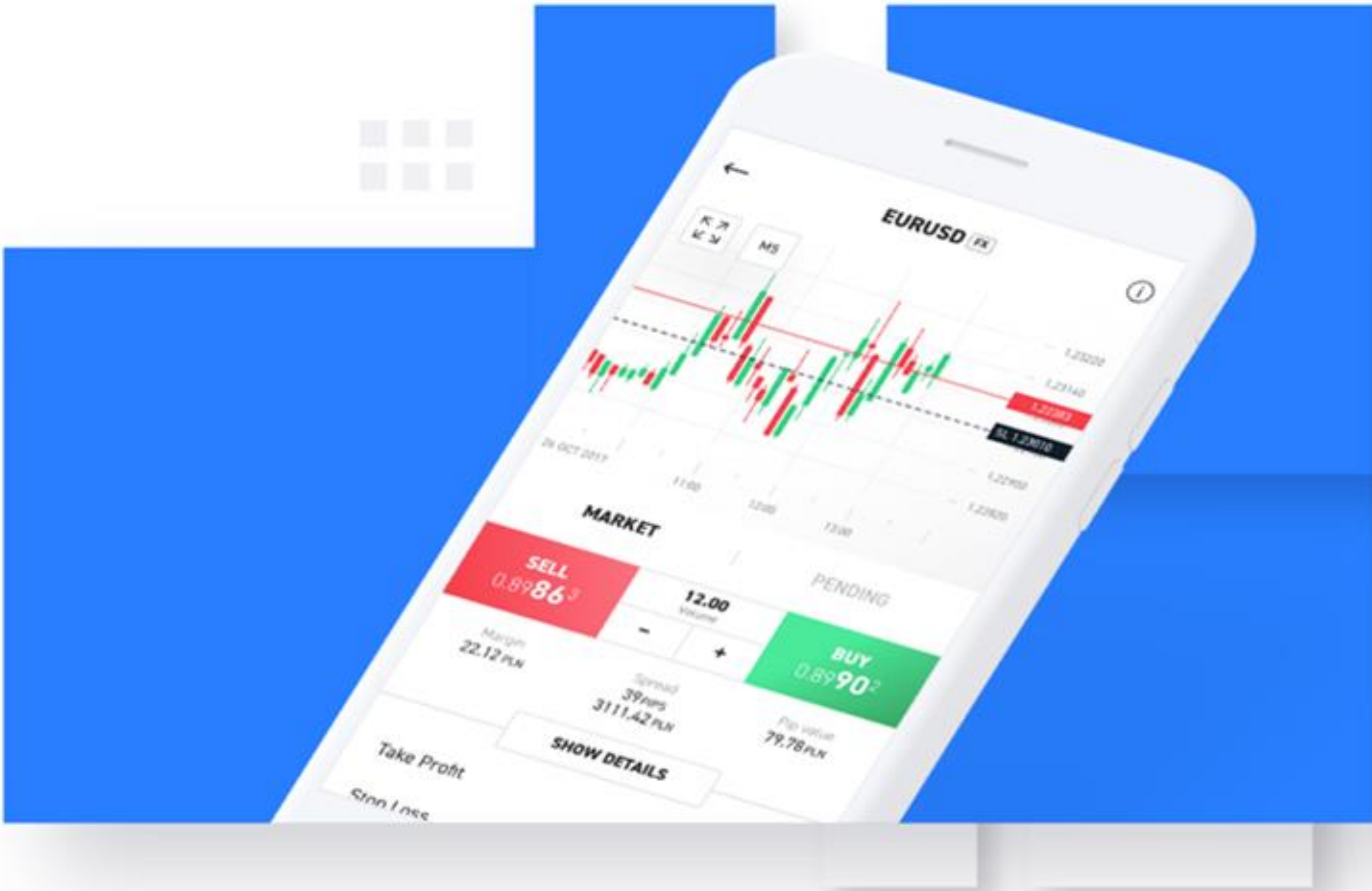
xtb
online trading



REPORT FOR THE 1ST HALF 2018

X-TRADE BROKERS DM S.A.

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FINANCIAL HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 SIX-MONTH ENDED		IN EUR'000 SIX-MONTH ENDED	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
Consolidated comprehensive income statement:				
Total operating income	197 937	125 331	46 689	29 508
Profit on operating activities	115 144	52 706	27 160	12 409
Profit before tax	122 007	36 799	28 779	8 664
Net profit	100 402	29 358	23 683	6 912
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,86	0,25	0,20	0,06
Consolidated cash flow statement:				
Net cash from operating activities	129 647	6 558	30 581	1 544
Net cash from investing activities	(303)	(3 596)	(71)	(847)
Net cash from financing activities	(47)	(37 642)	(11)	(8 862)
Increase/(Decrease) in net cash and cash equivalents	129 297	(34 680)	30 498	(8 165)

	IN PLN'000		IN EUR'000	
	30.06.2018	**31.12.2017**	**30.06.2018**	**31.12.2017**
Consolidated statement of financial position:				
Total assets	979 385	897 704	224 547	215 230
Total liabilities	480 095	497 362	110 073	119 246
Share capital	5 869	5 869	1 346	1 407
Equity	499 290	400 342	114 474	95 985
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	4,25	3,41	0,98	0,82

The above data was translated into EUR as follows:

- items in the consolidated comprehensive income statement and consolidated cash flow statement – by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,2395;
  - for the comparative period: 4,2474;
- items of consolidated statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
  - for the current period: 4,3616;
  - for the comparative period: 4,1709.

FINANCIAL SEPARATE HIGHLIGHTS

	IN PLN'000 SIX-MONTH ENDED		IN EUR'000 SIX-MONTH ENDED	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Comprehensive income statement:				
Total operating income	189 245	112 128	44 639	26 399
Profit on operating activities	117 528	52 324	27 722	12 319
Profit before tax	118 215	30 387	27 884	7 154
Net profit	94 567	24 486	22 306	5 765
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,81	0,21	0,19	0,05
Cash flow statement:				
Net cash from operating activities	127 496	(1 593)	30 073	(375)
Net cash from investing activities	(1 546)	(815)	(365)	(192)
Net cash from financing activities	(47)	(37 642)	(11)	(8 862)
Increase/(Decrease) in net cash and cash equivalents	125 903	(40 050)	29 698	(9 429)

	IN PLN'000		IN EUR'000	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Statement of financial position:				
Total assets	941 087	853 391	215 766	204 606
Total liabilities	432 778	440 542	99 225	105 623
Share capital	5 869	5 869	1 346	1 407
Equity	508 309	412 849	116 542	98 983
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	4,33	3,52	0,99	0,84

The above data was translated into EUR as follows:

- items in the comprehensive income statement and cash flow statement – by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,2395;
  - for the comparative period: 4,2474;
- items of statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
  - for the current period: 4,3616;
  - for the comparative period: 4,1709.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HALF-YEAR CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2017 (UNAUDITED)
Result of operations on financial instruments	6.1	194 316	123 047
Income from fees and charges	6.2	3 541	2 247
Other income		80	37
Total operating income	6	197 937	125 331
Salaries and employee benefits	7	(39 116)	(36 267)
Marketing	8	(16 775)	(13 807)
Other external services	9	(12 729)	(10 125)
Costs of maintenance and lease of buildings		(3 915)	(3 763)
Amortisation and depreciation	16,17	(2 254)	(3 021)
Taxes and fees		(923)	(1 346)
Commission expenses	10	(4 034)	(2 621)
Other costs		(3 047)	(1 675)
Total operating expenses		(82 793)	(72 625)
Profit on operating activities		115 144	52 706
Impairment of intangible assets	16	–	(5 612)
Finance income	11	10 319	2 421
Finance costs	11	(3 456)	(12 716)
Profit before tax		122 007	36 799
Income tax	25	(21 605)	(7 441)
Net profit		100 402	29 358
Other comprehensive income		(1 454)	(6 723)
Items which will be reclassified to profit (loss) after meeting specific conditions		(1 454)	(6 723)
- foreign exchange differences on translation of foreign operations		*(2 879)*	*(5 130)*
- foreign exchange differences on valuation of separated equity		*1 759*	*(1 966)*
- deferred income tax		*(334)*	*373*
Total comprehensive income		98 948	22 635
Net profit attributable to shareholders of the Parent Company		100 402	29 358
Total comprehensive income attributable to shareholders of the Parent Company		98 948	22 635
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	24	0,86	0,25
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	24	0,86	0,25
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	24	0,86	0,25
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	24	0,86	0,25

The half-year condensed consolidated financial statements should be read together with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
ASSTES				
Own cash and cash equivalents	13	499 189	367 096	251 987
Customers' cash and cash equivalents	13	336 753	378 471	442 963
Financial assets at fair value through P&L	14	116 562	N/A*	N/A*
Financial assets held for trading	14	N/A*	127 944	134 950
Financial assets available for sale		N/A*	147	168
Income tax receivables		285	375	1 538
Loans granted and other receivables	15	6 619	4 009	6 525
Prepayments and deferred costs		5 085	3 216	5 505
Intangible assets	16	1 344	2 915	5 187
Property, plant and equipment	17	2 712	3 034	3 466
Deferred income tax assets	25	10 836	10 497	10 619
Total assets		979 385	897 704	862 908
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	18	424 955	421 400	457 208
Financial liabilities held for trading	19	16 459	40 905	26 980
Income tax liabilities		523	1 268	3 304
Other liabilities	20	20 165	21 913	18 962
Provisions for liabilities	21	3 060	1 666	827
Deferred income tax provision	25	14 933	10 210	14 662
Total liabilities		480 095	497 362	521 943
Equity				
Share capital	22	5 869	5 869	5 869
Supplementary capital	22	71 608	71 608	71 608
Other reserves	22	334 898	247 992	247 992
Foreign exchange differences on translation	22	(17 360)	(15 906)	(11 668)
Retained earnings		104 275	90 779	27 164
Equity attributable to the owners of the Parent Company		499 290	400 342	340 965
Total equity		499 290	400 342	340 965
Total equity and liabilities		979 385	897 704	862 908

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

The half-year condensed consolidated statement of financial position should be read together with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year condensed consolidated statement of changes in equity for the period from 1 January 2018 to 30 June 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2018	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342
Total comprehensive income for the financial year							
Net profit	–	–	–	–	100 402	100 402	100 402
Other comprehensive income	–	–	–	(1 454)	–	(1 454)	(1 454)
Total comprehensive income for the financial year	–	–	–	(1 454)	100 402	98 948	98 948
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	86 906	–	(86 906)	–	–
- dividend payment	–	–	–	–	–	–	–
- transfer to other reserves	–	–	86 906	–	(86 906)	–	–
As at 30 June 2018 (unaudited)	5 869	71 608	334 898	(17 360)	104 275	499 290	499 290

The half-year condensed consolidated statement of changes in equity should be read together with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

Consolidated statement of changes in equity for the period from 1 January 2017 to 31 December 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 554	(4 945)	70 807	355 893	355 893
Total comprehensive income for the financial year							
Net profit	–	–	–	–	92 973	92 973	92 973
Other comprehensive income	–	–	–	(10 961)	–	(10 961)	(10 961)
Total comprehensive income for the financial year	–	–	–	(10 961)	92 973	82 012	82 012
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	35 438	–	(73 001)	(37 563)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–	–
As at 31 December 2017 (audited)	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342

The consolidated statement of changes in equity should be read together with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

Half-year condensed consolidated statement of changes in equity for the period from 1 January 2017 to 30 June 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 554	(4 945)	70 807	355 893	355 893
Total comprehensive income for the financial year							
Net profit	–	–	–	–	29 358	29 358	29 358
Other comprehensive income	–	–	–	(6 723)	–	(6 723)	(6 723)
Total comprehensive income for the financial year	–	–	–	(6 723)	29 358	22 635	22 635
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	35 438	–	(73 001)	(37 563)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–	–
As at 30 June 2017 (unaudited)	5 869	71 608	247 992	(11 668)	27 164	340 965	340 965

The half-year condensed consolidated statement of changes in equity should be read together with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		122 007	36 799
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		(43)	17
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
Other adjustments	27.2	(1 453)	(6 602)
Changes			
Change in provisions		1 394	(121)
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 loans granted and other receivables		(2 610)	(1 281)
Change in balance of prepayments and accruals		(1 869)	(1 915)
Change in balance of amounts due to customers		3 555	79 940
Change in balance of other liabilities	27.1	(1 701)	(3 654)
Cash from operating activities		147 523	12 855
Income tax paid		(17 876)	(6 299)
Interests		–	2
Net cash from operating activities		129 647	6 558
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		43	3
Expenses relating to payments for property, plant and equipment	17	(346)	(717)
Expenses relating to payments for intangible assets	16	–	(2 882)
Net cash from investing activities		(303)	(3 596)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(47)	(77)
Interest paid under lease		–	(2)
Dividend paid to owners		–	(37 563)
Net cash from financing activities		(47)	(37 642)
Increase (Decrease) in net cash and cash equivalents		129 297	(34 680)
Cash and cash equivalents – opening balance		367 096	290 739
Effect of FX rates fluctuations on balance of cash in foreign currencies		2 796	(4 072)
Cash and cash equivalents – closing balance	13	499 189	251 987

The half-year condensed consolidated cash flow statement should be read together with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

ADDITIONAL EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Information about the Parent Company and composition of the Group

The Parent Company in the X–Trade Brokers Dom Maklerski S.A. Group (the "Group") is X–Trade Brokers Dom Maklerski S.A. (hereinafter: the "Parent Entity", "Parent Company", "Brokerage") with its headquarters located in Warsaw, at Ogrodowa street 58, 00–876 Warsaw.

X–Trade Brokers Dom Maklerski S.A. is entered in the Commercial Register of the National Court Register by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under No. KRS 0000217580. The Parent Company was granted a statistical REGON number and a tax identification (NIP) number 527–24–43–955.

The Parent Company's operations consist of conducting brokerage activities. The Parent Company is supervised by the Polish Financial Supervision Authority and conducts regulated activities pursuant to a permit dated 8 November 2005, No. DDM–M–4021–57–1/2005.

1.1 Information on the reporting entities in the Parent Company's organisational structure

The half-year condensed consolidated financial statements cover the following foreign branches which form the Parent Company:

- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačni složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: RO27187343.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: DE266307947.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689 and was granted the following tax identification number FR61522758689.
- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register and as tax identification number under No. PT980436613.

1.2 Composition of the Group

The X–Trade Brokers Dom Maklerski S.A. Group is composed of X–Trade Brokers Dom Maklerski S.A. as the Parent Company and the following subsidiaries:

COMPANY NAME	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL 30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
XTB Limited	Great Britain	100%	100%	100%
X Open Hub Sp. z o.o.	Poland	100%	100%	100%
XTB Limited	Cyprus	100%	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	Turkey	100%	100%	100%
Lirsar S.A.	Uruguay	–	–	100%
XTB International Limited	Belize	100%	100%	100%
XTB Chile SpA	Chile	100%	100%	100%
XTB Services Limited	Cyprus	100%	100%	–
X Trading Technologies Sp. z o.o.	Poland	100%	–	–

XTB Limited was established on 19 April 2010 under the name Tyrolese (691) Limited. The Company started its operating activities in November 2010 under a changed name – XTB UK Ltd. In 2012 it changed its name to X Financial Solutions Ltd, in 2013 to X Open Hub Limited, and on 8 January 2015 to XTB Limited. The Company's results are consolidated under the full method from the date of its establishment.

On 6 March 2013, the Parent Company acquired 100% of the shares in xStore Sp. z o.o. with its registered office in Poland. In 2014, the Company changed its name to X Open Hub Sp. z o.o. The Company's results are consolidated under the full method from the date of its establishment.

On 15 October 2013 the Parent Company acquired 100% shares in DUB Investments Limited, with its registered office in Cyprus. The Company's results are consolidated under the acquisition method as of the date of its acquisition. The fair value of the consideration paid was PLN 1 292 thousand.

As a result of the acquisition of DUB Investments Ltd, the Parent Company identified goodwill of PLN 783 thousand as the difference between the acquisition price and the fair value of the acquired assets. As at the acquisition date, the subsidiary was tested for impairment; as a result of the test the full value of goodwill was charged to costs as at that date.

On 3 May 2018 DUB Investments Limited changed its name to XTB Limited . On 6 June 2018 the Company acquired 1 165 new shares in the capital increase of its subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital.

On 17 April and on 16 May 2014 the Parent Company acquired 100% shares in X Trade Brokers Menkul Değerler A.Ş. with its registered office in Turkey, as a result of which on 30 April 2014 it took control over the Company. The acquisition of 100% of the shares led to taking up control by the Parent Company. 12 999 996 shares were taken up against the loan granted to Jakub Zabłocki for the purchase of the entity; as at the moment of settlement, the loan was PLN 27 591 thousand. The remaining four shares were purchased with cash. The value of shares taken up by way of settlement against the loan amounted to PLN 28 081 thousand, the shares purchased with cash amounted to PLN 8,88. The fair value of the consideration paid was PLN 28 081 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method, in accordance with the accounting policy adopted for transactions under joint control. As at the acquisition date particular net assets of the acquired company X Trade Brokers Menkul Değerler A.Ş. were measured at fair value. As a result of the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Turkish market of PLN 8 017 thousand. The estimated amortization period for this isolated intangible asset was established over a period of 10 years.

On 19 April 2018 the Management Board of Parent Company decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB).

In case of closing the activity on the Turkish market which from the accounting point of view means the repayment of the capital / liquidation of the assets (loss of licence) the Group, according to the applicable accounting rules, will be obliged to take action in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effect of such translation will be recognized as financial expenses. The Group would like to explain that the amount of exchange rate differences concerning the investment in Turkey is derived among other the exchange rate of Turkish lira, which fluctuates therefore as at the date of these financial statements the Group is not able to precisely estimate the amount of financial exchange which will be recognized in the future.

