017, and 12 and 9 months of 2016.

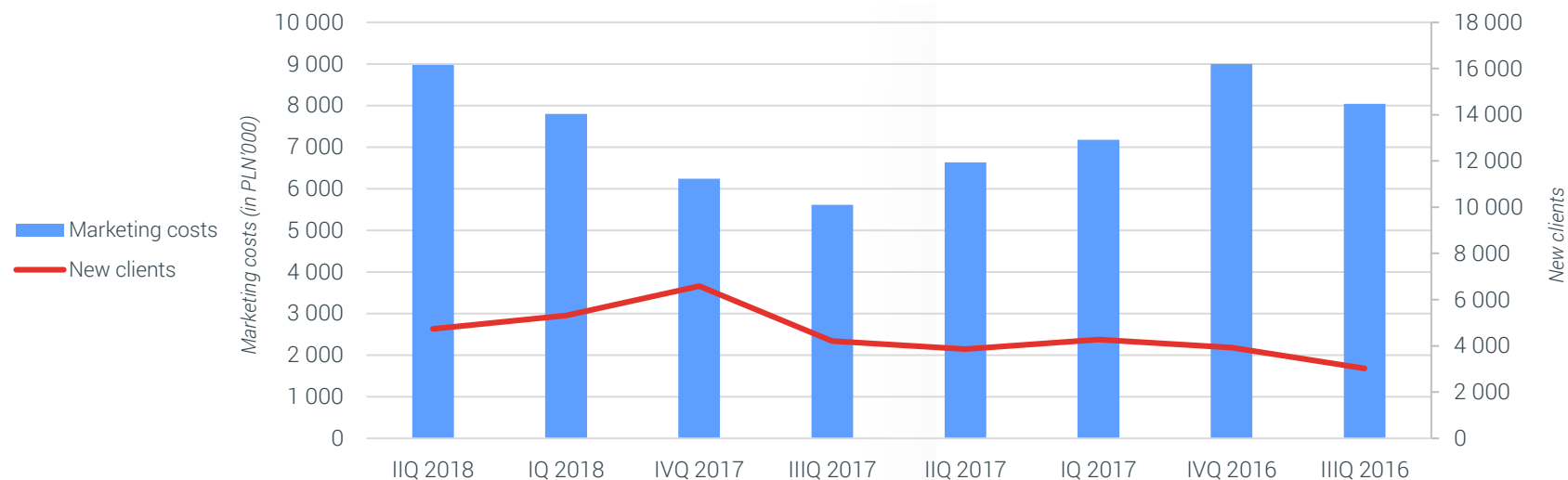
2) Average operating income for the active clients/active account respectively for 6, 3 months of 2018 and 12, 9, 6 and 3 months of 2017, and 12 and 9 months of 2016.

# OPERATIONAL DATA continued

## Marketing costs vs new clients

	IIQ 2018	IQ 2018	IVQ 2017	IIIQ 2017	IIQ 2017	IQ 2017	IVQ 2016	IIIQ 2016
Total operating expenses (in PLN'000), including:	41 750	41 043	38 919	34 777	36 060	36 565	38 889	34 378
- Marketing (in PLN'000)	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

- In terms of q/q operating expenses were at a similar level as in the first quarter of 2018 and were slightly increased by 1,7%.



