



X-TRADE BROKERS DOM MAKLESKI 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. 2/2019

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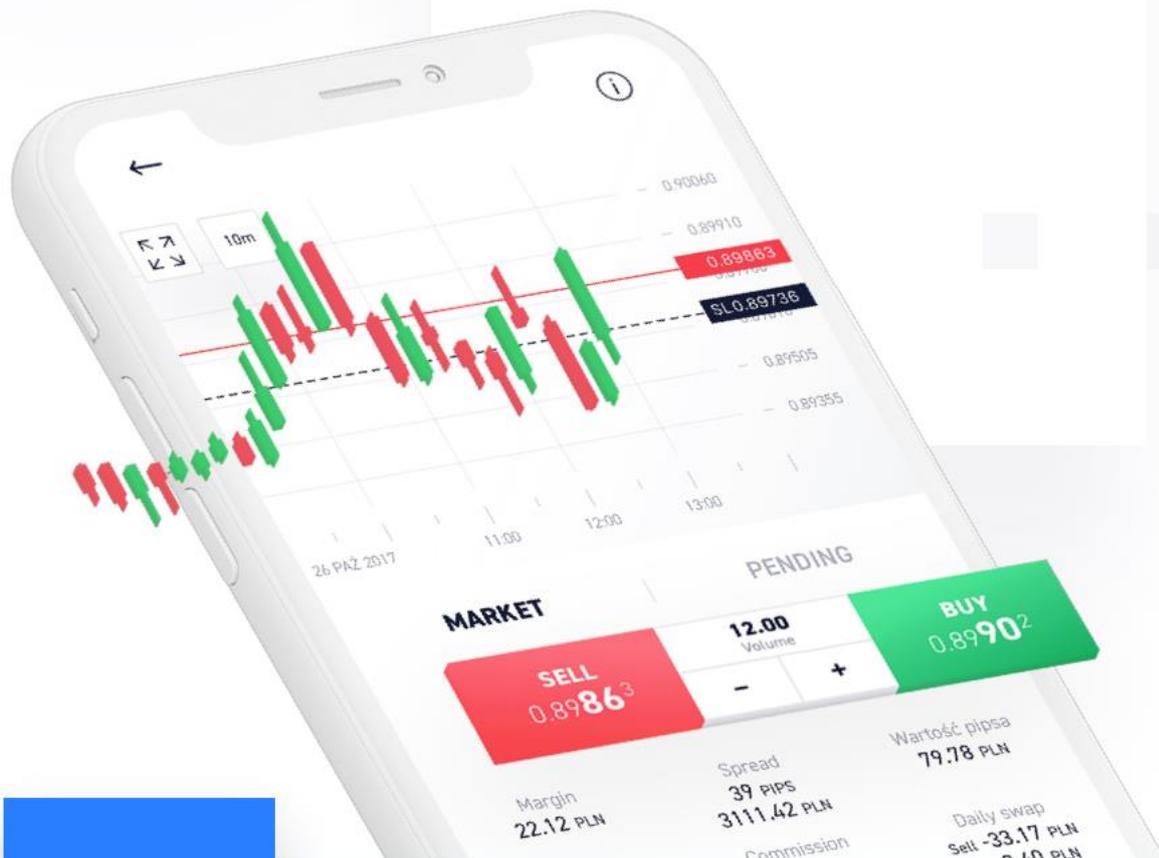
Information on the preliminary financial and operating results for the year 2018

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”, “Company”, “XTB”) Hereby announces that on 9 February of 2019 the aggregation process of financial data for the purpose of the preparation of the condensed consolidated financial statements of the Issuer’s Group 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 2018 will be submitted in the extended consolidated report of the Issuer’s Group for the 2018, publication of which was planned for 8 March of 2019.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report No. 2/2019 dated 8 February 2019



Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total operating income	42 786	76 145	288 301	274 591
Total operating expenses	(40 218)	(38 919)	(171 848)	(146 321)
Profit (loss) on operating activities (EBIT)	2 568	37 226	116 453	128 270
Impairment of intangibles assets	-	-	-	(5 612)
Finance income	(174)	2 533	9 083	6 318
Finance costs	2 502	(2 177)	(221)	(14 291)
Profit (loss) before tax	4 896	37 582	125 315	114 685
Income tax	(401)	(5 309)	(23 322)	(21 712)
Net (loss) profit	4 495	32 273	101 993	92 973

(in PLN'000)	AS AT	
	31.12.2018	31.12.2017
Own cash	467 987	367 096
Equity	455 678	400 342
Standalone capital adequacy ratio (%)	20,3	12,2
Aggregated capital adequacy ratio (%)	19,0	12,1

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
New clients ¹	5 742	6 582	20 672	18 913
Average number of active clients ²	20 568	20 909	21 279	18 667
Clients in total	116 517	105 662	116 517	105 662
New accounts ³	13 930	16 530	49 740	50 723
Average number of active accounts ⁴	22 528	23 773	23 656	21 088
Accounts in total	238 980	204 064	238 980	204 064
Net deposits (in PLN'000) ⁵	78 702	84 911	332 907	357 677
Average operating income per active client (in PLN'000) ⁶	2,1	3,6	13,5	14,7
Average operating income per active account	1,9	3,2	12,2	13,0
Transaction volume in CFD instruments in lots ⁸	458 869	618 893	2 095 412	2 196 558
Profitability per lot (in PLN) ⁹	93	123	138	125

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.