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay, for PLN 16 thousand. The fair value of net assets acquired amounted to PLN 16 thousand. The Company's results are consolidated under the acquisition method as of the date of its acquisition. In December 2017 Lirsar with its seat in Uruguay was liquidated. Subsidiary's share capital and retained earnings were transferred to Parent Company on 14 December 2017.

On 17 February 2017 the Parent Company established XTB Chile SpA. The Company owns 100% of shares in subsidiary. XTB Chile SpA provides services involving the acquisition of clients from the territory of Chile.

On the 23 February 2017 the Parent Company acquired 100% of shares in CFDs Prime with its seat in Belize. On the 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. The company provides brokerage services based on the obtained permission issued by the Financial Service Commission. As a result of acquisition of 100% of shares the Company took up control over the subsidiary. The fair value of the consideration paid was PLN 837 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method. As at the acquisition date particular net assets of the acquired company XTB International Limited were measured at fair value. As a result of the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Belize market of PLN 261 thousand. The estimated amortization period for this isolated intangible asset was established over a period of 10 years.

Fair value of main categories of assets of XTB International Limited on the date of acquisition:

	FAIR VALUE (IN USD'000)	EXCHANGE RATE	FAIR VALUE (IN PLN'000)
Cash and cash equivalents	237	4,0840	968
Receivables – liabilities	(96)	4,0840	(392)
Separated intangible asset	64	4,0840	261
Total fair value	205		837

On 27 July 2017 the Parent Company acquired 100% shares in Jupette Limited with its registered office in Cyprus for EUR 1 000. The fair value of net assets acquired amounted to EUR 1 000. The fair value of purchased net assets, which in full constituted of cash, amounted to EUR 1 000. The Company's results are consolidated under the acquisition method as of the date of its acquisition. On 8 August 2017 the Parent Company took up 29 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 5 August 2017 the subsidiary changed its name to XTB Services Limited.

In January 2018 the Parent Company established X Trading Technologies Sp. z o.o. with its seat in Poland. The Company owns 100% of shares in subsidiary. X Trading Technologies Sp. z o.o. provides activity concerning software. The Company's results are consolidated under the full method from the date of its establishment. On 30 January 2018 the Parent Company took up 3 900 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 14 May 2018 Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company.

1.3 Composition of the Management Board

In the period covered by the half-year condensed consolidated financial statements, the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Malý	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019; dismissed on the 10 January 2017
Jakub Zabłocki	Chairman of the Management Board	10.01.2017	delegated for the position for the period of 3 months from the 10 January to 10 April 2017; delegation cancelled on the 23 March 2017
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Omar Arnaout	Vice-Chairman of the Management Board	10.01.2017	from the 10 January 2017 appointed for the new term of office; on the 23 March 2017 appointed for the position of the Chairman of the Management Board
Paweł Frańczak	Board Member	31.08.2012	from the 29 June appointed for the 3-years term of office ending 29 June 2019; resigned from office on 25 April 2018
Paweł Szejko	Board Member	28.01.2015	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Filip Kaczmarzyk	Board Member	10.01.2017	from the 10 January 2017 appointed for the new term of office which ends on 29 June 2019

2. Professional judgement and uncertainty of estimates

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made judgements in the scope of classification of lease agreements, period of amortisation of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2017.

3. Basis for drafting the financial statements

3.1 Compliance statement

These half-year condensed consolidated financial statements have been prepared according to the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Group's operations or their impact would be immaterial.

The International Financial Reporting Standards accepted by the European Union ("IFRS") comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The half-year condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2018 to 30 June 2018 with comparative data for the period from 1 January 2017 to 30 June 2017 and as at 31 December 2017 cover the Parent Company's financial data and financial data of the subsidiaries comprising the "Group".

These half-year condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities at fair value through P&L and financial instruments held for sale which are measured at fair value. The Group's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The Group companies maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The half-year condensed consolidated financial statements include adjustments not recognised in the Group companies' accounting records, made in order to reconcile their financial statements with the IFRS.

The half-year condensed consolidated financial statements do not cover all information and disclosures required to be presented in annual consolidated financial statements and they should be read jointly with the consolidated financial statements of the X-Trade Brokers Dom Maklerski S.A. Group for the year 2017.

The half-year condensed consolidated financial statements were approved by the Management Board of the Parent Company on 22 August 2018. Drafting these half-year condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively

3.2 Functional currency and reporting currency

The functional currency and the presentation currency of these interim condensed consolidated financial statements is the Polish zloty ("PLN"), and unless stated otherwise, all amounts are shown in thousands of zloty (PLN'000).

3.3 Going concern

The half-year condensed consolidated financial statements were prepared based on the assumption that the Group would continue as a going concern in the foreseeable future. At the date of preparation of these half-year condensed consolidated financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the Group companies' continued operations with the exception of subsidiary in Turkey and X Trading Technologies Sp. z o.o. described in note 1.2.

3.4 Comparability of data and consistency of the policies applied

Data presented in the half-year condensed consolidated financial statements is comparable and prepared under the same principles for all periods covered by the half-year condensed consolidated financial statements.

3.5 Changes in the Accounting policies

The accounting policies adopted in the preparation of the half-year condensed financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2017, except application of new standards and interpretations effective for financial years beginning on or after 1 January 2018.

The Group applied for the first time IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments.

Other new or revised standards and interpretations which are effective for financial years beginning on or after 1 January 2018 do not have material impact on the Group's half-year condensed financial statements.

- IFRS 15 Revenue from contracts with clients

  IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

  The Group adopted IFRS 15 using the modified retrospective method of adoption, i.e. with the cumulative effect of initially applying this Standard recognized at the date of initial application.

  The Group operates in the area of delivering of products, services and technological solutions in the field of trading in financial instruments, specializing in the OTC market and in particular in OTC derivatives. The operating revenues of the Group arise mainly from:

  a) spreads (difference between purchase price and sell price);

  b) net result (gains decreased by losses) from the Company's operations in the scope of market making;

  c) commissions and fees charged to clients by the Company;

  d) from the swap points

  Taking above into account as well as the nature of contracts concluded by the Group with clients, the Group concludes that the application of IFRS 15 does not have material impact on the financial statements.

  The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not material for the Company.

- IFRS 9 Financial instruments

  IFRS 9 replaces IAS 39 Financial Instruments: recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group has applied IFRS 9 from the effective date of the standard, without restatement of prior periods.

  a) Classification and measurement

  Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs.

  Under IFRS 9, financial instruments are subsequently measured at fair value through profit and loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI' criterion).

  The classification and measurement of the Group's financial assets are, as follows:

  i. debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. The category includes loans granted and other receivables.

  ii. debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition.

iii. equity instruments at FVOCI, with no recycling of gains and losses to profit or loss on derecognition.

iv. financial assets at FVPL include OTC financial instruments. Under IAS 39 OTC instruments, were classified as held for trading and as available for sale.

The Group has I and IV category instruments. The other categories do not appear.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment or whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

IFRS 9 does not introduce significant changes to the classification and measurement of financial liabilities, except for modifications that do not result in the cessation of the recognition of an existing financial liability. The new standard requires the entity to recognize the adjustment to the amortized cost of a financial liability as income or expense in the financial result at the time of modification.

b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The implementation of IFRS 9 did not have material impact on Group's approach to impairment of receivables.

For other financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that result from default events on financial instruments that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. IFRS 9 also changes the approach to the valuation of the issuer's obligations under financial guarantee contracts by introducing a model based on the concept of expected loss. The implementation of IFRS 9 did not have material impact on Group's financial statements.

c) Hedge accounting

The Group did not decide to apply IFRS 9 in the area of hedge accounting.

d) Other adjustments

Not applicable.

- IFRIC 22 Foreign currency transactions and advance consideration

  IFRIC Interpretation 22 clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The Interpretation relates to the situation when the transaction is in foreign currency and the entity pays or receives consideration in advance in a foreign currency before the recognition of the related asset, expense or income.

  The interpretation does not have material impact on Group's half-year condensed consolidated financial statements.

- Amendments to IAS 40 Transfers of Investment Property

  The amendments clarify when an entity should transfer property, including property under construction for development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

  These amendments do not have any impact on the Company's half-year condensed consolidated financial statements.

- Amendments to IFRS 2 Classification and measurement share-based payment transactions

  The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transactions; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

These amendments do not have any impact on Company's half-year condensed consolidated financial statements.

- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

  The amendments allow entities that carry out insurance activity to postpone the date of entry into force of IFRS 9 by 1 January 2021. The effect of such postponement is that the entities concerned may continue to prepare financial statements in accordance with the applicable standard, i.e. IAS 39.

  These changes do not apply to the Group.

- Amendments to IAS 28 Investments in Associates and Joint Ventures as a part of Amendments resulting from the review of IFRSs 2014-2016.

  The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit and loss under IFRS 9. If an entity, that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This selection is made separately for each investment entity associate or joint venture, at the later of the date on which a) the investment entity associate or joint venture is initially recognised; b) the associate or joint venture becomes an investment entity; c) the investment entity associate or joint venture becomes a parent.

  These amendments do not have any impact on Company's half-year condensed consolidated financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards as part of amendments resulting from the review of IFRSs 2014-2016

  Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have not served they intended purpose.

  These amendments do not have any impact on the Company's half-year condensed consolidated financial statements.

The Group has not decided to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

3.6 New standards and interpretations which have been published but are not yet binding

The following standards and interpretations have been published by the International Accounting Standards Board but are not yet binding:

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 16 Leases (issued on 13 January 2016) – effective for financial years beginning on or after 1 January 2019. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The Group is in the process of detailed analysing the impact of new standard to its financial statements.
- IFRS 17 Insurance Contracts (issued on 18 May 2017) – not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2021;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) – not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)) – effective for financial years beginning on or after 1 January 2019;

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) – not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) – not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) – not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) – not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020.

4. Adopted Accounting principles

The accounting policies applied in the preparation of the half-year condensed consolidated financial statements are consistent with the accounting policies applied in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2017, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2018.

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result on financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
CFDs		
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		
Currency options	3 010	2 925
Index options	832	663
Commodity options	104	153
Bond options	1	2
Total 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 customers	(1 582)	(1 775)
Commission paid to cooperating brokers	(772)	(2 872)
Net gain on transactions in financial instruments	194 316	123 047

Bonuses paid to customers are strictly related to trading in financial instruments by the customer with Group. Customers receive discounts and bonuses under bonus campaigns where the condition for awarding a bonus is the generation of a top-down determined trade volume in financial instruments in a specified period.

The Group concludes cooperation agreements with introducing brokers who receive commissions which depend on the trade generated under the cooperation agreements. The income generated and the costs incurred between the Group and particular brokers relate to the trade between the broker and customers that are not his customers.

From 1 January 2018 the Group presents the costs of affiliation in marketing costs. These costs were previously presented under commission paid to cooperating brokers. The amount of these costs in first half of 2018 amounted to PLN 2 275 thousand. The amount of these costs in first half of 2017 amounted to PLN 87 thousand. The data was presented in a comparative way.

In the previous period the result on stocks which was part of hedging was reclassified to Stock CFDs. The amount reclassified was PLN 856 thousand.

6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Fees and charges from institutional clients	1 972	1 619
Fees and charges from retail clients	1 569	628
Total income from fees and charges	3 541	2 247

Other fees and charges refer to commission received from institutional partners and regulatory commission charged to retail customers.

6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Operating income		
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

The countries from which the Group derives each time 15% and over of its revenue are: Poland and Spain. The share of other countries in the structure of the Group's revenue by geographical area does not in any case exceed 15%. Due to the overall share in the Group's revenue, Poland and Spain were set apart for presentation purposes within the geographical area.

The Group breaks its revenue down into geographical area by country in which a given customer was acquired.

7. Salaries and employee benefits

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Salaries	(31 959)	(28 704)
Social insurance and other benefits	(5 452)	(5 557)
Employee benefits	(1 705)	(2 006)
Total salaries and employee benefits	(39 116)	(36 267)

8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Marketing online	(13 310)	(9 242)
Marketing offline	(3 345)	(3 937)
Advertising campaigns	(99)	(544)
Competitions for clients	(21)	(84)
Total marketing	(16 775)	(13 807)

Marketing activities carried out by the Group are mainly focused on Internet marketing, which is also supported by other marketing activities.

From 1 January 2018 the Group presents the costs of affiliation in marketing costs. These costs were previously presented under commission paid to cooperating brokers. The amount of these costs in first half of 2018 amounted to PLN 2 275 thousand. The amount of these costs in first half of 2017 amounted to PLN 87 thousand. The data was presented in a comparative way.

9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Support database systems	(2 965)	(1 684)
Legal and advisory services	(2 313)	(1 608)
Market data delivery	(2 255)	(2 052)
Internet and telecommunications	(1 345)	(1 031)
Accounting and audit services	(908)	(902)
IT support services	(743)	(928)
Recruitment	(385)	(199)
Postal and courier services	(53)	(84)
Other external services	(1 762)	(1 637)
Total other external services	(12 729)	(10 125)

10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Bank commissions	(2 290)	(1 364)
Stock exchange fees and charges	(1 538)	(1 136)
Commissions of foreign brokers	(206)	(121)
Total commission expenses	(4 034)	(2 621)

11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Interest income		
Interest on own cash	3 071	1 985
Interest on customers' cash	261	425
Total interest income	3 332	2 410
Foreign exchange gains	6 981	–
Other finance income	6	11
Total finance income	10 319	2 421

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Interest expense		
Interest paid to customers	(102)	(430)
Interest paid under lease agreements	–	(2)
Other interest	(19)	(45)
Total interest expense	(121)	(477)
Foreign exchange losses	(3 324)	(12 239)
Other finance costs	(11)	–
Total finance costs	(3 456)	(12 716)

Foreign exchange differences relate to unrealised differences on the measurement of balance sheet items denominated in a currency other than the functional currency.

There was no income from interests calculated using effective interest method.

12. Segment information

For management reporting purposes, the Group's operations are divided into the following two business segments:

1. Retail operations, which include the provision of trading in financial instruments for individual customers.
2. Institutional activity, which includes the provision of trading in financial instruments and offering trade infrastructure to entities (institutions), which in turn provide services of trading in financial instruments for their own customers under their own brand.

These segments do not aggregate other lower-level segments. The management monitors the results of the operating segments separately, in order to decide on the implementation of strategies, allocation of resources and performance assessment. Operations in segment are assessed on the basis of segment profitability and its impact on the overall profitability reported in the financial statements.

Transfer prices between operating segments are based on market prices, according to the principles similar to those applied in settlements with unrelated parties.

The Group concludes transactions only with external clients. Transactions between operating segments are not concluded.

Valuation of assets and liabilities, incomes and expenses of segments is based on the accounting policies applied by the Company.

The Group does not allocate financial activity and corporate income tax burden on business segments.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	185 294	9 022	194 316	194 316
CFDs				
Index CFDs	95 986	4 242	100 228	100 228
Currency CFDs	56 005	1 616	57 621	57 621
Commodity CFDs	28 720	3 598	32 318	32 318
Stock CFDs	1 841	427	2 268	2 268
Bond CFDs	365	(43)	322	322
Options				
Currency options	3 010	–	3 010	3 010
Index options	832	–	832	832
Commodity options	104	–	104	104
Bond options	1	–	1	1
Shares and listed derivative instruments	(34)	–	(34)	(34)
Bonuses and discounts paid to customers	(764)	(818)	(1 582)	(1 582)
Commissions paid to cooperating brokers	(772)	–	(772)	(772)
Fee and commission income	1 569	1 972	3 541	3 541
Other income	80	–	80	80
Total operating income	186 943	10 994	197 937	197 937
Salaries and employee benefits	(37 801)	(1 315)	(39 116)	(39 116)
Marketing	(16 071)	(704)	(16 775)	(16 775)
Other external services	(12 350)	(379)	(12 729)	(12 729)
Cost of maintenance and lease of buildings	(3 834)	(81)	(3 915)	(3 915)
Amortization and depreciation	(2 240)	(14)	(2 254)	(2 254)
Taxes and fees	(916)	(7)	(923)	(923)
Commission expense	(3 995)	(39)	(4 034)	(4 034)
Other expenses	(2 546)	(501)	(3 047)	(3 047)
Total operating expenses	(79 753)	(3 040)	(82 793)	(82 793)
Operating profit	107 190	7 954	115 114	115 114
Finance income	–	–	–	10 319
Finance costs	–	–	–	(3 456)
Profit before tax	–	–	–	122 007
Income tax	–	–	–	(21 605)
Net profit	–	–	–	100 402

ASSETS AND LIABILITIES AS AT 30.06.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	293 861	42 892	336 753	336 753
Financial assets at fair value through P&L	109 322	7 240	116 562	116 562
Other assets	525 698	372	526 070	526 070
Total assets	928 881	50 504	979 385	979 385
Amounts due to customers	377 203	47 752	424 955	424 955
Financial liabilities held for trading	14 117	2 342	16 459	16 459
Other liabilities	38 650	31	38 681	38 681
Total liabilities	429 970	50 125	480 095	480 095

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR SIX-MONTH PERIOD ENDED 30.06.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	104 522	18 525	123 047	123 047
CFDs				
Index CFDs	47 914	16 611	64 525	64 525
Currency CFDs	37 898	2 844	40 742	40 742
Commodity CFDs	18 029	(185)	17 844	17 844
Stock CFDs	1 081	16	1 097	1 097
Bond CFDs	(198)	(59)	(257)	(257)
Options				
Currency options	2 925	–	2 925	2 925
Index options	663	–	663	663
Commodity options	153	–	153	153
Bond options	2	–	2	2
Bonuses and discounts paid to customers	(1 775)	–	(1 775)	(1 775)
Commissions paid to cooperating brokers	(2 170)	(702)	(2 872)	(2 872)
Fee and commission income	628	1 619	2 247	2 247
Other income	37	–	37	37
Total operating income	105 187	20 144	125 331	125 331
Salaries and employee benefits	(35 276)	(991)	(36 267)	(36 267)
Marketing	(13 184)	(623)	(13 807)	(13 807)
Other external services	(9 651)	(474)	(10 125)	(10 125)
Cost of maintenance and lease of buildings	(3 734)	(29)	(3 763)	(3 763)
Amortization and depreciation	(3 019)	(2)	(3 021)	(3 021)
Taxes and fees	(1 341)	(5)	(1 346)	(1 346)
Commission expense	(2 619)	(2)	(2 621)	(2 621)
Other expenses	(1 508)	(167)	(1 675)	(1 675)
Total operating expenses	(70 332)	(2 293)	(72 625)	(72 625)
Operating profit	34 855	17 851	52 706	52 706
Impairment of intangible assets	–	–	–	(5 612)
Finance income	–	–	–	2 421
Finance costs	–	–	–	(12 716)
Profit before tax	–	–	–	36 799
Income tax	–	–	–	(7 441)
Net profit	–	–	–	29 358

ASSETS AND LIABILITIES AS AT 31.12.2017 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	335 799	42 672	378 471	378 471
Financial assets held for trading	120 433	7 511	127 944	127 944
Other assets	390 961	328	391 289	391 289
Total assets	847 193	50 511	897 704	897 704
Amounts due to customers	374 747	46 653	421 400	421 400
Financial liabilities held for trading	37 376	3 529	40 905	40 905
Other liabilities	35 053	4	35 057	35 057
Total liabilities	447 176	50 186	497 362	497 362

ASSETS AND LIABILITIES AS AT 30.06.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	385 434	57 529	442 963	442 963
Financial assets held for trading	128 831	6 119	134 950	134 950
Other assets	284 658	337	284 995	284 995
Total assets	798 923	63 985	862 908	862 908
Amounts due to customers	399 679	57 529	457 208	457 208
Financial liabilities held for trading	24 546	2 434	26 980	26 980
Other liabilities	37 736	19	37 755	37 755
Total liabilities	461 961	59 982	521 943	521 943

13. Cash and cash equivalents

Broken down by type

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
In hand	1	1	28
In current bank accounts	835 447	743 142	692 460
Short-term bank deposits	494	2 424	2 462
Cash and cash equivalents in total	835 942	745 567	694 950

Restricted own and customers' cash

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Customers' cash and cash equivalents	336 753	378 471	442 963
Own cash and cash equivalents	499 189	367 096	251 987
Cash and cash equivalents in total	835 942	745 567	694 950

Customers' cash and cash equivalents include the value of clients' open transactions.