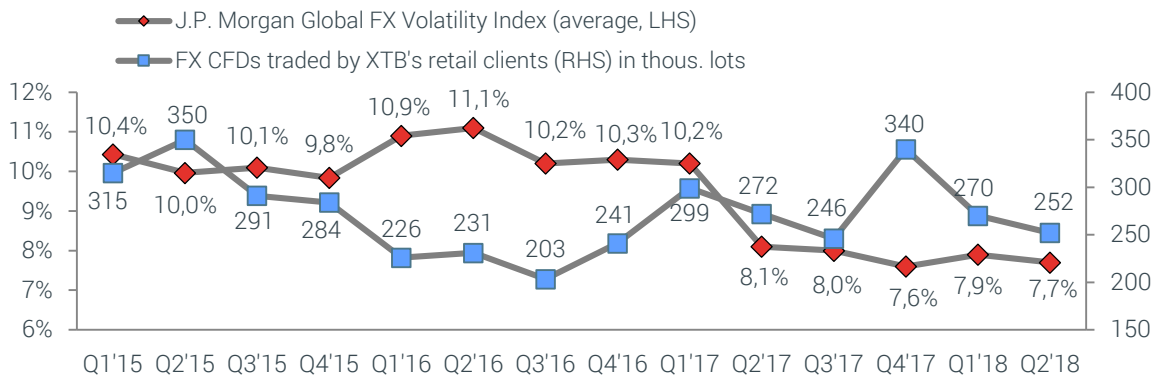
**MARKET**

**ENVIRONMENT**

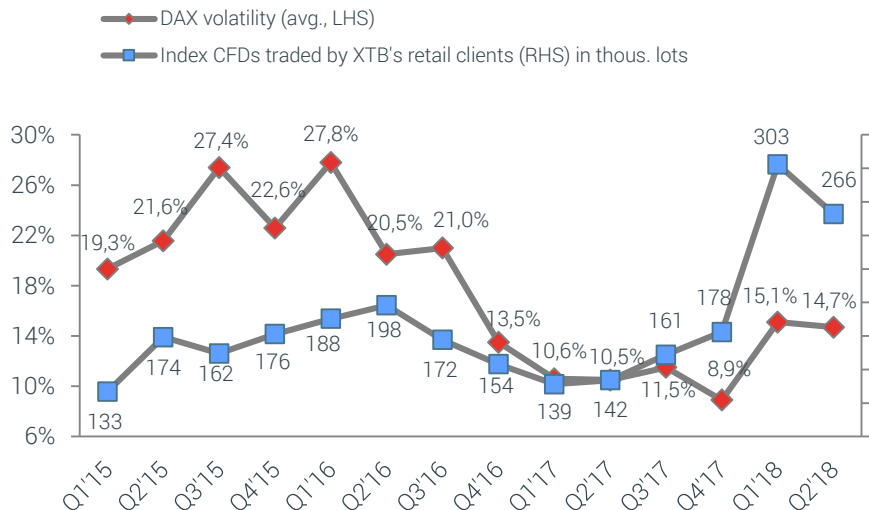


# MARKET ENVIRONMENT

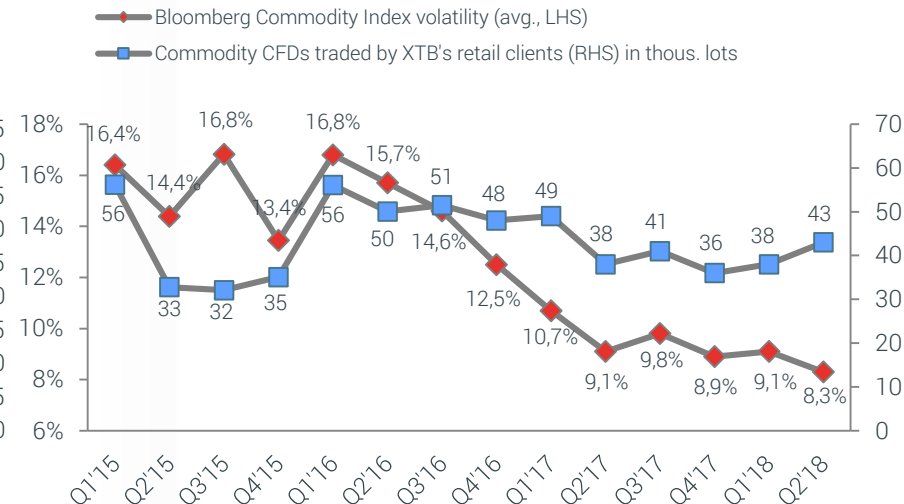
## FX volatility on the market



## Volatility of equity market<sup>1</sup>



## Volatility of commodity market<sup>1</sup>



Source: Bloomberg, XT B

<sup>1</sup>Volatility of German blue chip index DAX 30 and Bloomberg Commodity Index is calculated as an annualized historical daily volatility based on 30-days period standard deviation.