2018 YEAR





Management Board's commentary on the preliminary results

XTB reported a consolidated net profit of PLN 102.0 million in 2018 compared to PLN 93.0 million a year earlier. It is increase by PLN 9.0 million ie. 9.7%. Operating profit (EBIT) decreased by PLN 11.8 million y/y ie. 9.2% reaching the value of PLN 116.5 million. Consolidated revenue was PLN 288.3 million compared to PLN 274.6 million a year earlier.

Revenues

The revenues in 2018 increased by 5.0% y/y ie. PLN 13.7 million from PLN 274.6 million to PLN 288.3 million. In the I half of 2018 XTB noted a record revenues (PLN 197,9 million), which resulted from the constantly growing customer base, clear trends in the financial markets, relatively high profitability per lot (an average of PLN 153) and significant customer activity expressed in the number of contracts in lots (1 291 426 lots). II half of 2018 brought reduction of revenues to the level of PLN 90.4 million, calmer situation in the financial markets, decreased profitability per lot (an average of PLN 116) and a decline of trading lots volume to 803 987 lots. One of the relevant factors which determined the level of revenues of XTB in 2018 was the product intervention of the European Securities and Markets Authority (ESMA) coming into force in August, which in case of the retail clients limited maximum permitted level of leverage for CFDs up to 30:1 for major currency pairs and 20:1 for non-majors currency pairs, gold and major indices. Intervention was initially implemented for the period of three months with possibility of further extension. At present, it is known that the intervention will remain in force at least till April, 2019.

	TWELVE-MONTH PERIOD ENDED					
	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Total operating income (in PLN'000)	288 301	274 591	250 576	282 542	204 434	215 559
Transaction volume in CFD instruments in lots ¹	2 095 412	2 196 558	2 015 655	2 443 302	1 986 639	1 947 679
Profitability per lot (in PLN) ²	138	125	124	116	103	111

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.

	THREE-MONTH PERIOD ENDED							
	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
Total operating income (in PLN'000)	42 786	47 578	84 200	113 737	76 145	73 115	66 613	58 718
Transaction volume in CFD instruments in lots ¹	458 869	345 118	616 082	675 344	618 893	523 769	513 814	540 082
Profitability per lot (in PLN) ²	93	138	137	168	123	140	130	109

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.

Although in quarterly terms, the revenues of the XTB Group are subject to significant fluctuations, which is a phenomenon typical of the XTB business model, then in a longer time horizon, which is a year, they take on more stable and comparable values to those from historical years.



XTB has a solid basis for growth in the form of constantly growing customer base and number of active clients. In 2018 Group canvassed 20 672 new clients, it's increase by 9.3% y/y. The average number of active clients was higher by 2 612, ie. 14,0% y/y. In IV quarter 2018 XTB noted a record number of new clients in relation to previous quarters.

	PERIOD ENDED							
	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
New clients ¹	5 742	4 884	4 734	5 312	6 582	4 201	3 860	4 270
Average number of active clients ²	21 279	21 515	22 135	22 317	18 667	17 920	17 748	17 959
New accounts ³	13 930	11 758	11 321	12 731	16 530	11 278	9 635	13 280
Average number of active accounts ⁴	22 528	24 032	24 918	25 279	21 088	20 194	20 016	20 408

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

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

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

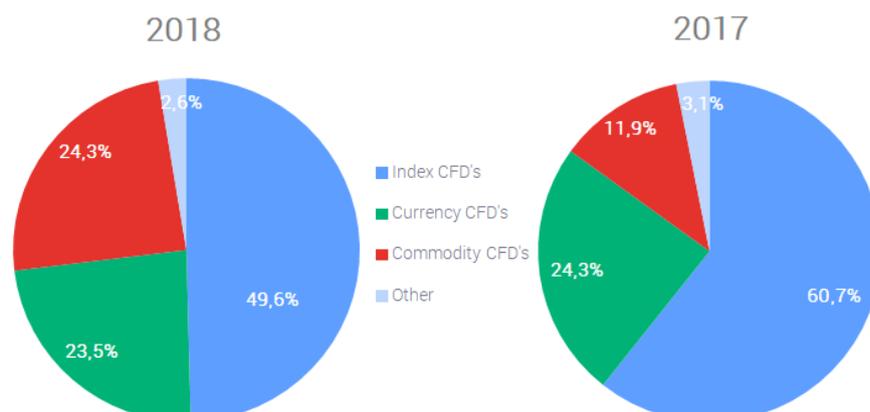
⁴⁾ The average quarterly number of accounts respectively for 12, 9, 6, 3 months of 2018 and 12, 9, 6, 3 months of 2017.