14. Financial assets at fair value through P&L

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Index CFDs	51 902	56 760	70 175
Commodity CFDs	24 044	14 415	13 137
Currency CFDs	20 474	28 263	32 530
Stock CFDs	7 403	5 447	3 516
Bond CFDs	335	92	50
Stocks	12 404	22 967	15 542
Total financial assets at fair value through P&L*	116 562	127 944	134 950

**item presented in comparative periods as Financial assets held for trading*

Detailed information on the estimated fair value of the instrument is presented in note 32.1.1.

15. Loans granted and other receivables

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Gross amounts due from customers	2 912	2 667	2 876
Impairment write-downs of receivables	(2 613)	(2 480)	(2 468)
Total amounts due from customers	299	187	408
Trade receivables	2 933	1 543	3 433
Deposits	1 941	1 791	2 237
Statutory receivables	2 092	1 030	1 092
Impairment write-downs of other receivables	(646)	(542)	(645)
Total other receivables	6 619	4 009	6 525

Movements in impairment write-downs of receivables

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(3 022)	(3 107)	(3 107)
Write-downs recorded	(358)	(567)	(325)
Write-downs reversed	88	146	78
Write-downs utilized	33	506	241
Impairment write-downs of receivables – at the end of the reporting period	(3 259)	(3 022)	(3 113)

Write-downs of receivables in 2018 and 2017 resulted from the debit balances which arose in customers' accounts in those periods.

16. Intangible assets

Intangible assets in the period from 1 January 2018 to 30 June 2018 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2018	5 541	10 792	4 814	–	21 147
Additions	–	–	–	–	–
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	12	–	–	–	12
Gross value as at 30 June 2018	5 551	10 792	4 814	–	21 157
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(213)	(807)	(550)	–	(1 570)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	(13)	–	–	–	(13)
Accumulated amortization as at 30 June 2018	(4 919)	(10 302)	(4 592)	–	(19 813)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 30 June 2018	632	490	222	–	1 344

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2 and client base purchased by XTB International. Client base was purchased on 18 April 2017 from company in Chile for the amount of USD 540 thousand.

Intangible assets in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2017	5 190	10 792	8 017	–	23 999
Additions	496	–	2 409	–	2 905
Sale and scrapping	(94)	–	–	–	(94)
Impairment of intangible assets	–	–	(5 612)	–	(5 612)
Net foreign exchange differences	(51)	–	–	–	(51)
Gross value as at 31 December 2017	5 541	10 792	4 814	–	21 147
Accumulated amortization as at 1 January 2017	(4 350)	(7 451)	(2 138)	–	(13 939)
Amortization for the current period	(479)	(2 044)	(1 904)	–	(4 427)
Sale and scrapping	94	–	–	–	94
Net foreign exchange differences	40	–	–	–	40
Accumulated amortization as at 31 December 2017	(4 695)	(9 495)	(4 042)	–	(18 232)
Net book value as at 1 January 2017	840	3 341	5 879	–	10 060
Net book value as at 31 December 2017	846	1 297	772	–	2 915

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2 and client base purchased by XTB International. Client base was purchased on 18 April 2017 from company in Chile for the amount of USD 540 thousand.

In the period ended 31 December 2017 the Group recognized an impairment of licence for the brokerage activity in Turkey in the amount of PLN 5 612 thousand. There was no impairment in the analogical period. The impairment was presented in comprehensive income statement in line Impairment of intangible assets.

Intangible assets in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2017	5 190	10 792	8 017	–	23 999
Additions	473	–	2 409	–	2 882
Sale and scrapping	(21)	–	–	–	(21)
Impairment of intangible assets	–	–	(5 612)	–	(5 612)
Net foreign exchange differences	(38)	–	–	–	(38)
Gross value as at 30 June 2017	5 604	10 792	4 814	–	21 210
Accumulated amortization as at 1 January 2017	(4 350)	(7 451)	(2 138)	–	(13 939)
Amortization for the current period	(239)	(1 079)	(816)	–	(2 134)
Sale and scrapping	21	–	–	–	21
Net foreign exchange differences	29	–	–	–	29
Accumulated amortization as at 30 June 2017	(4 539)	(8 530)	(2 954)	–	(16 023)
Net book value as at 1 January 2017	840	3 341	5 879	–	10 060
Net book value as at 30 June 2017	1 065	2 262	1 860	–	5 187

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2.

17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2018 to 30 June 2018 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2018	9 131	6 100	100	–	15 331
Additions	330	106	(90)	–	346
Sale and scrapping	(26)	(5)	–	–	(31)
Net foreign exchange differences	19	123	–	–	142
Gross value as at 30 June 2018	9 454	6 324	10	–	15 788
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(483)	(201)	–	–	(684)
Sale and scrapping	26	5	–	–	31
Net foreign exchange differences	(25)	(101)	–	–	(126)
Accumulated amortization as at 30 June 2018	(7 959)	(5 117)	–	–	(13 076)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 30 June 2018	1 495	1 207	10	–	2 712

Property, plant and equipment in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2017	9 534	7 162	143	–	16 839
Additions	873	457	(43)	–	1 287
Sale and scrapping	(1 073)	(1 141)	–	–	(2 214)
Net foreign exchange differences	(203)	(378)	–	–	(581)
Gross value as at 31 December 2017	9 131	6 100	100	–	15 331
Accumulated amortization as at 1 January 2017	(7 530)	(5 563)	–	–	(13 093)
Amortization for the current period	(1 100)	(527)	–	–	(1 627)
Sale and scrapping	1 020	952	–	–	1 972
Net foreign exchange differences	133	318	–	–	451
Accumulated amortization as at 31 December 2017	(7 477)	(4 820)	–	–	(12 297)
Net book value as at 1 January 2017	2 004	1 599	143	–	3 746
Net book value as at 31 December 2017	1 654	1 280	100	–	3 034

Property, plant and equipment in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2017	9 534	7 162	143	–	16 839
Additions	475	385	(143)	–	717
Sale and scrapping	(158)	(449)	–	–	(607)
Net foreign exchange differences	(128)	(243)	–	–	(371)
Gross value as at 30 June 2017	9 723	6 855	–	–	16 578
Accumulated amortization as at 1 January 2017	(7 530)	(5 563)	–	–	(13 093)
Amortization for the current period	(560)	(327)	–	–	(887)
Sale and scrapping	148	439	–	–	587
Net foreign exchange differences	84	197	–	–	271
Accumulated amortization as at 30 June 2017	(7 858)	(5 254)	–	–	(13 112)
Net book value as at 1 January 2017	2 004	1 599	143	–	3 746
Net book value as at 30 June 2017	1 865	1 601	–	–	3 466

Non-current assets by geographical area

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	3 064	4 413	5 780
- including Poland	*2 773*	*4 072*	*5 349*
Western Europe	569	530	623
- including Spain	*129*	*138*	*163*
Latin America and Turkey	423	1 006	2 250
Total non-current assets	4 056	5 949	8 653

18. Amounts due to customers

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Amounts due to retail customers	377 203	374 747	399 679
Amounts due to institutional customers	47 752	46 653	57 529
Total amounts due to customers	424 955	421 400	457 208

Amounts due to customers are connected with transactions concluded by the customers (including cash deposited in the customers' accounts).

19. Financial liabilities held for trading

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Index CFDs	6 863	12 523	14 562
Stock CFDs	3 243	2 844	1 905
Commodity CFDs	3 201	4 677	3 499
Currency CFDs	3 130	20 809	6 956
Bond CFDs	22	52	58
Total financial liabilities held for trading	16 459	40 905	26 980

20. Other liabilities

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Provisions for other employee benefits	8 246	12 379	7 423
Trade liabilities	7 604	5 608	6 307
Statutory liabilities	3 646	3 196	4 439
Liabilities due to employees	352	525	546
Liabilities due to brokers	145	–	–
Amounts due to the Central Securities Depository of Poland	91	77	65
Liabilities under finance lease	81	128	182
Total other liabilities	20 165	21 913	18 962

Liabilities under employee benefits include estimates, as at the balance sheet date, of bonuses for the reporting period, including from the Program of variable remuneration elements, as well as the provision for unused holiday leave, established in the amount of projected benefits, which the Company is obligated to pay in the event of payment of holiday equivalents.

Besides leasing liabilities, there are no other long-term liabilities.

Program of variable remuneration elements

Pursuant to the Variable Remuneration Elements policy applied by the Group, the employees of the Group in the top management positions receive variable remuneration paid in cash.

The value of provisions for employee benefits includes 40-50 per cent of variable remuneration granted in cash, which is paid out directly after the employment year, in which the employee's work results are assessed, and 40-50 per cent of the value based on financial instruments, paid in the years 2015–2018.

As at 30 June 2018, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 444 thousand, as at 31 December 2017 in the amount of PLN 419 thousand and as at 30 June 2017 in the amount of PLN 350 thousand.

21. Provisions for liabilities and contingent liabilities

21.1 Provisions for liabilities

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Provisions for retirement benefits	1 009	846	147
Provisions for legal risk	2 051	820	680
Total provisions	3 060	1 666	827

Provisions for retirement benefits are established on the basis of an actuarial valuation carried out in accordance with the applicable regulations and agreements connected with obligatory retirement benefits to be covered by the employer.

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Group is a party. As at the date of preparation of these financial statements, the Group is not able to specify when the above liabilities will be repaid.

Movements in provisions in the period from 1 January 2018 to 30 June 2018 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2018	INCREASES	DECREASES		VALUE AS AT 30.06.2018
			USE	REVERSAL	
Provisions for retirement benefits	846	163	–	–	1 009
Provisions for legal risk	820	1 231	–	–	2 051
Total provisions	1 666	1 394	–	–	3 060

Movements in provisions in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2017	INCREASES	DECREASES		VALUE AS AT 31.12.2017
			USE	REVERSAL	
Provisions for retirement benefits	177	690	–	21	846
Provisions for legal risk	771	250	201	–	820
Total provisions	948	940	201	21	1 666

Movements in provisions in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2017	INCREASES	DECREASES		VALUE AS AT 30.06.2017
			USE	REVERSAL	
Provisions for retirement benefits	177	–	–	30	147
Provisions for legal risk	771	–	–	91	680
Total provisions	948	–	–	121	827

21.2 Contingent liabilities

The Group is party to a number of court proceedings associated with the Group's operations. The proceedings in which the Parent Company and Group companies act as defendant relate mainly to employees' and customers' claims. As at 30 June 2018 the total value of claims brought against the Parent Company and Group companies amounted to approx. PLN 1,66 million (as at 31 December 2017: PLN 6,23 million, as at 30 June 2017: PLN 6,06 million). Parent Company has not created provisions for the above proceedings. In the assessment of the Parent Company there is low probability of loss in these proceedings.

On 17 November 2017 the Parent Company received decision issued by Polish Financial Supervision Authority dated 14 November 2017 on initiation of administrative proceedings regarding the imposition of a fine on the Parent Company in connection with the suspicion of a significant violation of the law, in particular in the area of brokerage services for the benefit of the Parent Company's clients as well as the organization and operation of transaction systems. According to the above mentioned decision Polish Financial Supervision Authority may impose a fine up to 10% of income presented in the last audited financial statements. In the Parent Company's opinion the violations indicated by the Polish Financial Supervision Authority are unfounded and are not confirmed in the actual situation.

On May 9, 2014, the Parent Company issued a guarantee in the amount of PLN 56 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Parent Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 1 357 thousand.

On the 30 June 2016 the Parent Company concluded the agreement with K3 System Sp. z o.o. for lease of computer hardware which is secured with a bill of exchange with the bill declaration for the maximum amount of PLN 200 thousand.

On 7 July 2017 the Parent Company issued a guarantee in the amount of PLN 5 420 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension.

22. Equity

Share capital structure as at 30 June 2018, 31 December 2017 and 30 June 2017

SERIES/ISSUE	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN)	NOMINAL VALUE OF ISSUE (IN PLN'000)
Series A	117 383 635	0,05	5 869

All shares in the Parent Company have the same nominal value, are fully paid for, and carry the same voting and profit-sharing rights. No preference is attached to any share series. The shares are A-series ordinary registered shares.

Shareholding structure of the Company

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 30 June 2018 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100,00%

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 31 December 2017 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	6 243 759	312	5,32%
Other shareholders	10 229 875	511	8,71%
Total	117 383 635	5 869	100,00%

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 30 June 2017 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 163 913	3 908	66,59%
Systexan SARL	22 280 207	1 114	18,98%
Other shareholders	16 939 515	847	14,43%
Total	117 383 635	5 869	100,00%

Other capitals

Other capitals consist of:

- supplementary capital, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend in the amount of PLN 334 898 thousand,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN (17 388) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	455	224	291
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	451	289	226
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	268	296	273
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	132	(63)	(7)
XTB Limited Cyprus	74	(154)	(104)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	62	(117)	(65)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	40	(17)	–
X-Trade Brokers Dom Maklerski Spółka Akcyjna	26	17	(288)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	23	(10)	–
XTB Services Limited	16	(4)	–
Lirsar S.A.	–	–	(15)
XTB Chile SpA	(6)	(30)	(37)
XTB International Limited	(107)	(319)	(177)
XTB Limited UK	(493)	(968)	(744)
X Trade Brokers Menkul Değerler A.Ş.	(18 301)	(15 050)	(11 021)
Total foreign exchange differences on translation	(17 360)	(15 906)	(11 668)

On 10 February 2017, the Turkish regulatory body, the Capital Markets Board of Turkey (CMB), introduced changes to the regulations regarding the operation of investment services, investment activities and additional services. This contributed to a significant decrease in the number of clients and, consequently, to a significant reduction in the Group's operations in Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analyzing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB).

In case of termination of activity on the Turkish market, which from the accounting point of view should be understood by repaying share capital/liquidation of assets held (loss of license), the Group, in accordance with the applicable accounting principles, will be required to take actions in reclassification of exchange differences resulting from the conversion of the Turkish company's capital from the position Exchange differences from conversion included in equity to the income statement. This operation will not affect the total amount of the Group's equity as at the date of its execution. Nevertheless, the Company will be required to demonstrate the effects of the abovementioned conversion as part of the result on financial activities, however, in the case of negative exchange differences, the effects of these conversions will be the financial costs. The company explains that the amount of exchange differences related to investments in Turkey is derived from the rate of Turkish lira, which is subject to fluctuations, hence the Group is not able to precisely estimate the value of the financial cost incurred in this respect as it will be recognized in the future as at the date of this report.

23. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2017 in the amount of PLN 87 398 thousand was transferred to reserve capital in full.

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2016 in the amount of PLN 72 999 thousand was partially earmarked for the payment of a dividend in the amount of PLN 37 563 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2016, paid on 23 May 2017, amounted to PLN 37 563 thousand. The amount of dividend per share paid for 2016 was equal to PLN 0,32.

24. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. When calculating both basic and diluted earnings per share, the Group uses the amount of net profit attributable to shareholders of the Group as the numerator, i.e., there is no dilutive effect influencing the amount of profit (loss). The calculation of basic and diluted earnings per share, together with a reconciliation of the weighted average diluted number of shares is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	100 402	29 358
Weighted average number of ordinary shares	117 383 635	117 383 635
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Company	0,86	0,25
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	0,86	0,25

25. Current tax and deferred income tax

25.1 Income tax

Income tax disclosed in the current period's profit and loss

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(17 555)	(4 445)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(4 050)	(2 996)
Income tax disclosed in profit and loss	(21 605)	(7 441)

Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Profit before tax	122 007	36 799
Income tax based in the applicable tax rate of 19%	(23 181)	(6 992)
Difference resulting from application of tax rates applicable in other countries	(26)	(32)
Non-taxable revenue	7	31
Non-deductible expenses	(265)	(315)
Realisation of tax losses for the preceding periods	17	16
Other items affecting the tax burden amount	1 843	(149)
Income tax disclosed in profit or loss	(21 605)	(7 441)

25.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 30 June 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.06.2017
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	10	101
Loans granted and other receivables	45	(45)	–
Financial liabilities held for trading	6 670	(3 821)	2 849
Provisions for liabilities	245	87	332
Prepayments and deferred costs	1 436	(334)	1 102
Other liabilities	19	(17)	2
Tax losses of previous periods to be settled in future periods	10 145	282	10 427
Total deferred income tax assets	18 652	(3 839)	14 813

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.06.2017
Deferred income tax assets included directly in the equity:			
Separate equity of branches	14	(14)	–
Total deferred income tax assets included directly in the equity	14	(14)	–

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.06.2017
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	389	18 497
Other liabilities	8	(8)	–
Prepayments and deferred costs	16	(16)	–
Property, plant and equipment	247	(154)	93
Total deferred income tax provision	18 379	211	18 590
Deferred tax disclosed in profit or (loss)	–	(4 115)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.06.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	320	320
Total deferred income tax provision included directly in the equity	–	320	320

Change in the balance of deferred tax for the period from 1 January to 31 December 2017 (audited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 31.12.2017
Deferred income tax assets:			
Cash and cash equivalents	–	1	1
Property, plant and equipment	100	(9)	91
Loans granted and other receivables	45	–	45
Financial liabilities held for trading	4 113	2 557	6 670
Provisions for liabilities	50	195	245
Prepayments and deferred costs	1 262	174	1 436
Other liabilities	22	(3)	19
Tax losses of previous periods to be settled in future periods	11 293	(1 148)	10 145
Total deferred income tax assets	16 885	1 767	18 652

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
Deferred income tax assets included directly in the equity:			
Separate equity of branches	–	14	14
Total deferred income tax assets included directly in the equity	–	14	14

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 31.12.2017
Deferred income tax provision:			
Financial assets held for trading	17 143	965	18 108
Other liabilities	1	7	8
Loans granted and other receivables	4	(4)	–
Prepayments and deferred costs	21	(5)	16
Property, plant and equipment	658	(411)	247
Total deferred income tax provision	17 827	552	18 379
Deferred tax disclosed in profit or (loss)	–	1 215	–

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	479	(479)	–
Total deferred income tax provision included directly in the equity	479	(479)	–

Change in the balance of deferred tax for the period from 1 January to 30 June 2017 (unaudited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.06.2017
Deferred income tax assets:			
Property, plant and equipment	100	1 071	1 171
Loans granted and other receivables	45	(22)	23
Financial liabilities held for trading	4 113	506	4 619
Provisions for liabilities	50	(3)	47
Prepayments and deferred costs	1 262	(71)	1 191
Other liabilities	22	(22)	–
Tax losses of previous periods to be settled in future periods	11 293	(774)	10 519
Total deferred income tax assets	16 885	685	17 570

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.06.2017
Deferred income tax provision:			
Financial assets held for trading	17 143	3 701	20 844
Other liabilities	1	215	216
Loans granted and other receivables	4	(4)	–
Prepayments and deferred costs	21	(21)	–
Property, plant and equipment	658	(210)	448
Total deferred income tax provision	17 827	3 681	21 508
Deferred tax disclosed in profit or (loss)	–	(2 996)	–

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 30.06.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	479	(374)	105
Total deferred income tax provision included directly in the equity	479	(374)	105

Geographical division of deferred income tax assets

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Deferred income tax assets	97	100	86
Central and Eastern Europe	–	–	–
- including Poland	10 450	10 172	10 514
Western Europe	–	–	–
- including Spain	289	225	19
Latin America and Turkey	10 836	10 497	10 619

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2018 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	3 977	18 910	–	14 933
Czech Republic	43	–	43	–
Slovakia	53	–	53	–
Germany	2 879	–	2 879	–
France	5 569	–	5 569	–
Great Britain	2 003	–	2 003	–
Turkey	31	–	31	–
Chile	258	–	258	–
Total	14 813	18 910	10 836	14 933

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2017 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	8 160	18 370	–	10 210
Czech Republic	49	–	49	–
Slovakia	60	9	51	–
Germany	2 815	–	2 815	–
France	5 387	–	5 387	–
Great Britain	1 970	–	1 970	–
Turkey	26	–	26	–
Chile	199	–	199	–
Total	18 666	18 379	10 497	10 210

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2017 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	6 949	21 611	–	14 662
Czech Republic	37	–	37	–
Slovakia	51	2	49	–
Germany	2 942	–	2 942	–
France	5 523	–	5 523	–
Great Britain	2 050	–	2 050	–
Turkey	18	–	18	–
Total	17 570	21 613	10 619	14 662

26. Related party transactions

26.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As per Company's best knowledge as at 30 June 2018 it holds 66,99% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.

Mr. Jakub Zabłocki is the ultimate parent company for the Company and XXZW Investment Group S.A.

26.2 Figures concerning related party transactions

As at 30 June 2018 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 199,94 due to his investment account. As at 31 December 2017 and 31 Match 2017 the Company had no settlements with related parties. In the periods covered by the half-year condensed financial statements the Company noted profit in the amount of PLN 57,10 resulting from transactions with Mr Jakub Zabłocki. Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. The paid gross salary and bonuses amounted to PLN 995 thousand in the first half of 2018 and in the analogical period of 2017 amounted to PLN 693 thousand.

26.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Benefits to the Management Board members	(1 762)	(2 099)
Benefits to the Supervisory Board members	(50)	(39)
Total benefits to the Management Board and Supervisory Board	(1 812)	(2 138)

These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

Members of the Management Board of the Parent Company are included in the scheme of variable remuneration elements specified in note 23 of the financial statements. The value of the element settled in financial instruments in the years 2015 - 2018 acquired by the members of the Management Board amounts to PLN 444 thousand.

Members of the Management Board of the Parent Company, within the framework of the Options Program described in note 26.4 of the financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date.

26.4 Share-based payments

Pursuant to the Shareholders Agreement of the Parent Company of 28 March 2011, the Parent Company introduced an incentive scheme for the key employees, who received the right to shares of the Company before 2012, constituting a payment programme in the form of share options ("Options programme"). The value of the program depends on individual targets set for the employees in relation to the results of the Company in specific years. The scheme covers the years 2011-2014. For 2011, rights to shares were acquired by three employees in the amount of 177 025 items, for 2012, one employee acquired rights to shares in the amount of 41 245 items, for 2013, one employee acquired rights to shares in the amount of

123 370 items and for 2014 and 2015, according to the best knowledge of the Company's Management Board, no employee will acquire rights to shares. In total, the employees acquired 341 640 rights to shares. The estimated value of the scheme as at the balance-sheet date is PLN 462 thousand. The vesting period expired in 2015. Depending on individual contracts, the shares can be acquired starting from 2014 based on the participation rules specified in the Options Program.

On the 23 December 2016 two employees of X-Trade Brokers Dom Maklerski S.A. acquired 256 835 Parent Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

For the shares options granted, the fair value of services rendered by the key employees is measured in relation to the fair value of rights granted as at the date of granting. The fair value of rights is determined based on option estimation models, which include among others execution price, share price as at the date of granting, expected variability of option value during the programme and other appropriate factors affecting fair value. The Group assesses the probability of acquiring the rights in the programme, which affects the programme value in the costs for the period.

The following ratios were adopted in the valuation of the share option plan: volatility ratio of 54,69%, risk-free interest rate of 5,03%, weighted average share price of PLN 494,42.

No other features relating to grant of options were taken into consideration during fair value measurement.

Unrealized rights to shares

	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Unrealized rights to shares as at the beginning of the period	–	84 805	84 805
Realized rights to shares	–	(84 805)	(84 805)
Unrealized rights to shares as at the end of the period	–	–	–

Volatility used to measure the options was calculated on the basis of the average volatility of share prices of peer companies. Volatility in the peer group of companies was calculated based on historical daily rates of return. Based on the daily rates of return, the standard deviation was calculated and annualised, on the assumption that a trading year lasts 250 days. The period for which the rates of return were accounted for complied with the options exercise period. Volatility was calculated for each option in appropriate periods. Companies which were listed for a period shorter than the option exercise period were eliminated from the peer group.

26.5 Loans granted to the Management Board and Supervisory Board

As at 30 June 2018, 31 December 2017 and 30 June 2017 there are no loans granted to the Management and Supervisory Board members.

27. Supplementary information and explanations to the cash flow statement

27.1 Change in balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Change in other liabilities	(1 748)	(3 731)
Payment of finance lease liabilities	47	77
Change in the balance of other liabilities	(1 701)	(3 654)

27.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(1 454)	(6 723)
Foreign exchange differences in translation of financial assets available for sale	16	22
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(15)	99
Change in other adjustments	(1 453)	(6 602)

Foreign exchange differences on translation of movements in tangible and intangible assets include the difference between the rates as at the opening balance and as at the closing balance adopted for valuation of the gross value of tangible and intangible assets in the Group's foreign entities and the difference between the rate applied to value amortization and depreciation cost of fixed assets and intangible assets in the Group's foreign entities and the rate of translation of amortization and depreciation amounts on such assets. This value results from the chart of movements in tangible and intangible assets.

28. Post balance sheet events

On 10 July 2018 the Supervisory Board appointed Mr Jakub Kubacki for the position of Member of the Management Board responsible for legal affairs.

On 10 July 2018 the Company established a subsidiary XTB Africa (PTY). As at the date of publication of these financial statements the share capital of subsidiary was not paid.

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,
  - 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 standarised risk warning.

When it comes to binary options, the agreed measures include a 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.

The measures to be implemented on the basis of decisions of ESMA have a significant impact on the way the Group offers and promotes financial products, hence Group acting with due diligence implemented organizational changes to comply with new requirements of conducting activity. However, it cannot be excluded that the manner of interpretation of prohibition and restrictions of ESMA by regulators may be different than solutions adopted by the Group which may involve applying supervisory activities and sanctions provided for by applicable law and might require the Group to incur further significant financial outlays and implement significant organizational changes. In addition, it cannot be excluded that implementation of ESMA decisions may have a negative impact on the financial results of the Group.

On 28 March 2018, the President of the Republic of Poland signed the Act amending the Act on Trading in Financial Instruments and certain other acts. This Act is aimed at implementing into the national legal order EU regulations concerning markets for financial instruments, i.e. MiFID II Directive and MiFIR Regulation. The Act imposes additional obligations on financial market entities, implements new rules for communication with the client, extends information requirements, ensures greater transparency of costs and introduces new powers for supervisors. The act came into force on 21 April 2018. The new regulations of the Minister of Finance specify the law:

- on the mode and conditions of proceedings for investment companies and banks, quoted in Article 70 section 2 of the Act on financial instruments trading, and custodian banks; and
- on specifying detailed technical and organisational conditions for investment companies and banks, quoted in Article 70 section 2 of Act on financial instruments trading, and custodian banks.

The above regulations came into force on 23 June 2018 however the transitional measures allow the investment companies to adjust to new regulations by 21 October 2018.

It can't be ruled out that regulatory changes at the national and international levels can have a significant impact on the way the Group offers and promotes financial products, clients' investment strategies, the volume of trading in lots, and profitability per lot, and what's next goes on the Group's financial results.

29. Customers' financial instruments and nominal values of transactions in derivatives (off-balance sheet items)

29.1 Nominal value of financial instruments

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Index CFDs	1 744 111	2 330 361	1 912 190
Currency CFDs	1 276 791	1 324 424	1 665 559
Commodity CFDs	517 488	420 791	418 383
Stock CFDs	104 588	127 443	90 109
Bond CFDs	23 929	23 761	11 901
Stock	12 263	22 967	15 542
Total financial instruments	3 679 170	4 249 747	4 113 684

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2018 transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2017: 2% of the total nominal value of instruments, as at 30 June 2017: 2% of the total nominal value of instruments.

29.2 Customers' financial instruments

Presented below is a list of customers' instruments deposited in the accounts of the brokerage house:

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	16 088	83	186
Other securities registered in customers' securities accounts	311	329	332
Total customers' financial instruments	16 399	412	518

30. Items regarding the compensation scheme

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	3 285	2 687	2 687
- increases	*354*	*598*	*281*
b) closing balance	3 639	3 285	2 968
2. XTB's share in the profits from the compensation scheme	229	213	191

31. Capital management

The Group's principles of capital management are established in the "Capital management policy in X–Trade Brokers Dom Maklerski S.A.". The document is approved by the Parent Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the Parent Company's capital strategy. It specifies, in particular, long-term capital objectives, the current and preferred capital structure, contingency plans and basic elements of the internal capital estimation process. The policy is updated as appropriate so as to reflect the development in the Group and its business environment.

The objective of the capital management policy is to ensure balanced long-term growth for the shareholders and to maintain sufficient capital to enable the Group to operate in a prudent and efficient manner. This objective is attained by maintaining an appropriate capital base, taking into account the Group's risk profile and prudential regulations, as well as risk-based capital management in view of the operating goals.

Determination of capital-related goals is essential for equity management and serves as a basic reference in the context of capital planning, allocation and contingency plans. The Group establishes capital-related objectives which ensure a stable capital base, achievement of its capital strategy goals (in accordance with its general principles), and also match the Group's risk appetite. To establish its capital-related goals, the Group takes into consideration its strategic plans and expected growth of operations as well as external conditions, including the macroeconomic situation and other business environment factors. The capital-related goals are set for a horizon similar to that of the business strategy and are approved by the Management Board.

Capital planning is focused on an assessment of the Group's current and future capital requirements (both regulatory and internal), and on comparing them with the current and projected levels of available capital. The Group has prepared contingency plans to be launched in the event of a capital adequacy problem, described in detail in the "Capital management policy in X–Trade Brokers Dom Maklerski S.A."

As part of ICAAP, the Group assesses its internal capital in order to define the overall capital requirement to cover all significant risks in the Group's operations and evaluates its quality. The Group estimates internal capital necessary to cover identified significant risks in compliance with procedures adopted by the Group and taking into account stress test results.

The Parent Company is obligated to maintain the capitals (equity) to cover the higher of the following values:

- capital requirements calculated in accordance with the Regulation (EU) of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and
- internal capital estimated in compliance with the Ordinance of the Minister of Finance of 27 September 2012 on defining detailed technical and organizational conditions for investment firms and banks, as referred to in Article 70 par. 2 of the Act on Trading in Financial Instruments, and custodian banks and the conditions for internal capital estimation by brokerages (Journal of Laws 2012, item 1072, as amended).

The principles of calculation of own funds are established in the CRR resolution, "The procedure for calculating risk adequacy ratios in X–Trade Brokers Dom Maklerski S.A." and are not regulated by IFRS.

The Parent Company calculated equity in accordance with part two of the Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 ("CRR"). At present, the total equity of the Group belongs to the best category – Tier 1.

Prudential consolidation according to the CRR applies to subsidiaries in excess of the threshold referred to in Article 19 of the CRR. As regards the Group, the Parent Company includes its subsidiary X-Trade Brokers Menkul Değerler A.Ş. in prudential consolidation, from 31 October 2015 includes its subsidiary XTB Limited and from 30 April 2017 includes its subsidiary XTB International.

In accordance with the Act on macroprudential supervision of the financial system and crisis management in the financial system of 5 August 2015, since 1 January 2016 the Group is obliged to maintain capital buffers. In the period covered by the financial statements the Company was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management:

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
The Company's own funds	380 150	317 344	295 287
Tier I Capital	380 150	317 344	295 287
Common Equity Tier I capital	380 150	317 344	295 287
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total risk exposure	2 460 606	2 630 505	2 667 492
Capital conservation buffer	46 137	32 881	33 344
Countercyclical capital buffer	832	3 100	334
Combined buffer requirement	46 969	35 981	33 678

The mandatory capital adequacy was not breached in the periods covered by the interim condensed consolidated financial statements.

The table below presents data on the level of capitals and on the total capital requirement divided into requirements due to specific types of risks calculated in accordance with separate regulations together with average monthly values. Average monthly values were calculated as an estimation of the average values calculated based on statuses at the end of specific days.

In the table below, in order to ensure comparability of the presentation, the total capital requirement was presented as 8% of the total risk exposure, calculated in accordance with the CRR.

(IN PLN'000)	AS AT 30.06.2018 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2017 (AUDITED)	AS AT 30.06.2017 (UNAUDITED)
1. Capital/Own funds	380 150	346 607	317 344	295 287
1.1. Base capital/Common Equity Tier I without deductions	411 774	346 211	324 868	324 868
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(31 624)	396	(7 524)	(29 581)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–	–	–	–
I. Level of capitals subject to monitoring/Own funds	380 150	346 607	317 344	295 287
1. Market risk	124 772	102 570	138 118	144 244
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	8 505	8 791	10 998	8 460
3. Credit risk	23 399	19 645	21 151	22 451
4. Operating risk	40 172	40 001	40 172	38 245
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	196 848	171 007	210 439	213 400
IIb. Total risk exposure	2 460 606	2 137 588	2 630 505	2 667 492
Capital conservation buffer	46 137	40 080	32 881	33 344
Countercyclical capital buffer	832	2 865	3 100	334
Combined buffer requirement	46 969	42 945	35 981	33 678

Pursuant to CRR the duty to calculate the capital requirement in respect of fixed costs arises only in the event that the entity does not calculate the capital requirement in respect of operating risk.

32. Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken, as well as to establish appropriate limits to mitigate such risk on a regular basis.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Parent Company has appointed a Risk Management Committee. Its key tasks include performing supervisory, consultative and advisory functions for the Company's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Company's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Company and creating a catalogue of risks, approves policies and procedures of risk and ICAAP management, reviews and approves analyses carried out by owners of specific risks and the Risk Control Department as part of the risk and ICAAP management system within the Company.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of the occurrence of new types of risk, significant changes in strategy and operating plans. The Department also monitors the appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls the market risk of the Company's own investments, defines the overall capital requirement and estimates internal capital. The Risk Control Department reports directly to the Member of the Management Board responsible for the operation of the Group's internal control system.

