



## **X-TRADE BROKERS DOM MAKLERSKI 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. 14/2017**

Warsaw, 26 April 2017

### **Information on the preliminary financial and operating results for the I quarter of 2017**

The Management Board of X-Trade Brokers Dom Maklerski S.A. (the „**Issuer**”, „**Company**”, „**XTB**”) hereby announces that on 26 April 2017 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 quarter of 2017 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 quarter of 2017 will be submitted in the extended consolidated report of the Issuer’s Group for the I quarter of 2017, publication of which was planned for 15 May 2017.

#### Legal basis:

*Article 17 paragraph 1 MAR – inside information.*

## APPENDIX TO THE CURRENT REPORT NO. 14/2017 DATED 26 APRIL 2017

### Selected consolidated financial data

	(IN PLN'000)		THREE-MONTH PERIOD ENDED	
			31.03.2017	31.03.2016
Total operating income			58 718	82 765
Total operating expenses			(36 565)	(40 464)
Profit on operating activities			22 153	42 301
Net profit			10 640	31 859

### Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED	
	31.03.2017	31.03.2016
New accounts <sup>1</sup>	13 280	6 438
Average number of active accounts <sup>2</sup>	20 408	16 087
Accounts in total	169 031	132 170
Net deposits (in PLN'000) <sup>3</sup>	107 786	108 066
Average operating income per active account (in PLN'000) <sup>4</sup>	2,9	5,1
Transaction volume in CFD instruments in lots <sup>5</sup>	540 082	533 201
Profitability per lot (in PLN) <sup>6</sup>	109	155

<sup>1)</sup> The number of accounts opened by the Group's clients in the individual periods.

<sup>2)</sup> The average quarterly number of accounts via which at least one transaction has been concluded over the last three months.

<sup>3)</sup> Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.

<sup>4)</sup> 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.

<sup>5)</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>6)</sup> Total operating income divided by the transaction volume in CFDs in lots.

### Management Board commentary on the preliminary results

XTB reported a consolidated net profit of PLN 10.6 million in the I quarter of 2017, compared to PLN 31.9 million in a previous year. Operating profit was PLN 22.2 million in comparison to PLN 42.3 million as compared to the same period of the previous year.

The net result for the I quarter of 2017 was mainly shaped by the following factors:

- the decrease in revenues resulting from lower profitability per lot - the high volatility of revenue in the short term, such as the quarter, is typical for the XTB business model;
- improved cost-effectiveness, showing a decrease in operating costs, with simultaneous increase in the number of accounts and the number of active accounts;
- occurrence of negative exchange rate differences (finance costs) in the amount of PLN 12.6 million (I quarter of 2016: PLN 4.3 million) as a result of zloty strengthening against other currencies.

#### Revenues

Operating revenues reached PLN 58.7 million in the I quarter of 2017 in comparison to PLN 82.8 million as compared to the previous year.

From the structural side they have been shaped, on the one hand, by the greater trading activity of customers, which is reflected in the increase in the volume of turnover calculated in lots, and on the other hand, the decrease in profitability per lot.

	THREE-MONTH PERIOD ENDED				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Total operating income (in PLN'000)	58 718	93 959	42 802	31 050	82 765
Transaction volume in CFD instruments in lots <sup>1</sup>	540 082	488 660	468 686	525 108	533 201
Profitability per lot (in PLN) <sup>2</sup>	109	192	91	59	155

<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.

One factor influencing the increase of turnover in lots, in addition to the external factors that the Group has no influence on, is the continued expansion of the customer base by the XTB Board, particularly through further penetration of existing markets. Similarly as in previous periods, the number of new accounts and the average number of active accounts increased from quarter to quarter.

	PERIOD ENDED				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
New accounts <sup>1</sup>	13 280	9 624	8 060	7 178	6 438
Average number of active accounts <sup>2</sup>	20 408	17 243	16 531	16 305	16 087

<sup>1</sup>) The number of accounts opened by the Group's clients in the individual periods

<sup>2</sup>) The average quarterly number of accounts respectively for 3 months of 2017 and 12, 9, 6 and 3 months of 2016.

The decrease in profitability per lot results from the characteristics of the XTB Group's business model, which is characterized by high revenue volatility in a short term. It causes that profitability per lot in particular quarters may be subject to significant fluctuations. It's visible based on the results for 2016. The longer the analysis horizon (eg. the financial year), the more stable the results are.

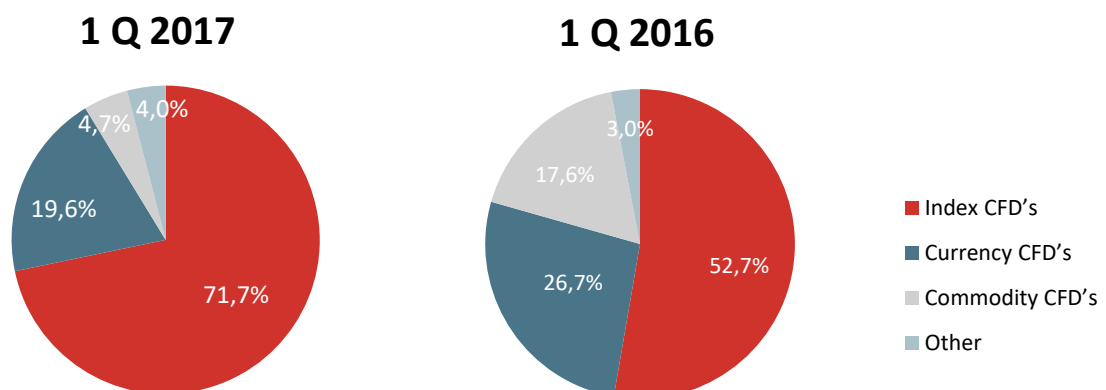
	TWELVE-MONTH PERIOD ENDED			
	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Profitability per lot (in PLN) <sup>1</sup>	124	116	103	111

<sup>1</sup>) Total operating income divided by the transaction volume in CFDs in lots.