In 2018, XTB continued implementation of optimized sales and marketing strategy and introduced new products such as shares and ETFs from the largest stock exchanges in Europe and the United States. Expanding XTB's offer is a reaction to clients changing investment preferences, which include the increasing popularity of shares and ETFs. XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyzes other possibilities of expanding the product offer, which could cause the introduction of new products in 2019.

In 2019 the Management Board will strive to growing customer base. The Management sees the greatest growth potential in the German, French and Latin American market.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that similar as in 2017, CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in 2018 reached 49.6% against 60.7% year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on the German DAX stock index (DE30) and the US indices US100, US30, US500. The second most-profitable class of assets were CFD commodities. The most lucrative instrument among customers was CFD based on quotations of the contract for oil and gold. Revenues on CFD instruments based on currency pairs amounted to 23.5% of total revenues against 24.3% a year earlier. Among this class of instruments, the USDTRY currency pair was the most popular between XTB clients.

The structure of revenue by asset class (in %)





(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Index CFDs	32 910	67 797	141 924	168 852
Currency CFDs	(874)	(2 463)	67 192	67 659
Commodity CFDs	9 316	9 710	69 499	33 098
Stock CFDs	423	(113)	2 878	1 899
Bond CFDs	272	3	589	(83)
Total CFDs	42 047	74 934	282 082	271 425
Options	-	1 765	3 947	6 884
Shares and listed derivative instruments	87	-	99	-
Gross gain on transactions in financial instruments	42 134	76 699	286 128	278 309
Bonuses and discounts paid to costumers	(732)	(595)	(3 363)	(3 421)
Commission paid to cooperating brokers	(259)	(1 187)	(1 292)	(4 876)
Net gain on transaction in financial instruments	41 143	74 917	281 473	270 012

Geographically, XTB revenues were well diversified. In 2018 their growth has occurred in both, Central and Eastern Europe, Western Europe and Latin America. Country from which the Group derives more than 15% of revenues is Poland with shares amounting to 25.2% (2017: 28.6%). The second largest market for XTB is Spain, with shares amounting to 14,7% (2017: 20,6%). 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)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Central and Eastern Europe	7 800	41 270	140 494	131 577
- including Poland	(9 739)	29 867	72 525	78 483
Western Europe	27 060	32 809	124 488	129 234
- including Spain	6 689	16 211	42 360	56 550
Latin America and Turkey	7 926	2 066	23 319	13 780
- including Turkey	-	-	-	4 943
Total operating income	42 786	76 145	288 301	274 591

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 for the business model adopted by the Group.

(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Retail segment	39 355	59 873	269 486	233 011
Institutional segment (X Open Hub)	3 431	16 272	18 815	41 580
Total operating income	42 786	76 145	288 301	274 591



It should be noted that, similar as a retail segment, the possible impact of ESMA's product intervention on XTB's European institutional partners situation, which affects trading volumes in lots and revenues from this type of clients. However, the Management Board cannot exclude that there will be increase in volatility of institutional clients in the further.

Expenses

Operating expenses in 2018 amounted to PLN 171.8 million (2017: PLN 146.3 million) and were higher by PLN 25.5 million ie. 17.4% y/y. This increase was mainly higher by one-off event, which was administrative fine imposed by PFSA in the amount of PLN 9,9 million and higher by:

- PLN 7.7 million of marketing costs mainly due to higher expenditures on marketing online campaigns;
- PLN 5.3 million of salaries and employee benefits costs mainly due to the increase in variable remuneration elements (bonuses);
- PLN 3.0 million of other external services costs as a result of incurring more expenditure on: 1) legal and advisory services (increased by PLN 1.1 million y/y); 2) market data services (increased by PLN 1.0 million y/y) and 3) IT systems and licenses (increased by PLN 0.6 million y/y);
- PLN 1,7 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)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Salaries and employee benefits	19 681	19 293	78 478	73 150
Marketing	7 878	6 243	33 322	25 665
Other external services	6 575	6 514	24 909	21 943
Costs of maintenance and lease of buildings	1 954	2 322	7 815	7 934
Amortization and depreciation	794	1 482	3 931	6 054
Taxes and fees	505	350	2 340	2 059
Commission expenses	1 984	2 147	7 627	5 964
Other expenses	847	568	13 426	3 552
Total operating expenses	40 218	38 919	171 848	146 321

In IV Quarter of 2018 operating expenses amounted on similar level as previous quarters of 2018 (after correcting by one-off event).

	THREE-MONTH PERIOD ENDED							
	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
Total operating income including: (in PLN'000)	40 218	48 837	41 750	41 043	38 919	34 777	36 060	36 565
- Marketing	7 878	8 669	8 976	7 799	6 243	5 615	6 632	7 175
New clients	5 742	4 884	4 734	5 312	6 582	4 201	3 860	4 270
Average number of active clients ¹	20 568	20 277	21 952	22 317	20 909	18 263	17 537	17 959



The Management Board expects in 2019 operating expenses to be at a level comparable to that observed in 2018. 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 months of 2019.

Development perspectives

XTB has a stable market position, growing customer base and over PLN 465 million of own cash on the balance sheet. 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. Maintaining the ESMA decision in time should lead to a wave of consolidation in the market and allow XTB to consolidate its strong position on the European market.