The Parent Company's Supervisory Board approves risk management system.

32.1 Fair value

32.1.1 Carrying amount and fair value

The fair value of cash and cash equivalents is estimated as being close to their carrying amount.
The fair value of loans granted and other receivables, amounts due to customers and other liabilities is estimated as being close to their carrying amount in view of the short-term maturities of these balance sheet items.

32.1.2 Fair value hierarchy

The Group discloses fair value measurement of financial instruments carried at fair value, applying the following fair value hierarchy which reflects the significance of input data used to establish the fair value:

- Level 1: quoted prices (unadjusted) in active markets for the assets or liabilities;
- Level 2: input data other than quoted prices classified in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices). This category includes financial assets and liabilities measured using prices quoted in active markets for identical assets, prices quoted in active markets for identical assets considered less active or other valuation methods where all significant inputs originate directly or indirectly from the markets;
- Level 3: input data for valuation of a given asset or liability is not based on observable market data (unobservable inputs).

(IN PLN'000)	30.06.2018 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	12 273	104 289	–	116 562
Total assets	12 273	104 289	–	116 562
Financial liabilities				
Financial liabilities held for trading	–	16 459	–	16 459
Total liabilities	–	16 459	–	16 459

(IN PLN'000)	31.12.2017 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	22 967	104 977	–	127 944
Financial assets available for sale	–	147	–	147
Total assets	22 967	105 124	–	128 091
Financial liabilities				
Financial liabilities held for trading	–	40 905	–	40 905
Total liabilities	–	40 905	–	40 905

(IN PLN'000)	30.06.2017 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	134 950	–	134 950
Financial assets available for sale	–	168	–	168
Total assets	–	135 118	–	135 118
Financial liabilities				
Financial liabilities held for trading	–	26 980	–	26 980
Total liabilities	–	26 980	–	26 980

In the periods covered by the interim condensed consolidated financial statements, there were no transfers of items between the levels of the fair value hierarchy.

The fair value of contracts for differences (CFDs) is determined based on the market prices of underlying instruments, derived from independent sources, i.e. from reliable liquidity suppliers and reputable news, adjusted for the spread specified by the Group. The valuation is performed using closing prices or the last bid and ask prices. CFDs are measured as the difference between the current price and the opening price, taking account of accrued commissions and swap points.

The impact of adjustments due to credit risk of the contractor, estimated by the Group, was insignificant from the point of view of the general estimation of derivative transactions concluded by the Group. Therefore, the Group does not recognise the impact of unobservable input data used for the estimation of derivative transactions as significant and, pursuant to IFRS 13.73, does not classify such transactions as level 3 of the fair value hierarchy.

32.2 Market risk

In the period covered by these interim condensed consolidated financial statements, the Group entered into OTC contracts for differences (CFDs) and digital options. The Group may also acquire securities and enter into forward contracts on its own account on regulated stock markets.

The following risks are specified, depending on the risk factor:

- Currency risk connected with fluctuations of exchange rates
- Interest rate risk
- Commodity price risk
- Equity investment price risk

The Group's key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Company's practice in this area is consistent with the following principles.

As part of the internal procedures, the Group applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, maximum value of a single instruction. The Trading Department monitors open positions subject to limits on a current basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Department reviews the limit usage on a regular basis, and controls the hedges entered into.

32.2.1 Currency risk

The Group enters into transactions principally in instruments bearing currency risk. Aside from transactions where the FX rate is an underlying instrument, the Group also offers instruments which price is denominated in foreign currencies. Also, the Group has assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations.

The carrying amount of the Group's assets and liabilities in foreign currencies as at the balance sheet date is presented below. The values for all base currencies are expressed in PLN'000:

Assets and liabilities denominated in foreign currencies as at 30 June 2018 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	39 628	97 036	6 826	19 903	3 396	3 145	29 778	199 712	499 189
Customers' cash and cash equivalents	26 366	183 668	5 169	34 444	2 776	5 913	5 911	264 247	336 753
Financial assets at fair value through P&L	12 978	56 466	1 292	11 737	2 500	1 229	1 947	88 149	116 562
Income tax receivables	–	3	–	104	–	–	–	107	285
Loans granted and other receivables	478	3 301	180	271	31	105	970	5 336	6 619
Prepayments and deferred costs	84	489	347	189	–	39	87	1 235	5 085
Intangible assets	–	10	–	8	–	–	20	38	1 344
Property, plant and equipment	–	559	24	222	–	27	179	1 011	2 712
Deferred income tax assets	–	8 500	2 003	44	–	–	290	10 837	10 836
Total assets	79 534	350 032	15 841	66 922	8 703	10 458	39 182	570 672	979 385
Liabilities									
Amounts due to customers	33 067	225 127	5 866	44 902	5 047	6 842	7 334	328 185	424 955
Financial liabilities held for trading	3 416	6 795	446	1 300	248	120	547	12 872	16 459
Income tax liabilities	–	202	–	–	–	–	321	523	523
Other liabilities	1 032	6 784	1 725	1 243	13	158	1 064	12 019	20 165
Provisions for liabilities	–	–	–	–	–	444	1 473	1 917	3 060
Deferred income tax provision	–	–	–	–	–	–	–	–	14 933
Total liabilities	37 515	238 908	8 037	47 445	5 308	7 564	10 739	355 516	480 095

Assets and liabilities denominated in foreign currencies as at 31 December 2017 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	36 906	55 776	4 778	17 765	1 709	1 272	31 241	149 447	367 096
Customers' cash and cash equivalents	29 179	203 627	6 584	37 059	2 803	3 454	6 898	289 604	378 471
Financial assets held for trading	15 392	63 456	1 814	10 675	1 056	1 557	2 369	96 319	127 994
Financial assets available for sale	–	–	–	–	–	–	147	147	147
Income tax receivables	–	61	–	54	–	–	260	375	375
Loans granted and other receivables	328	2 558	183	17	–	148	229	3 463	4 009
Prepayments and deferred costs	107	75	392	176	–	10	24	784	3 216
Intangible assets	–	14	–	15	–	–	30	59	2 915
Property, plant and equipment	–	500	56	251	–	34	202	1 043	3 034
Deferred income tax assets	–	8 253	1 970	49	–	–	225	10 497	10 497
Total assets	81 912	334 320	15 777	66 061	5 568	6 475	41 625	551 738	897 704
Liabilities									
Amounts due to customers	41 280	222 477	5 438	42 061	3 596	4 822	164	319 838	421 400
Financial liabilities held for trading	4 130	15 372	2 642	3 904	168	147	1 037	27 400	40 905
Income tax liabilities	–	320	–	–	–	–	135	455	1 268
Other liabilities	526	6 364	2 178	1 572	–	391	1 244	12 275	21 913
Provisions for liabilities	–	–	–	–	–	425	754	1 179	1 666
Deferred income tax provision	–	–	–	–	–	–	–	–	10 210
Total liabilities	45 936	244 533	10 258	47 537	3 764	5 785	3 334	361 133	497 362

Assets and liabilities denominated in foreign currencies as at 30 June 2017 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	51 757	106 910	6 198	14 493	5 410	4 009	33 321	222 098	251 987
Customers' cash and cash equivalents	29 611	215 287	2 592	47 789	4 624	5 801	7 071	312 775	442 963
Financial assets held for trading	10 656	63 985	1 391	10 704	2 237	1 641	2 259	92 873	134 950
Financial assets available for sale	–	–	–	–	–	–	168	168	168
Income tax receivables	–	36	–	1 020	–	–	482	1 538	1 538
Loans granted and other receivables	2 151	2 462	690	88	–	84	324	5 799	6 525
Prepayments and deferred costs	–	123	400	114	–	11	174	822	5 505
Intangible assets	1 612	21	–	24	–	–	52	1 709	5 187
Property, plant and equipment	–	577	85	301	–	47	337	1 347	3 466
Deferred income tax assets	–	8 515	2 050	36	–	–	19	10 620	10 619
Total assets	95 787	397 916	13 406	74 569	12 271	11 593	44 207	649 749	862 908
Liabilities									
Amounts due to customers	40 469	221 300	3 435	47 930	5 387	5 845	2 165	326 531	457 208
Financial liabilities held for trading	1 782	14 016	334	2 296	168	441	521	19 558	26 980
Income tax liabilities	–	104	–	–	–	–	–	104	3 304
Other liabilities	174	5 888	1 414	950	–	223	1 451	10 100	18 962
Provisions for liabilities	–	93	–	–	–	440	51	584	827
Deferred income tax provision	–	–	–	–	–	–	–	–	14 662
Total liabilities	42 425	241 401	5 183	51 176	5 555	6 949	4 188	356 877	521 943

A change in exchange rates, in particular, the PLN exchange rate, affects the balance sheet valuation of the Group's financial instruments and the result on translation of foreign currency balances of other balance sheet items. Sensitivity to exchange rate fluctuations was calculated with the assumption that all foreign currency rates change by ±5% to PLN. The carrying amount of financial instruments was revalued.

The sensitivity of the Group's equity and profit before tax to a 5% increase or decrease of the PLN exchange rate is presented below:

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2018 (UNAUDITED)		30.06.2017 (UNAUDITED)	
	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%
Income (expenses) of the period	20 187	(20 187)	7 923	(7 923)
Equity, of which:	3 366	(3 366)	3 348	(3 348)
Foreign exchange differences on translation	3 366	(3 366)	3 348	(3 348)

The sensitivity of equity is connected with foreign exchange differences in the translation of value in functional currencies of the foreign operations.

32.2.2 Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Group to the adverse impact of exchange rate fluctuations. Such risk may result from the contracts entered into by the Group, where receivables or liabilities are dependent upon exchange rates as well as from holding assets or liabilities dependent on exchange rates.

The basic interest rate risk for the Group is the mismatch of interest rates paid to customers in connection with funds deposited in cash accounts in the Group, and of the bank account and bank deposits where the Group's customers' funds are invested.

In addition, the source of the Group's profit variability associated with the level of market interest rates, are amounts paid and received in connection with the occurrence of the difference in interest rates for different currencies (swap points) as well as potential debt instruments. As a rule, the change in bank interest rates does not significantly affect the Group's financial position, since the Group determines interest rates for funds deposited in customers' cash accounts based on a variable formula, in an amount not higher than the interest rate received by the Group from the bank maintaining the bank account in which customers' funds are deposited.

Interest rates applicable to cash accounts are floating, and related to WIBID/WIBOR/LIBOR/EURIBOR rates. Therefore, the risk of interest rate mismatch adverse to the brokerage house is very low.

Since the Group maintains a low duration of assets and liabilities and minimises the duration gap, sensitivity of the market value of assets and liabilities to calculations of market interest rates is very low. As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Group's operations.

Sensitivity analysis of financial assets and liabilities where cash flows are exposed to interest rate risk

The structure of financial assets and liabilities where cash flows are exposed to interest rate risk is as follows:

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Financial assets			
Cash and cash equivalents	835 942	745 567	694 950
Total financial assets	835 942	745 567	694 950
Financial liabilities			
Amounts due to customers	65 369	64 824	116 973
Other liabilities	128	128	182
Total financial liabilities	65 497	64 952	117 155

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in the period from 1 January to 30 June 2018 and from 1 January to 30 June 2017, using the average 1M interest rate in a given market.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2018 (UNAUDITED)		30.06.2017 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	3 924	(3 924)	3 243	(3 243)

Sensitivity analysis of financial assets and liabilities whose fair value is exposed to interest rate risk

In the period covered by these consolidated financial statements and in the comparative period, the Group did not hold any financial assets or liabilities whose fair value would be exposed to the risk of changes in interest rates.

32.2.3 Other price risk

Other price risk is exposure of the Group's financial position to unfavourable changes in the prices of commodities, equity investments (equity, indices) and debt instruments (in a scope not resulting from interest rates).

The carrying amount of financial instruments exposed to other price risk is presented below:

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Financial assets at fair value through P&L*			
Commodity CFDs			
Precious metals	4 804	2 142	3 720
Base metals	128	776	230
Other	18 580	11 018	8 854
Total commodity CFDs	23 512	13 936	12 804
Equity CFDs			
Stocks	19 139	28 153	18 944
Indicies	51 615	56 062	69 285
Total equity CFDs	70 754	84 215	88 229
Debt CFDs	328	92	48
Total financial assets at fair value through P&L*	94 594	98 243	101 081
Financial liabilities held for trading			
Commodity CFDs			
Precious metals	184	1 080	104
Base metals	350	43	80
Other	2 132	3 075	2 981
Total commodity CFDs	2 666	4 198	3 165
Equity CFDs			
Stocks	2 707	2 588	1 798
Indicies	6 573	11 826	13 672
Total equity CFDs	9 280	14 414	15 470
Debt CFDs	14	52	56
Total financial liabilities held for trading	11 960	18 664	18 691

**item presented in comparative periods as Financial assets held for trading*

The Group's sensitivity to fluctuations in the prices of specific commodities and equity investments by ±5 per cent with regard to equity and profit before tax is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED) INCREASE BY 5%	DECREASE BY 5%	30.06.2017 (UNAUDITED) INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity CFDs				
Precious metals	(6 220)	6 220	(5 385)	5 385
Base metals	190	(190)	(167)	167
Other	(5 248)	5 248	(6 040)	6 040
Total commodity CFDs	(11 278)	11 278	(11 592)	11 592
Equity CFDs				
Stocks	27	(27)	35	(35)
Indicies	(10 579)	10 579	1 277	(1 277)
Total equity CFDs	(10 552)	10 552	1 312	(1 312)
Debt CFDs	661	(661)	293	(293)
Total income/(expenses) for the period	(21 169)	21 169	(9 987)	9 987

32.3 Liquidity risk

For the Group, liquidity risk is the risk of losing its payment liquidity, i.e. the risk of losing capacity to finance its assets and to perform its obligations in a timely manner in the course of normal operations or in other predictable circumstances with no risk of loss. In its liquidity analysis, the Group takes into consideration current possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

The objective of liquidity management in X–Trade Brokers is to maintain the amount of cash on the appropriate bank accounts that will cover all the operations necessary to be carried on such accounts. In order to manage liquidity in relation to certain bank accounts associated with the operations of financial instruments, the Group uses the liquidity model of which the essence is to determine the safe area of the state of free cash flow that does not require corrective action. Where the upper limit is achieved, the Group makes a transfer to the appropriate current account corresponding to the surplus above the optimum level. Similarly, if the cash in the account falls to the lower limit, the Group makes a transfer of funds from the current account to the appropriate account in order to bring cash to the optimum level.

Tasks relating to the maintenance and updating of the rules of the liquidity model are performed by the Parent Company's Risk Control Department. Risk Control Department employees are required to analyse liquidity at least once a week, as well as to transfer the relevant information to the Parent Company's Accounting Department in order to make certain operations in the accounts.

The subsidiaries manage liquidity by analysing the anticipated cash flows and by matching the maturities of assets with the maturities of liabilities. The subsidiaries do not use any models for managing liquidity. Liquidity management based on the liquidity gap analysis is effective and sufficient – in subsidiaries, there were no incidents related to lack of liquidity or the lack of possibility of meeting financial obligations. In extraordinary cases, the subsidiaries' liquidity may be provided by the Parent Company.

The procedure also provides for the possibility of deviating from its application, and such procedure requires the consent of at least two members of the Parent Company's Management. Information on deviations is transmitted to the Risk Control Department of the Parent Company.

The Parent Company has also implemented liquidity contingency plans, which were not used in the period covered by the financial statements and in the comparative period, due to the fact that the amount of the most liquid assets (own cash and cash equivalents) greatly exceeds the amount of liabilities.

As part of ongoing business and the tasks related to liquidity risk management, the managers of appropriate organisational units of the Parent Company monitor the balance of funds deposited in the account in the context of planned liquidity needs related to the Parent Company's operating activities. In its liquidity analysis, the existing possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans are taken into consideration.

The contractual payment periods of financial assets and liabilities are presented below. The marginal and cumulative contractual liquidity gap, calculated as the difference between total assets and total liabilities for each maturity bucket, is presented for specific payment periods.

Contractual payment periods of financial assets and liabilities as at 30 June 2018 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	835 942	835 942	835 942	–	–	–	–
Financial assets at fair value through P&L							
Stocks	12 404	12 404	12 273	–	–	–	131
CFDs	104 158	104 158	104 158	–	–	–	–
Total financial assets at fair value through P&L	116 562	116 562	116 431	–	–	–	131
Loans granted and other receivables	6 619	6 619	4 678	–	1 941	–	–
Total financial assets	959 123	959 123	957 051	–	1 941	–	131
Financial liabilities							
Amounts due to customers	424 955	424 955	424 955	–	–	–	–
Financial liabilities held for trading							
CFDs	16 459	16 459	16 459	–	–	–	–
Total financial liabilities held for trading	16 459	16 459	16 459	–	–	–	–
Other liabilities	20 165	20 165	11 769	6 553	–	–	1 843
Total financial liabilities	461 579	461 579	453 183	6 553	–	–	1 843
Contractual liquidity gap in maturities (payment dates)			503 868	(6 553)	1 941	–	(1 712)
Contractual cumulative liquidity gap			503 868	497 315	499 256	499 256	497 544

Contractual payment periods of financial assets and liabilities as at 31 December 2017 (audited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	745 567	745 567	745 567	–	–	–	–
Financial assets held for trading							
CFDs	127 944	127 944	127 944	–	–	–	–
Total financial assets held for trading	127 944	127 944	127 944	–	–	–	–
Financial assets available for sale	147	147	–	–	–	–	147
Loans granted and other receivables	4 009	4 009	2 218	–	1 791	–	–
Total financial assets	877 667	877 667	875 729	–	1 791	–	147
Financial liabilities							
Amounts due to customers	421 400	421 400	421 400	–	–	–	–
Financial liabilities held for trading							
CFDs	40 905	40 905	40 905	–	–	–	–
Total financial liabilities held for trading	40 905	40 905	40 905	–	–	–	–
Other liabilities	21 913	21 913	9 357	10 781	37	–	1 738
Total financial liabilities	484 218	484 218	471 662	10 781	37	–	1 738
Contractual liquidity gap in maturities (payment dates)			404 067	(10 781)	1 754	–	(1 591)
Contractual cumulative liquidity gap			404 067	393 286	395 040	395 040	393 449

Contractual payment periods of financial assets and liabilities as at 30 June 2017 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	694 950	694 950	694 950	–	–	–	–
Financial assets held for trading							
CFDs	134 950	134 950	134 950	–	–	–	–
Total financial assets held for trading	134 950	134 950	134 950	–	–	–	–
Financial assets available for sale	168	168	–	–	–	–	168
Loans granted and other receivables	6 525	6 525	4 288	–	2 237	–	–
Total financial assets	836 593	836 593	834 188	–	2 237	–	168
Financial liabilities							
Amounts due to customers	457 208	457 208	457 208	–	–	–	–
Financial liabilities held for trading							
CFDs	26 980	26 980	26 980	–	–	–	–
Total financial liabilities held for trading	26 980	26 980	26 980	–	–	–	–
Other liabilities	18 962	18 962	10 449	6 431	78	–	2 004
Total financial liabilities	503 150	503 150	494 637	6 431	78	–	2 004
Contractual liquidity gap in maturities (payment dates)			339 551	(6 431)	2 159	–	(1 836)
Contractual cumulative liquidity gap			339 551	333 120	335 279	335 279	333 443

The Group does not expect the cash flows presented in the maturity analysis to occur significantly earlier or in significantly different amounts.