# REGULATORY ENVIRONMENT





Regulatory changes in industry

## Activity of the European Securities and Markets Authority (“ESMA”)

On 27 March 2018 ESMA agreed on measures on the provision of contracts for differences and binary options to retail investors in EU.

### ■ Agreed measures regarding CFDs include:

- leverage limits on the opening of a position by a retail clients between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument:
  - 30:1 for major currency pairs;
  - 20:1 for non-majors currency pairs, gold and major indices;
  - 10:1 for commodities other than gold and non-major equity indices;
  - 5:1 for individual equities and other reference values;
  - 2:1 for cryptocurrencies;
- a margin close out rule on a per account basis;
- negative balance protection on a per account basis;
- a restriction on the incentives offered to trade CFDs;
- a standardised risk warning.

### ■ Agreed measures regarding to binary options include:

- prohibition on the marketing, distribution or sale of those instruments to retail clients.

Decisions taken on 22 May 2018 in accordance with art. 40 of Regulation on markets in financial instruments regulation (EU) 600/215 by ESMA on product intervention were finally published in the Official Journal of the European Union. The temporary prohibition on the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July, 2018 and is motivated by significant investor protection concerns due to the complexity of the product and the negative expected rate of return. In relation to CFD temporary aforementioned restrictions on trade, distribution and sale entered into force on 1 August, 2018.





Regulatory changes in industry

## Poland - draft bill amending act on supervision over financial market and other acts

On 13 December, 2017, another draft act on amendment of the act on supervision over the financial market and certain other acts was presented.

The main assumptions introduced by the draft include, among others:

- Increased requirements regarding security deposits for Polish residents with regard to transactions on the market of financial derivative instruments from 1% to 2% and, consequently, reduction of financial leverage to 1:50 for retail clients. As far as retail clients who, during 24 months preceding submission of the order, concluded at least 40 transactions and expressed this intention, the draft will allow application of financial leverage of up to 1:100.
- Authorising the Polish Financial Supervision Authority to maintain a register of internet domains and block internet domains of investment companies, used for provision of financial services in a manner non-compliant with regulatory requirements.
- Introduction of stricter penal liability for unauthorised operation with regard to trading in financial instruments if the unlawful act results in unfavourable disposition of property by the harmed party.

At present, opinions for the draft are being prepared.



# REGULATORY ENVIRONMENT continued



Regulatory changes in industry

## Poland – the act amending the act on trading in financial instruments and other acts and new regulations to the act on trading in financial instruments

The purpose of this act is to implement EU regulations regarding financial instruments into the Polish legal order ie. the MiFID II Directive and MIFIR Regulation and increasing the safety of financial market participants and ensuring competitive conditions for investment companies.

The amendments introduces, among others:

- The new rules regarding communication with clients and introducing system to register telephone conversation and electronic communication with them.
- Provides wider transparency of the costs and introduces new rights for the supervisors.
- Rules regarding of cross-selling by entities providing retail financial services.
- Changes in the scope of outsourcing and regulation of trading in structured products of a given category.

The act entered into force on 21 April, 2018.

The regulations and administrative provisions specify a new regulation of the Minister of Finance:

- (I) on the mode and conditions of conduct of investment firms and banks, which are referred to in Art. 70 (2) of the act on trading in financial Instruments, and custodian banks; and
- (II) on detailed technical and organizational conditions for investment companies, banks referred to in Art. 70 (2) of the act on trading in financial instruments, and custodian banks.

The regulations entered into force on 23 June, 2018, however the transitional provisions allow investment companies to comply with the new requirements by 21 October, 2018.