In the first quarter of 2017, the profitability per lot of PLN 109 can be considered close to historical annual profitabilities.

Taking into account the structure of income by classes of instruments, in the I quarter of 2017 CFD instruments based on stock indices were particularly attractive. The most important of these are CFD instruments based on German and American stock indices (DE30, US500, US30, US100).

(IN PLN'000)	THREE-MONTH PERIOD ENDED				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Index CFD's	43 249	26 977	27 111	19 820	43 848
Currency CFD's	11 782	39 500	3 742	5 932	22 211
Commodity CFD's	2 831	27 022	11 609	4 756	14 682
Stock CFD's	471	510	389	259	296
Bond CFD's	(123)	(235)	113	371	867
Total CFD's	58 210	93 774	42 964	31 138	81 904
Options	2 082	1 980	1 114	961	1 277
<b>Gross gain on transactions in financial instruments</b>	<b>60 292</b>	<b>95 754</b>	<b>44 078</b>	<b>32 099</b>	<b>83 181</b>
Bonuses and discounts paid to costumers	(797)	(768)	(663)	(1 213)	(887)
Commission paid to cooperating brokers	(1 845)	(2 358)	(1 921)	(1 257)	(829)
<b>Net gain on transaction in financial instruments</b>	<b>57 650</b>	<b>92 628</b>	<b>41 494</b>	<b>29 629</b>	<b>81 465</b>



In the first quarter of this year the markets continued the upward trends that began at the end of 2016, but not as strong as in the IV quarter of 2016. The range of CFD movement on DE30 (German index DAX-based instrument) reached around 8% in the I quarter of 2017, in comparison to approx. 15% in the IV quarter of 2016. So the scale of movement was significantly lower, which translated into a revenue decrease in the I quarter of 2017.

A significant part of the Group's revenue were also transactions on instruments based on Turkish lira. This was due to continued weakening of the currency to record levels, particularly in January of 2017. Also turnover on pairs with TRY turned out to be important, and increased by 136% and 218% in comparison to the previous and I quarter of 2016, respectively. Such a sharp turnover increase took place even before the introduction of new regulations in Turkey on 10 February 2017.

The top ten most profitable instruments complement the EURUSD, GBPUSD, AUDUSD and VOLX (instrument based on volatility index). USD currency pairs showed a slight correction against the strong strengthening at the end of 2016. These movements were not as strong as in the I and IV quarter of 2016, when the price movement on the EURUSD instrument was around 7%. In the I quarter of 2017, this range was less than 5%, which translated into a decrease in revenues of EURUSD by approximately 80% compared to the two previously discussed quarters.

#### Expenses

Operating expenses in the I quarter of 2017 amounted to PLN 36.6 million, which represents a decrease by PLN 3.9 million, i.e. almost 10% in comparison to the corresponding period of the previous year.

(IN PLN'000)	THREE-MONTH PERIOD ENDED				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Salaries and employee benefits	18 425	17 156	16 174	16 259	22 275
Marketing	7 175	8 997	8 041	24 310	7 990
Other external services	4 351	5 509	4 295	6 856	3 960
Costs of maintenance and lease of buildings	1 912	2 257	1 960	2 093	2 388
Amortization and depreciation	1 330	1 319	1 327	1 388	1 389
Taxes and fees	1 019	689	1 018	577	313
Commission expenses	1 499	939	932	1 202	1 109
Other expenses	854	2 023	631	2 045	1 040
<b>Total operating expenses</b>	<b>36 565</b>	<b>38 889</b>	<b>34 378</b>	<b>54 730</b>	<b>40 464</b>

Operating expenses decrease resulted mainly from lower salaries and employee benefits costs by PLN 3.9 million y/y due to: 1) a decrease in the cost of variable remuneration components (bonuses) by PLN 2.7 million; 2) decrease in average employment in the Group from 406 to 387 persons y/y, which translated into total savings in the amount of PLN 1.2 million.

The Management Board expects that total operating expenses will be lower in 2017 than in 2016. On a quarterly basis, they may be comparable to those of I or IV quarter of 2016. This decline should mainly result of lower marketing costs. The final level of operating expenses will depend on the variable remuneration components paid to employees and the level of marketing expenditure. The amount of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures will depend on their impact on the performance and profitability of the Group and on the responsiveness of customers to the actions taken.

#### Negative exchange differences

The XTb Group operates in the international markets which requires having cash in a variety of foreign currencies. This results in occurring in the reporting periods exchange rate differences, positive and negative. Due to significant zloty appreciation in the I quarter of 2017, the Group recorded negative exchange differences (finance costs) in the amount of PLN 12.6 million (I quarter of 2016: PLN 4.3 million).

### Management Board Plans

The Management's plans for the upcoming periods assume to accelerate the Company's development, in particular by expanding the client base, further penetration of existing markets and accelerating geographical expansion into Latin American markets.

XTB intends to actively participate in the industry consolidation process at both national and international level. We are witnessing further regulatory changes in the industry, which with time may change the business. Some competitors have decided to withdraw from the market due to the pressure caused by implemented additional requirements and legal barriers. This concerned in particular companies with not very strong market position. The XTb board sees this as an opportunity to consolidate the market. This situation creates opportunities for XTb development and increase in the number of new accounts.