32.4 Credit risk

The chart below shows the carrying amounts of financial assets corresponding to the Group's exposure to credit risk:

(IN PLN'000)	30.06.2018 (UNAUDITED)		31.12.2017 (AUDITED)		30.06.2017 (UNAUDITED)	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	835 942	835 942	745 567	745 567	694 950	694 950
Financial assets at fair value through P&L *	116 562	4 952	127 944	13 063	134 950	9 643
Financial assets available for sale**	N/A	N/A	147	147	168	168
Loans granted and other receivables	6 619	6 619	4 009	4 009	6 525	6 525
Total financial assets	959 123	847 513	877 667	762 786	836 593	711 286

** As at 30 June 2018 the maximum exposure to credit risk for financial assets at fair value through P&L, not including the collateral received, was PLN 104 158 thousand (31 December 2017: PLN 101 566 thousand, 30 June 2017: PLN 117 134 thousand). This exposure was collateralised with customers' cash, which, as at 30 June 2018, covered the amount of PLN 97 504 thousand (31 December 2017: PLN 88 412 thousand, 30 June 2017: PLN 88 412 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised*

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

The credit quality of the Group's financial assets is assessed based on external credit quality assessments, risk weights assigned based on the CRR, taking account of the mechanisms used to mitigate credit risk, the number of days past due, and the probability of counterparty insolvency.

The Group's assets fall within the following credit rating brackets:

- Fitch Ratings – from F1+ to B
- Standard & Poor's Ratings Services – from A-1+ to B
- Moody's – from P-1 to N/A

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and customers' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 31 March 2018, the Group had deposit accounts in 42 banks and institutions (31 December 2017: in 40 banks and institutions, 30 June 2017: 43 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	30.06.2018 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2017 (AUDITED) (IN PLN'000)	ENTITY	30.06.2017 (UNAUDITED) (IN PLN'000)
Bank 1	246 922	Bank 1	229 229	Bank 1	131 441
Bank 2	143 774	Bank 2	108 812	Bank 2	120 668
Bank 3	98 152	Bank 3	86 083	Bank 3	69 881
Bank 4	75 604	Bank 4	77 019	Bank 4	69 077
Bank 5	41 396	Bank 5	41 163	Bank 5	41 043
Bank 6	35 898	Bank 6	28 635	Bank 6	29 705
Bank 7	23 673	Bank 7	25 291	Bank 7	29 651
Bank 8	21 953	Bank 8	23 946	Bank 8	29 099
Bank 9	17 804	Bank 9	22 026	Bank 9	26 955
Bank 10	15 925	Bank 10	13 976	Bank 10	23 758
Other	114 841	Other	89 387	Other	123 672
Total	835 942	Total	745 567	Total	694 950

The table below presents a short-term assessment of the credit quality of the Group's cash and cash equivalents according to credit quality steps determined based on external credit quality assessments (where step 1 means the best credit quality and step 6 – the worst) and the risk weights assigned based on the CRR. Long-term assessment of the credit quality were used in case of exposures without short-term assessment of the credit quality or maturity longer than 3 months.

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000)		
	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Cash and cash equivalent			
Step 1	740 576	657 250	580 513
Step 2	2 306	1 626	1 215
Step 3	66 727	77 364	94 368
Step 4	24 444	9 327	16 984
Step 5	1 889	–	1 870
Total	835 942	745 567	694 950

Financial assets at fair value through P&L

Financial assets at fair value through P&L result from transactions in financial instruments entered into with the Group's customers and the related hedging transactions.

Credit risk involving financial assets at fair value through P&L is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the Group's policy is to mitigate the counterparty credit risk through the so-called "stop out" mechanism. Customer funds deposited in the brokerage serve as a security. If a customer's current balance is 30 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected customers, in particular, requirements regarding minimum balances in cash accounts.

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets at fair value through P&L is high and does not show significant diversity.

The Group's top 10 exposures to counterparty credit risk taking into account collateral (net exposure) are presented in the table below (numbering of counterparties determined individually for each period):

	30.06.2018 (UNAUDITED)		31.12.2017 (AUDITED)		30.06.2017 (UNAUDITED)
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	1 333	Entity 1	2 076	Entity 1	2 138
Entity 2	350	Entity 2	1 340	Entity 2	872
Entity 3	176	Entity 3	713	Entity 3	428
Entity 4	168	Entity 4	703	Entity 4	359
Entity 5	128	Entity 5	675	Entity 5	349
Entity 6	116	Entity 6	433	Entity 6	316
Entity 7	109	Entity 7	416	Entity 7	298
Entity 8	97	Entity 8	383	Entity 8	282
Entity 9	79	Entity 9	238	Entity 9	257
Entity 10	76	Entity 10	234	Entity 10	239
Total	2 632	Total	7 211	Total	5 538

Financial assets held to maturity

As at 30 June 2018, 31 December 2017 and 30 June 2017 there were no financial assets held to maturity.

Other receivables

Other receivables do not show a significant concentration, and they arose in the normal course of the Group's business. Non-overdue other receivables are collected on a regular basis and, from the perspective of credit quality, they do not pose a material risk to the Group.

HALF-YEAR CONDENSED FINANCIAL STATEMENTS

HALF-YEAR CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2017 (UNAUDITED)
Result of operations on financial instruments	6.1	185 942	109 999
Income from fees and charges	6.2	3 223	2 092
Other income		80	37
Total operating income	6	189 245	112 128
Salaries and employee benefits	7	(33 047)	(28 810)
Marketing	8	(13 311)	(12 471)
Other external services	9	(14 763)	(9 410)
Costs of maintenance and lease of buildings		(3 020)	(2 696)
Amortisation and depreciation	17,18	(1 608)	(2 065)
Taxes and fees		(766)	(1 245)
Commission expenses	10	(3 405)	(2 234)
Other costs		(1 797)	(873)
Total operating expenses		(71 717)	(59 804)
Profit on operating activities		117 528	52 324
Impairment of investments in subsidiaries	15	(4 397)	(9 720)
Finance income	11	7 534	466
Finance costs	11	(2 450)	(12 683)
Profit before tax		118 215	30 387
Income tax	26	(23 648)	(5 901)
Net profit		94 567	24 486
Other comprehensive income		893	(1 710)
Items which will be reclassified to profit (loss) after meeting specific conditions		893	(1 710)
- foreign exchange differences on translation of foreign operations		*(532)*	*(117)*
- foreign exchange differences on valuation of separated equity		*1 759*	*(1 966)*
- deferred income tax		*(334)*	*373*
Total comprehensive income		95 460	22 776
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	0,81	0,21
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,81	0,21
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	0,81	0,21
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,81	0,21

The half-year condensed comprehensive income statement should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

HALF-YEAR CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	13	451 653	322 954	189 820
Customers' cash and cash equivalents	13	298 819	334 100	413 933
Financial assets at fair value through P&L	14	109 606	N/A*	N/A*
Financial assets held for trading	14	N/A*	118 164	125 244
Investments in subsidiaries	15	56 164	57 160	59 205
Income tax receivables		238	115	1 055
Loans granted and other receivables	16	7 974	5 060	9 874
Prepayments and deferred costs		4 553	2 661	4 921
Intangible assets	17	1 100	2 111	3 275
Property, plant and equipment	18	2 436	2 764	3 043
Deferred income tax assets	26	8 544	8 302	8 551
Total assets		941 087	853 391	818 921
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	19	383 243	374 930	409 102
Financial liabilities held for trading	20	14 376	34 834	23 793
Income tax liabilities		202	1 121	3 304
Other liabilities	21	18 253	20 724	18 532
Provisions for liabilities	22	1 587	911	776
Deferred income tax provision	26	15 117	8 022	13 926
Total liabilities		432 778	440 542	469 433
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	334 760	247 854	247 854
Foreign exchange differences on translation	23	1 505	612	163
Retained earnings		94 567	86 906	23 994
Total equity		508 309	412 849	349 488
Total equity and liabilities		941 087	853 391	818 921

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

The half-year condensed statement of financial position should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

HALF-YEAR CONDENSED STATEMENT OF CHANGES IN EQUITY

Half-year condensed statement of changes in equity for the period from 1 January 2018 to 30 June 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2018	5 869	71 608	247 854	612	86 906	412 849
Total comprehensive income for the financial year						
Net profit	–	–	–	–	94 567	94 567
Other comprehensive income	–	–	–	893	–	893
Total comprehensive income for the financial year	–	–	–	893	94 567	95 460
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss (note 24)	–	–	86 906	–	(86 906)	–
- dividend payment	–	–	–	–	–	–
- transfer to other reserves	–	–	86 906	–	(86 906)	–
As at 30 June 2018 (unaudited)	5 869	71 608	334 760	1 505	94 567	508 309

The half-year condensed statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

Statement of changes in equity for the period from 1 January 2017 to 31 December 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 416	1 873	72 509	364 275
Total comprehensive income for the financial year						
Net profit	–	–	–	–	87 398	87 398
Other comprehensive income	–	–	–	(1 261)	–	(1 261)
Total comprehensive income for the financial year	–	–	–	(1 261)	87 398	86 137
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss (note 24)	–	–	35 438	–	(73 001)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–
As at 31 December 2017 (audited)	5 869	71 608	247 854	612	86 906	412 849

The statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

Half-year condensed statement of changes in equity for the period from 1 January 2017 to 30 June 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 416	1 873	72 509	364 275
Total comprehensive income for the financial year						
Net profit	–	–	–	–	24 486	24 486
Other comprehensive income	–	–	–	(1 710)	–	(1 710)
Total comprehensive income for the financial year	–	–	–	(1 710)	24 486	22 776
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss (note 24)	–	–	35 438	–	(73 001)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–
As at 30 June 2017 (unaudited)	5 869	71 608	247 854	163	23 994	349 488

The half-year condensed statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

HALF-YEAR CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2017 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		118 215	30 387
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		(43)	9
Amortization and depreciation		1 608	2 065
Foreign exchange (gains) losses from translation of own cash		(2 797)	4 070
(Gain) Loss on investment activity	15	2 346	7 266
Other adjustments	28.3	864	(1 680)
Changes			
Change in provisions		676	(107)
Change in balance of financial assets and liabilities at fair value through P&L		(11 900)	(32 874)
Change in balance of restricted cash		35 281	(61 103)
Change in balance of loans granted and other receivables	28.1	(2 914)	1 432
Change in balance of prepayments and accruals		(1 892)	(2 030)
Change in balance of amounts due to customers		8 313	58 281
Change in balance of other liabilities	28.2	(2 424)	(1 829)
Cash from operating activities		145 333	3 887
Income tax paid		(17 837)	(5 482)
Interests		–	2
Net cash from operating activities		127 496	(1 593)
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		43	3
Expenses relating to payments for property, plant and equipment	18	(240)	(717)
Expenses relating to payments for intangible assets	17	–	(457)
Expenses relating to payments for investments in subsidiaries		(3 400)	(2 830)
Proceeds from loans repayment		–	732
Dividends received from subsidiaries		2 051	2 454
Net cash from investing activities		(1 546)	(815)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(47)	(77)
Interest paid under lease		–	(2)
Dividend paid to owners		–	(37 563)
Net cash from financing activities		(47)	(37 642)
Increase (Decrease) in net cash and cash equivalents		125 903	(40 050)
Cash and cash equivalents – opening balance		322 954	233 942
Effect of FX rates fluctuations on balance of cash in foreign currencies		2 796	(4 072)
Cash and cash equivalents – closing balance	13	451 653	189 820

The half-year condensed cash flow statement should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

ADDITIONAL NOTES TO THE HALF-YEAR CONDENSED FINANCIAL STATEMENTS

1. General information

1.1 Name and registered seat of the Company

Name:	X-Trade Brokers Dom Maklerski Spółka Akcyjna
Legal form:	Joint Stock Company
Country:	Poland
Company registered seat:	Ogrodowa 58, 00-876 Warsaw
Regon statistical number:	015803782
Tax Identification Number:	527-24-43-955
Registration in the National Court Register:	0000217580

1.2 Company business

X-Trade Brokers Dom Maklerski is a joint-stock company established pursuant to a notarial deed of 2 September 2004 - Repertory A-2712/2004.

On 22 September 2004, the Company was entered in the National Court Register by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register, under No. 0000217580. The Company was granted a statistical REGON number 015803782 and a tax identification (NIP) number 527–24–43–955.

The Company's operations consist of conducting brokerage activities. The Company is supervised by the Polish Financial Supervision Authority and conducts regulated activities pursuant to a permit dated 8 November 2005, No. DDM–M–4021–57–1/2005.

1.3 Information on the reporting entities in the Company's organizational structure

The half-year condensed financial statements cover the following foreign branches which form the Company:

- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: CUI 24270192.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: 4721939029.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689.
- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register under No. 980436613.

1.4 Composition of the Company's Management Board

In the period covered by these financial statements, the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Malý	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019; dismissed on the 10 January 2017
Jakub Zabłocki	Chairman of the Management Board	10.01.2017	delegated for the position for the period of 3 months from the 10 January to 10 April 2017; delegation cancelled on the 23 March 2017
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Omar Arnaout	Vice-Chairman of the Management Board	10.01.2017	from the 10 January 2017 appointed for the new term of office; on the 23 March 2017 appointed for the position of the Chairman of the Management Board
Paweł Frańczak	Board Member	31.08.2012	from the 29 June appointed for the 3-years term of office ending 29 June 2019; resigned from office on 25 April 2018
Paweł Szejko	Board Member	28.01.2015	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Filip Kaczmarzyk	Board Member	10.01.2017	from the 10 January 2017 appointed for the new term of office which ends on 29 June 2019

2. Professional judgement and uncertainty of estimates

In the process of applying the accounting principles (policy), the Management Board of the Company made judgements in the scope of classification of lease agreements, period of amortisation of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2017.

3. Basis for drafting the financial statements

3.1 Compliance statement

These half-year condensed financial statements have been prepared according to the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Company's operations or their impact would be immaterial.

The International Financial Reporting Standards accepted by the European Union ("IFRS") comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The half-year condensed financial statements of the X–Trade Brokers Dom Maklerski S.A. prepared for the period from 1 January 2018 to 30 June 2018 with comparative data for the period from 1 January 2017 to 30 June 2017, as at 31 December 2017 and as at 30 June 2017 cover the Company's financial data and financial data of the branch offices.

These half-year condensed financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities at fair value through P&L and financial instruments held for sale which are measured at fair value. The Company's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The Company and its branch offices maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The half-year condensed financial statements include adjustments not recognised in the companies' accounting records, made in order to reconcile their financial statements with the IFRS.

The half-year condensed financial statements do not cover all information and disclosures required to be presented in annual financial statements and they should be read jointly with the financial statements of the X-Trade Brokers Dom Maklerski S.A. for the year 2017.

The half-year condensed financial statements were approved by the Management Board of the Company on 22 August 2018. Drafting these half-year condensed financial statements, the Company decided that none of the standards would be applied retrospectively.

3.2 Functional currency and reporting currency

The functional currency and the presentation currency of these financial statements is the Polish zloty ("PLN"), and unless stated otherwise, all amounts are shown in thousands of zloty (PLN'000).

3.3 Going concern

The half-year condensed financial statements were prepared based on the assumption that the Company would continue as a going concern in the foreseeable future. At the date of preparation of these half-year condensed financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the company's continued operations.

3.4 Comparability of data and consistency of the policies applied

Data presented in the half-year condensed financial statements is comparable and prepared under the same principles for all periods covered by the half-year condensed financial statements.

3.5 Changes in the accounting policies

The accounting policies adopted in the preparation of the half-year condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except application of new standards and interpretations effective for financial years beginning on or after 1 January 2018.

The Company applied for the first time IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments.

Other new or revised standards and interpretations which are effective for financial years beginning on or after 1 January 2018 do not have material impact on the Company's half-year condensed financial statements.

- IFRS 15 Revenue from contracts with clients

  IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

  The Company adopted IFRS 15 using the modified retrospective method of adoption, i.e. with the cumulative effect of initially applying this Standard recognized at the date of initial application.

  The Company operates in the area of delivering of products, services and technological solutions in the field of trading in financial instruments, specializing in the OTC market and in particular in OTC derivatives. The operating revenues of the Company arise mainly from:

  a) spreads (difference between purchase price and sell price);

  b) net result (gains decreased by losses) from the Company's operations in the scope of market making;

  c) commissions and fees charged to clients by the Company;

  d) from the swap points

  Taking above into account as well as the nature of contracts concluded by the Company with clients, the Company concludes that the application of IFRS 15 does not have material impact on the financial statements.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not material for the Company.

- IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 from the effective date of the standard, without restatement of prior periods.

a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs.

Under IFRS 9, financial instruments are subsequently measured at fair value through profit and loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI' criterion).

The classification and measurement of the Company's financial assets are, as follows:

i. debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. The category includes loans granted and other receivables,

ii. debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition,

iii. equity instruments at FVOCI, with no recycling of gains and losses to profit or loss on derecognition,

iv. financial assets at FVPL include OTC financial instruments. Under IAS 39 OTC instruments, were classified as held for trading.

The Company has I and IV category instruments. The other categories do not appear.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment or whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

IFRS 9 does not introduce significant changes to the classification and measurement of financial liabilities, except for modifications that do not result in the cessation of the recognition of an existing financial liability. The new standard requires the entity to recognize the adjustment to the amortized cost of a financial liability as income or expense in the financial result at the time of modification.

b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For Trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The implementation of IFRS 9 did not have material impact on Company's approach to impairment of receivables.

For other financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that result from default events on financial instruments that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. IFRS 9 also changes the approach to the valuation of the issuer's obligations under financial guarantee contracts by introducing a model based on the concept of expected loss. The implementation of IFRS 9 did not have material impact on Company's financial statements.

c) Hedge accounting

The Company did not decide to apply IFRS 9 in the area of hedge accounting.

d) Other adjustments

Not applicable.

- IFRIC 22 Foreign currency transactions and advance consideration

  IFRIC Interpretation 22 clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The Interpretation relates to the situation when the transaction is in foreign currency and the entity pays or receives consideration in advance in a foreign currency before the recognition of the related asset, expense or income.

  The interpretation does not have material impact on Company's half-year condensed financial statements.

- Amendments to IAS 40 Transfers of Investment Property

  The amendments clarify when an entity should transfer property, including property under construction for development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

  These amendments do not have any impact on the Company's half-year condensed financial statements.

- Amendments to IFRS 2 Classification and measurement share-based payment transactions

  The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transactions; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  These amendments do not have any impact on Company's half-year condensed financial statements.

- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

  The amendments allow entities that carry out insurance activity to postpone the date of entry into force of IFRS 9 by 1 January 2021. The effect of such postponement is that the entities concerned may continue to prepare financial statements in accordance with the applicable standard, i.e. IAS 39.

  These changes do not apply to the Company.

- Amendments to IAS 28 Investments in Associates and Joint Ventures as a part of Amendments resulting from the review of IFRSs 2014-2016

  The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit and loss under IFRS 9. If an entity, that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This selection is made separately for each investment entity associate or joint venture, at the later of the date on which a) the investment entity associate or joint venture is initially recognised; b) the associate or joint venture becomes an investment entity; c) the investment entity associate or joint venture becomes a parent.

  These amendments do not have any impact on Company's half-year condensed financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards as part of amendments resulting from the review of IFRSs 2014-2016

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have not served they intended purpose.

These amendments do not have any impact on the Company's half-year condensed financial statements.

The Company has not decided to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

3.6 New standards and interpretations which have been published but are not yet binding

The following standards and interpretations have been published by the International Accounting Standards Board but are not yet binding:

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 16 Leases (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The Company is in the process of detailed analysing the impact of new standard to its financial statements.
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements - effective for financial years beginning on or after 1 January 2021;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)) – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) – not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2019;
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) – not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) – not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) – not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2020.

4. Adopted accounting policies

The accounting policies applied in the preparation of the half-year condensed financial statements are consistent with the accounting policies applied in the preparation of the annual financial statements for the financial year ended 31 December 2017, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2018.

5. Seasonality of operations

The Company's operations are not seasonal.

6. Operating income

6.1 Result of operations on financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Financial instruments (CFD)		
Index CFDs	100 228	64 547
Currency CFDs	57 621	40 309
Commodity CFDs	32 318	17 815
Stock CFDs	2 268	1 096
Bond CFDs	322	(258)
Total CFDs	192 757	123 509
Options		
Currency options	3 010	2 925
Index options	832	663
Commodity options	104	153
Bond options	1	2
Total options	3 947	3 743
Shares and listed derivative instruments	(34)	–
Dividends from subsidiaries	2 051	2 454
Gross gain on transactions in financial instruments	198 721	129 706
Bonuses and discounts paid to customers	(700)	(1 331)
Commission paid to cooperating brokers	(12 079)	(18 376)
Net gain on transactions in financial instruments	185 942	109 999

Bonuses paid to customers are strictly related to trading in financial instruments by the customer with Company. Customers receive discounts and bonuses under bonus campaigns where the condition for awarding a bonus is the generation of a top-down determined trade volume in financial instruments in a specified period.

The Company concludes cooperation agreements with introducing brokers who receive commissions which depend on the trade generated under the cooperation agreements. The income generated and the costs incurred between the Company and particular brokers relate to the trade between the broker and customers that are not his customers.

From 1 January 2018 the Company presents the costs of affiliation in marketing costs. These costs were previously presented under commission paid to cooperating brokers. The amount of these costs in first half of 2018 amounted to PLN 19 thousand. The amount of these costs in first half of 2017 amounted to PLN 82 thousand. The data was presented in a comparative way.

In the previous period the result on stocks which was part of hedging was reclassified to Stock CFDs. The amount reclassified was PLN 856 thousand.

6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Fees and charges from institutional clients	1 797	1 509
Fees and charges from retail clients	1 426	583
Total income from fees and charges	3 223	2 092

Other fees and charges refer to commission received from institutional partners and regulatory commission charged to retail customers.

6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Central and Eastern Europe	104 765	50 221
- including Poland	*63 999*	*24 378*
Western Europe	77 781	61 752
- including Spain	*29 725*	*28 791*
Latin America and Turkey	6 699	155
Total operating income	189 245	112 128

The countries from which the Company derives each time 15% and over of its revenue are: Poland and Spain. The share of other countries in the structure of the Company's revenue by geographical area does not in any case exceed 15%. Due to the overall share in the Company's revenue, Poland and Spain were set apart for presentation purposes within the geographical area. The Company breaks its revenue down into geographical area by country in which a given customer was acquired.

7. Salaries and employee benefits

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Salaries	(26 735)	(23 018)
Social insurance and other benefits	(5 029)	(5 011)
Employee benefits	(1 283)	(781)
Total salaries and employee benefits	(33 047)	(28 810)

8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Marketing online	(10 694)	(8 037)
Marketing offline	(2 509)	(3 808)
Advertising campaigns	(99)	(544)
Competitions for clients	(9)	(82)
Total marketing	(13 311)	(12 471)

Marketing activities carried out by the Company are mainly focused on Internet marketing, which is also supported by other marketing activities.

From 1 January 2018 the Company presents the costs of affiliation in marketing costs. These costs were previously presented under commission paid to cooperating brokers. The amount of these costs in first half of 2018 amounted to PLN 19 thousand. The amount of these costs in first half of 2017 amounted to PLN 82 thousand. The data was presented in a comparative way.

9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Intermediary services	(4 677)	(767)
Support database systems	(2 910)	(1 668)
Market data delivery	(2 255)	(2 086)
Legal and advisory services	(1 701)	(910)
Internet and telecommunications	(1 148)	(911)
Accounting and audit services	(591)	(601)
IT support services	(404)	(770)
Recruitment	(142)	(111)
Postal and courier services	(51)	(66)
Other external services	(884)	(1 520)
Total other external services	(14 763)	(9 410)

10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Bank commissions	(1 784)	(977)
Stock exchange fees and charges	(1 415)	(1 136)
Commissions of foreign brokers	(206)	(121)
Total commission expenses	(3 405)	(2 234)

11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Interest income		
Interest on own cash	1 196	30
Interest on customers' cash	261	425
Total interest income	1 457	455
Foreign exchange gains	6 071	–
Other finance income	6	11
Total finance income	7 534	466

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Interest expense		
Interest paid to customers	(99)	(430)
Interest paid under lease agreements	–	(2)
Other interest	(16)	(45)
Total interest expense	(115)	(477)
Foreign exchange losses	(2 332)	(12 206)
Other finance costs	(3)	–
Total finance costs	(2 450)	(12 683)

Foreign exchange differences relate to unrealised differences on the measurement of balance sheet items denominated in a currency other than the functional currency.

There was no income from interests calculated using effective interest method.

12. Segment information

For management reporting purposes, the Company's operations are divided into the following two business segments:

1. Retail operations, which include the provision of trading in financial instruments for individual customers.
2. Institutional activity, which includes the provision of trading in financial instruments and offering trade infrastructure to entities (institutions), which in turn provide services of trading in financial instruments for their own customers under their own brand.

These segments do not aggregate other lower-level segments. The management monitors the results of the operating segments separately, in order to decide on the implementation of strategies, allocation of resources and performance assessment. Operations in segment are assessed on the basis of segment profitability and its impact on the overall profitability reported in the financial statements.

Transfer prices between operating segments are based on market prices, according to the principles similar to those applied in settlements with unrelated parties.

The Company concludes transactions only with external clients. Transactions between operating segments are not concluded.

Valuation of assets and liabilities, incomes and expenses of segments is based on the accounting policies applied by the Company.

The Company does not allocate financial activity and corporate income tax burden on business segments.

COMPREHENSIVE INCOME STATEMENT FOR SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	182 428	3 514	185 942	185 942
CFDs				
Index CFDs	99 372	856	100 228	100 228
Currency CFDs	57 044	577	57 621	57 621
Commodity CFDs	30 583	1 735	32 318	32 318
Stock CFDs	1 958	310	2 268	2 268
Bond CFDs	286	36	322	322
Options				
Currency options	3 010	–	3 010	3 010
Index options	832	–	832	832
Commodity options	104	–	104	104
Bond options	1	–	1	1
Shares and listed derivative instruments	(34)	–	(34)	(34)
Dividends from subsidiaries	2 051	–	2 051	2 051
Bonuses and discounts paid to customers	(700)	–	(700)	(700)
Commissions paid to cooperating brokers	(12 079)	–	(12 079)	(12 079)
Fee and commission income	1 426	1 797	3 223	3 223
Other income	80	–	80	80
Total operating income	183 934	5 311	189 245	189 245
Salaries and employee benefits	(32 102)	(945)	(33 047)	(33 047)
Marketing	(12 732)	(579)	(13 311)	(13 311)
Other external services	(14 417)	(346)	(14 763)	(14 763)
Cost of maintenance and lease of buildings	(2 939)	(81)	(3 020)	(3 020)
Amortization and depreciation	(1 604)	(4)	(1 608)	(1 608)
Taxes and fees	(759)	(7)	(766)	(766)
Commission expense	(3 368)	(37)	(3 405)	(3 405)
Other expenses	(1 585)	(212)	(1 797)	(1 797)
Total operating expenses	(69 506)	(2 211)	(71 717)	(71 717)
Operating profit	114 428	3 100	117 528	117 528
Impairment of investments in subsidiaries	–	–	–	(4 397)
Finance income	–	–	–	7 534
Finance costs	–	–	–	(2 450)
Profit before tax	–	–	–	118 215
Income tax	–	–	–	(23 648)
Net profit	–	–	–	94 567

ASSETS AND LIABILITIES AS AT 30.06.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	269 822	28 997	298 819	298 819
Financial assets at fair value through P&L	102 873	6 733	109 606	109 606
Other assets	531 694	968	532 662	532 662
Total assets	904 389	36 698	941 087	941 087
Amounts due to customers	349 607	33 636	383 243	383 243
Financial liabilities held for trading	12 281	2 095	14 376	14 376
Other liabilities	35 159	–	35 159	35 159
Total liabilities	397 047	35 731	432 778	432 778

COMPREHENSIVE INCOME STATEMENT FOR SIX-MONTH PERIOD ENDED 30.06.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	93 694	16 305	109 999	109 999
CFDs				
Index CFDs	48 435	16 112	64 547	64 547
Currency CFDs	39 561	748	40 309	40 309
Commodity CFDs	17 609	206	17 815	17 815
Stock CFDs	1 096	–	1 096	1 096
Bond CFDs	(199)	(59)	(258)	(258)
Options				
Currency options	2 925	–	2 925	2 925
Index options	663	–	663	663
Commodity options	153	–	153	153
Bond options	2	–	2	2
Shares and listed derivative instruments	2 454	–	2 454	2 454
Bonuses and discounts paid to customers	(1 331)	–	(1 331)	(1 331)
Commissions paid to cooperating brokers	(17 674)	(702)	(18 376)	(18 376)
Fee and commission income	583	1 509	2 092	2 092
Other income	37	–	37	37
Total operating income	94 314	17 814	112 128	112 128
Salaries and employee benefits	(28 273)	(537)	(28 810)	(28 810)
Marketing	(12 296)	(175)	(12 471)	(12 471)
Other external services	(8 969)	(441)	(9 410)	(9 410)
Cost of maintenance and lease of buildings	(2 667)	(29)	(2 696)	(2 696)
Amortization and depreciation	(2 063)	(2)	(2 065)	(2 065)
Taxes and fees	(1 240)	(5)	(1 245)	(1 245)
Commission expense	(2 234)	–	(2 234)	(2 234)
Other expenses	(815)	(58)	(873)	(873)
Total operating expenses	(58 557)	(1 247)	(59 804)	(59 804)
Operating profit	35 757	16 567	52 324	52 324
Impairment of investments in subsidiaries	–	–	–	(9 720)
Finance income	–	–	–	466
Finance costs	–	–	–	(12 683)
Profit before tax	–	–	–	30 387
Income tax	–	–	–	(5 901)
Net profit	–	–	–	24 486

ASSETS AND LIABILITIES AS AT 31.12.2017 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	305 663	28 437	334 100	334 100
Financial assets held for trading	111 808	6 356	118 164	118 164
Other assets	400 638	489	401 127	401 127
Total assets	818 109	35 282	853 391	853 391
Amounts due to customers	342 971	31 959	374 930	374 930
Financial liabilities held for trading	32 000	2 834	34 834	34 834
Other liabilities	30 778	–	30 778	30 778
Total liabilities	405 749	34 793	440 542	440 542

ASSETS AND LIABILITIES AS AT 30.06.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	371 056	42 877	413 933	413 933
Financial assets held for trading	120 075	5 169	125 244	125 244
Other assets	279 064	680	279 744	279 744
Total assets	770 195	48 726	818 921	818 921
Amounts due to customers	366 225	42 877	409 102	409 102
Financial liabilities held for trading	21 720	2 073	23 793	23 793
Other liabilities	36 527	11	36 538	36 538
Total liabilities	424 472	44 961	469 433	469 433

13. Cash and cash equivalents

Broken down by type

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
In current bank accounts	750 472	656 566	603 259
Short-term bank deposits	–	488	494
Cash and cash equivalents in total	750 472	657 054	603 753

Restricted own and customers' cash

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Customers' cash and cash equivalents	298 819	334 100	413 933
Own cash and cash equivalents	451 653	322 954	189 820
Cash and cash equivalents in total	750 472	657 054	603 753

Customers' cash and cash equivalents include the value of clients' open transactions.

14. Financial assets at fair value through P&L

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Index CFDs	49 741	52 445	65 154
Commodity CFDs	22 024	12 144	12 145
Currency CFDs	18 523	25 409	28 988
Stock CFDs	6 718	5 108	3 367
Bond CFDs	327	91	48
Stocks	12 273	22 967	15 542
Total financial assets at fair value through P&L*	109 606	118 164	125 244

**item presented in comparative periods as Financial assets held for trading*

Detailed information on the estimated fair value of the instrument is presented in note 33.1.1.

15. Investments in subsidiaries

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
At the beginning of the reporting period	57 160	66 095	66 095
Increase	3 401	2 958	2 830
Decrease	–	(16)	–
Impairment of investments in subsidiaries	(4 397)	(11 877)	(9 720)
At the end of the reporting period	56 164	57 160	59 205

Detailed information on subsidiaries

NAME OF SUBSIDIARY	COUNTRY OF REGISTERED OFFICE	30.06.2018 (UNAUDITED) NOMINAL VALUE OF SHARES (IN PLN'000)	30.06.2018 (UNAUDITED) SHARE IN CAPITAL %	31.12.2017 (AUDITED) NOMINAL VALUE OF SHARES (IN PLN'000)	31.12.2017 (AUDITED) SHARE IN CAPITAL %	30.06.2017 (UNAUDITED) NOMINAL VALUE OF SHARES (IN PLN'000)	30.06.2017 (UNAUDITED) SHARE IN CAPITAL %
XTB Limited	Great Britain	20 139	100%	20 139	100%	20 139	100%
X Open Hub Sp. z o.o.	Poland	5	100%	5	100%	5	100%
XTB Limited	Cyprus	7 560	100%	4 568	100%	4 568	100%
X-Trade Brokers Menkul Degerler A.Ş.	Turkey	25 093	100%	29 489	100%	31 647	100%
Lirsar S.A.	Uruguay	–	–	–	–	16	100%
XTB International Limited	Belize	2 427	100%	2 427	100%	2 427	100%
XTB Chile SpA	Chile	403	100%	403	100%	403	100%
XTB Services Limited	Cyprus	337	100%	129	100%	–	–
X Trading Technology Sp. z o.o.	Poland	200	100%	–	–	–	–
Total		56 164		57 160		59 205	

On 17 February 2017 the Company created subsidiary XTB Chile SpA. The Company has 100% shares in subsidiary. XTB Chile SpA will provide services to acquire customers from the territory of Chile.

On 23 February 2017 the Company purchased 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 this company changed its name from CFDs Prime Limited to XTB International Limited.

On 27 July 2017 the Company purchased 100% of shares in Jupette Limited with its seat in Cuprus for the price of EUR 1 000. On 8 August 2017 the Company acquired 29 000 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital. On 5 September 2017 the subsidiary changed its name from to XTB Services Limited.