# REGULATORY ENVIRONMENT continued



Regulatory changes in industry

## Poland – finalise of the work on the implementation of IV AML Directive on prevention of money laundering practices and financing of terrorism

The act on prevention of money laundering practices and financing of terrorism entered into force on 13 July, 2018. The act provides the transposition the Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC to the Polish legislation.

The main changes resulting from the new legislation are among others:

- Introduction of a new category of institutions, including entities conducting the exchange the virtual currency.
- Extension of the definition of politically exposed persons (PEP) by adding domestic persons to that group and creation of the Central Registry of the Beneficiary.
- Necessity to introduce a procedure for identification and assessment of the risk related to money laundering and terrorism financing in connection with the business activity conducted.
- Reduction of the limit for transactions executed in cash to EUR 10 000 in place of EUR 15 000.
- Increase of penalties for violation of provisions of the act up to the equivalent of EUR 5 000 000 or up to 10% of the turnover declared in the most recent consolidated financial statements for the financial year against previous PLN 750 thousand and extension of administrative sanctions.
- Shortening of the deadline for reporting of transactions to the General Inspector for Financial Information to 7 days after execution thereof and change of the provisions regarding the suspension of transactions, blocking accounts and control of obligated institutions.

# APPENDIX





# APPENDIX

## Consolidated statement of financial position

(in PLN'000)	30 June 2018	31 December 2017
Own cash and cash equivalents	499 189	367 096
Customers' cash and cash equivalents	336 753	378 471
Financial assets at fair value through P&L	116 431	N/A <sup>1</sup>
Financial assets held for trading	N/A <sup>1</sup>	127 944
Financial assets available for sale	N/A <sup>1</sup>	147
Loans granted and other receivables	6 619	4 009
Intangible assets	1 344	2 915
Property, plant and equipment	2 712	3 034
Deferred income tax assets	10 836	10 497
Other assets	5 501	3 738
<b>Total assets</b>	<b>979 385</b>	<b>897 704</b>
Amounts due to customers	424 955	421 400
Financial liabilities held for trading	16 459	40 905
Deferred income tax provision	14 933	10 210
Other liabilities	23 748	24 847
<b>Total liabilities</b>	<b>480 095</b>	<b>497 362</b>
<b>Equity attributable to the owners of the Parent Company</b>	<b>499 290</b>	<b>400 342</b>
<b>Total equity and liabilities</b>	<b>979 385</b>	<b>897 704</b>

1) N/A –not applicable – items which are not applicable due to the rules resulting from IFRS 9 from 1 January 2018

# APPENDIX continued

(in PLN'000)	IH 2018	IH 2017
Profit before tax	122 007	36 799
Amortization and depreciation	2 254	3 021
Foreign exchange (gains) losses from translation of own cash	(2 796)	4 072
Impairment of intangible assets	-	5 612
Change in balance of financial assets and liabilities at fair value through P&L	(12 933)	(35 712)
Change in balance of restricted cash	41 718	(67 321)
Change in balance of amounts due to customers	3 555	79 940
Other adjustments and changes	(6 282)	(13 556)
<b>Cash from operating activities</b>	<b>147 523</b>	<b>12 855</b>
Income tax paid	(17 876)	(6 299)
Interests	-	2
<b>Net cash from operating activities</b>	<b>129 647</b>	<b>6 558</b>
Proceeds from sale of items of property, plant and equipment	43	3
Expenses relating to payments for property, plant and equipment and intangible assets	(346)	(3 599)
<b>Net cash from investing activities</b>	<b>(303)</b>	<b>(3 596)</b>
Payments of liabilities and interest under lease	(47)	(79)
Dividend paid to owners	-	(37 563)
<b>Net cash from financing activities</b>	<b>(47)</b>	<b>(37 642)</b>
<b>Increase (Decrease) in net cash and cash equivalents</b>	<b>129 297</b>	<b>(34 680)</b>



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