In December 2017 Lirsar with its seat in Uruguay was liquidated. On 14 December 2017 the subsidiary's capital together with the retained earnings was transferred to Company.

On 8 January 2018 the Company established X Trading Technologies Sp. z o.o. in which it owns 100% of shares. X Trading Technologies Sp. z o.o. provides services in the scope of other money brokering and activities relating to software. On 14 May 2018 Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company.

On 3 May 2018 DUB Investments Limited changed its name to XTB Limited. On 6 June 2018 the Company acquired 1 165 new shares in the capital increase of its subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital.

The scope of activities of subsidiaries:

- XTB Limited (UK) – brokerage activity
- XTB Limued (CY) – brokerage activity
- X Open Hub Sp. z o.o. – applications and electronic trading technology offering
- X Trade Brokers Menkul Değerler A.Ş. – brokerage activity
- Lirsar S.A. – financial advisory
- XTB International Limited – brokerage activity
- XTB Chile SpA – brokerage activity
- XTB Services Limited – marketing activity
- X Trading Technologies Sp. z o.o. – money brokering and software activities

Impairment of investments in subsidiaries

As at 30 June 2018, due to the circumstances indicating value impairment as decrease of value of net assests value below purchase price, the Company carried out impairment tests for the material assets including shares in X Trade Brokers Menkul Değerler A.Ş. with its seat in Turkey and XTB Limited with its seat in Great Britain.

As a result of the above mentioned tests the Company recognized a write-off due to impairment of its investment in a subsidiary in Turkey in the amount of PLN 16 274 due to the decision made by the Company's Management Board on the 18 May 2017 to withdraw from activity in Turkey through taking actions intended to phase out XTB's activity on this market and liquidation of the subsidiary in Turkey. On 19 April 2018 the Management Board of Company decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). The impairment write-off was presented as impairment of investments in subsidiaries in comprehensive income statement.

In case of investment in XTB Limited with its seat in Great Britain the carried out impairment test showed that the recoverable amount as at 30 June 2018 (calculated as higher of two: fair value and value in use) is higher than the carrying amount of this asset by 74%, therefore the impairment on this investment was not recognized. For the purpose of estimating the fair value the Company used P/E ratio (price per earnings) of similar listed companies which was between 6 to 14.

16. Loans and other receivables

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Gross amounts due from customers	6 084	4 964	9 570
Impairment write-downs of receivables	(2 548)	(2 480)	(2 468)
Total amounts due from customers	3 536	2 484	7 102
Trade receivables due from related parties	906	430	640
Statutory receivables	317	282	311
Deposits	1 324	1 253	1 636
Trade receivables	1 891	611	185
Total other receivables	7 974	5 060	9 874

Movements in impairment write-downs of receivables

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(2 480)	(2 539)	(2 539)
Write-downs recorded	(102)	(51)	–
Write-downs reversed	34	114	78
Write-downs utilized	–	(4)	(7)
Impairment write-downs of receivables – at the end of the reporting period	(2 548)	(2 480)	(2 468)

Write-downs of receivables in 2018 and 2017 resulted from the debit balances which arose in customers' accounts in those periods.

17. Intangible assets

Intangible assets in the period from 1 January 2018 to 30 June 2018 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2018	5 403	10 792	–	–	16 195
Additions	–	–	–	–	–
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	28	–	–	–	28
Gross value as at 30 June 2018	5 429	10 792	–	–	16 221
Accumulated amortization as at 1January 2018	(4 589)	(9 495)	–	–	(14 084)
Amortization for the current period	(205)	(807)	–	–	(1 012)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	(27)	–	–	–	(27)
Accumulated amortization as at 30 June 2018	(4 819)	(10 302)	–	–	(15 121)
Net book value as at 1 January 2018	814	1 297	–	–	2 111
Net book value as at 30 June 2018	610	490			1 100

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

Intangible assets in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2017	5 031	10 792	–	–	15 823
Additions	482	–	–	–	482
Sale and scrapping	(94)	–	–	–	(94)
Net foreign exchange differences	(16)	–	–	–	(16)
Gross value as at 31 December 2017	5 403	10 792	–	–	16 195
Accumulated amortization as at 1 January 2017	(4 236)	(7 451)	–	–	(11 687)
Amortization for the current period	(461)	(2 044)	–	–	(2 505)
Sale and scrapping	94	–	–	–	94
Net foreign exchange differences	14	–	–	–	14
Accumulated amortization as at 31 December 2017	(4 589)	(9 495)	–	–	(14 084)
Net book value as at 1 January 2017	795	3 341	–	–	4 136
Net book value as at 31 December 2017	814	1 297	–	–	2 111

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

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Intangible assets in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2017	5 031	10 792	–	–	15 823
Additions	457	–	–	–	457
Sale and scrapping	(21)	–	–	–	(21)
Net foreign exchange differences	(20)	–	–	–	(20)
Gross value as at 30 June 2017	5 447	10 792	–	–	16 239
Accumulated amortization as at 1January 2017	(4 236)	(7 451)	–	–	(11 687)
Amortization for the current period	(237)	(1 079)	–	–	(1 316)
Sale and scrapping	21	–	–	–	21
Net foreign exchange differences	18	–	–	–	18
Accumulated amortization as at 30 June 2017	(4 434)	(8 530)	–	–	(12 964)
Net book value as at 1 January 2017	795	3 341	–	–	4 136
Net book value as at 30 June 2017	1 013	2 262	–	–	3 275

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

18. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2018 to 30 June 2018 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2018	8 509	5 618	89	–	14 216
Additions	259	59	(78)	–	240
Sale and scrapping	(23)	(5)	–	–	(28)
Net foreign exchange differences	51	109	–	–	160
Gross value as at 30 June 2018	8 796	5 781	11	–	14 588
Accumulated amortization as at 1 January 2018	(6 995)	(4 457)	–	–	(11 452)
Amortization for the current period	(444)	(152)	–	–	(596)
Sale and scrapping	23	5	–	–	28
Net foreign exchange differences	(45)	(87)	–	–	(132)
Accumulated amortization as at 30 June 2018	(7 461)	(4 691)	–	–	(12 152)
Net book value as at 1 January 2018	1 514	1 161	89	–	2 764
Net book value as at 30 June 2018	1 335	1 090	11	–	2 436

Property, plant and equipment in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2017	8 726	5 724	143	–	14 593
Additions	853	395	(54)	–	1 194
Sale and scrapping	(1 007)	(381)	–	–	(1 388)
Net foreign exchange differences	(63)	(120)	–	–	(183)
Gross value as at 31 December 2017	8 509	5 618	89	–	14 216
Accumulated amortization as at 1 January 2017	(7 050)	(4 428)	–	–	(11 478)
Amortization for the current period	(1 003)	(416)	–	–	(1 419)
Sale and scrapping	1 007	285	–	–	1 292
Net foreign exchange differences	51	102	–	–	153
Accumulated amortization as at 31 December 2017	(6 995)	(4 457)	–	–	(11 452)
Net book value as at 1 January 2017	1 676	1 296	143	–	3 115
Net book value as at 31 December 2017	1 514	1 161	89	–	2 764

Property, plant and equipment in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2017	8 726	5 724	143	–	14 593
Additions	475	385	(143)	–	717
Sale and scrapping	(158)	(161)	–	–	(319)
Net foreign exchange differences	(50)	(100)	–	–	(150)
Gross value as at 30 June 2017	8 993	5 848	–	–	14 841
Accumulated amortization as at 1 January 2017	(7 050)	(4 428)	–	–	(11 478)
Amortization for the current period	(507)	(242)	–	–	(749)
Sale and scrapping	148	159	–	–	307
Net foreign exchange differences	39	83	–	–	122
Accumulated amortization as at 30 June 2017	(7 370)	(4 428)	–	–	(11 798)
Net book value as at 1 January 2017	1 676	1 296	143	–	3 115
Net book value as at 30 June 2017	1 623	1 420	–	–	3 043

Non-current assets by geographical area

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	3 053	4 401	5 780
- including Poland	*2 773*	*4 061*	*5 349*
Western Europe	483	474	538
- including Spain	*128*	*138*	*163*
Total non-current assets	3 536	4 875	6 318

19. Amounts due to customers

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Amounts due to retail customers	349 607	342 971	366 225
Amounts due to institutional customers	33 636	31 959	42 877
Total amounts due to customers	383 243	374 930	409 102

Amounts due to customers are connected with transactions concluded by the customers (including cash deposited in the customers' accounts).

20. Financial liabilities held for trading

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Index CFDs	6 489	10 345	12 758
Currency CFDs	2 650	18 000	6 031
Commodity CFDs	2 571	3 893	3 180
Stock CFDs	2 652	2 544	1 769
Bond CFDs	14	52	55
Total financial liabilities held for trading	14 376	34 834	23 793

21. Other liabilities

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Trade liabilities	7 339	7 008	6 942
Provisions for other employee benefits	7 050	10 285	6 758
Statutory liabilities	3 204	2 713	4 111
Liabilities due to employees	343	513	474
Liabilities due to brokers	145	–	–
Liabilities under finance lease	81	128	182
Amounts due to the Central Securities Depository of Poland	91	77	65
Total other liabilities	18 253	20 724	18 532

Liabilities under employee benefits include estimates, as at the balance sheet date, of bonuses for the reporting period, including from the Program of variable remuneration elements, as well as the provision for unused holiday leave, established in the amount of projected benefits, which the Company is obligated to pay in the event of payment of holiday equivalents.

Besides leasing liabilities, there are no other long-term liabilities.

Program of variable remuneration elements

Pursuant to the Variable Remuneration Elements policy applied by the Company, the employees of the Company in the top management positions receive variable remuneration paid in cash.

The value of provisions for employee benefits includes 40-50 per cent of variable remuneration granted in cash, which is paid out directly after the employment year, in which the employee's work results are assessed, and 40-50 per cent of the value based on financial instruments, paid in the years 2015–2018.

As at 30 June 2018, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 444 thousand, as at 31 December 2017 in the amount of PLN 419 thousand and as at 30 June 2017 in the amount of PLN 350 thousand.

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Provisions for retirement benefits	110	91	97
Provisions for legal risk	1 477	820	679
Total provisions	1 587	911	776

Provisions for retirement benefits are established on the basis of an actuarial valuation carried out in accordance with the applicable regulations and agreements connected with obligatory retirement benefits to be covered by the employer.

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Company is a party. As at the date of preparation of these financial statements, the Company is not able to specify when the above liabilities will be repaid.

Movements in provisions in the period from 1 January 2018 to 30 June 2018 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2018	INCREASES	DECREASES		VALUE AS AT 30.06.2018
			USE	REVERSAL	
Provisions for retirement benefits	91	19	–	–	110
Provisions for legal risk	820	657	–	–	1 477
Total provisions	911	676	–	–	1 587

Movements in provisions in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2017	INCREASES	DECREASES		VALUE AS AT 31.12.2017
			USE	REVERSAL	
Provisions for retirement benefits	112	–	–	21	91
Provisions for legal risk	771	250	201	–	820
Total provisions	883	250	201	21	911

Movements in provisions in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2017	INCREASES	DECREASES		VALUE AS AT 30.06.2017
			USE	REVERSAL	
Provisions for retirement benefits	112	–	–	15	97
Provisions for legal risk	771	–	–	92	679
Total provisions	883	–	–	107	776

22.2 Contingent liabilities

The Company is party to a number of court proceedings associated with the Company's operations. The proceedings in which the Company acts as defendant relate mainly to employees' and customers' claims. As at 30 June 2018 the total value of claims brought against the Company which are not covered with provision amounted to approx. PLN 1,31 million (as at 31 December 2017: PLN 5,97 million, as at 30 June 2017: PLN 5,69 million). Company has not created provisions for the above proceedings. In the assessment of the Company there is low probability of loss in these proceedings.

On 17 November 2017 the Company received decision issued by Polish Financial Supervision Authority dated 14 November 2017 on initiation of administrative proceedings regarding the imposition of a fine on the Company in connection with the suspicion of a significant violation of the law, in particular in the area of brokerage services for the benefit of the Company's clients as well as the organization and operation of transaction systems. According to the above mentioned decision Polish Financial Supervision Authority may impose a fine up to 10% of income presented in the last audited financial statements. In the Company's opinion the violations indicated by the Polish Financial Supervision Authority are unfounded and are not confirmed in the actual situation.

On May 9, 2014, the Company issued a guarantee in the amount of PLN 56 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 1 357 thousand.

On the 30 June 2016 the Company concluded the agreement with K3 System Sp. z o.o. for lease of computer hardware which is secured with a bill of exchange with the bill declaration for the maximum amount of PLN 200 thousand.

On 7 July 2017 the Company issued a guarantee in the amount of PLN 5 420 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited i Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension.

23. Equity

Share capital structure as at 30 June 2018, 31 December 2017 and 30 June 2017

SERIES/ISSUE	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN)	NOMINAL VALUE OF ISSUE (IN PLN'000)
Series A	117 383 635	0,05	5 869

All shares in the Company have the same nominal value, are fully paid for, and carry the same voting and profit-sharing rights. No preference is attached to any share series. The shares are A-series ordinary registered shares.

Shareholding structure of the Company

To the best Company's knowledge, the shareholding structure of the Company as at 30 June 2018 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100,00%

To the best Company's knowledge, the shareholding structure of the Company as at 31 December 2017 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	6 243 759	312	5,32%
Other shareholders	10 229 875	511	8,71%
Total	117 383 635	5 869	100,00%

To the best Company's knowledge, the shareholding structure of the Company as at 30 June 2018 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 163 913	3 908	66,59%
Systexan SARL	22 280 207	1 114	18,98%
Other shareholders	16 939 515	847	14,43%
Total	117 383 635	5 869	100,00%

Other capitals

Other capitals consist of:

- supplementary capital, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend in the amount of PLN 334 760 thousand,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN 1 505 thousand.

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	455	224	291
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	451	289	226
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	268	296	273
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	132	(63)	(7)
X-Trade Brokers Dom Maklerski Spółka Akcyjna	74	10	(555)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	62	(117)	(65)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	40	(17)	–
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	23	(10)	–
Total foreign exchange differences on translation	1 505	612	163

24. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Company, the net profit for 2017 in the amount of PLN 87 398 thousand was transferred to reserve capital in full.

Pursuant to the decision of the General Shareholders' Meeting of the Company, the net profit for 2016 in the amount of PLN 72 999 thousand was partially earmarked for the payment of a dividend in the amount of PLN 37 563 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2016, paid on 23 May 2017, amounted to PLN 37 563 thousand. The amount of dividend per share paid for 2016 was equal to PLN 0,32.

25. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. When calculating both basic and diluted earnings per share, the Company uses the amount of net profit attributable to shareholders of the Company as the numerator, i.e., there is no dilutive effect influencing the amount of profit (loss). The calculation of basic and diluted earnings per share, together with a reconciliation of the weighted average diluted number of shares is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	94 567	24 486
Weighted average number of ordinary shares	117 383 635	117 383 635
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Company	0,81	0,21
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	0,81	0,21

26. Current income tax and deferred income tax

26.1 Income tax

Income tax disclosed in the current period's profit and loss

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(17 129)	(4 146)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(6 519)	(1 755)
Income tax disclosed in profit and loss	(23 648)	(5 901)

Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Profit before tax	118 215	30 387
Income tax based in the applicable tax rate of 19%	(22 461)	(5 774)
Difference resulting from application of tax rates applicable in other countries	(80)	(69)
Non-taxable revenue	2	–
Non-deductible expenses	(248)	(139)
Realisation of tax losses for the preceding periods	12	16
Other items affecting the tax burden amount	(873)	65
Income tax disclosed in profit or loss	(23 648)	(5 901)

26.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 30 June 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.06.2018
Deferred income tax assets:			
Property, plant and equipment	99	8	107
Financial liabilities held for trading	6 670	(3 821)	2 849
Investments in subsidiaries	2 257	(2 257)	–
Provisions for liabilities	46	29	75
Prepayments and deferred costs	1 379	(315)	1 064
Other liabilities	19	(17)	2
Tax losses of previous periods to be settled in future periods	8 174	250	8 424
Total deferred income tax assets	18 644	(6 123)	12 521

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.06.2018
Deferred income tax assets included directly in the equity:			
Separate equity of branches	14	(14)	–
Total deferred income tax assets included directly in the equity	14	(14)	–

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.06.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	389	18 497
Other liabilities	8	177	185
Prepayments and deferred costs	16	(16)	–
Property, plant and equipment	246	(154)	92
Total deferred income tax provision	18 378	396	18 774
Deferred tax disclosed in profit or (loss)	–	(6 519)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.06.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	320	320
Total deferred income tax provision included directly in the equity	–	320	320

Change in the balance of deferred tax for the period from 31 December 2017 (audited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 31.12.2017
Deferred income tax assets:			
Property, plant and equipment	117	(18)	99
Loans granted and other receivables	7	(7)	–
Financial liabilities held for trading	4 113	2 557	6 670
Investments in subsidiaries	–	2 257	2 257
Provisions for liabilities	50	(4)	46
Prepayments and deferred costs	1 074	305	1 379
Other liabilities	21	(2)	19
Tax losses of previous periods to be settled in future periods	8 926	(752)	8 174
Total deferred income tax assets	14 308	4 336	18 644

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
Deferred income tax assets included directly in the equity:			
Separate equity of branches	–	14	14
Total deferred income tax assets included directly in the equity	–	14	14

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 31.12.2017
Deferred income tax provision:			
Financial assets held for trading	17 143	965	18 108
Other liabilities	1	7	8
Prepayments and deferred costs	21	(5)	16
Property, plant and equipment	658	(412)	246
Total deferred income tax provision	17 823	555	18 378
Deferred tax disclosed in profit or (loss)	–	3 781	–

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	479	(479)	–
Total deferred income tax provision included directly in the equity	479	(479)	–

Change in the balance of deferred tax for the period from 1 January to 30 June 2017 (unaudited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.06.2017
Deferred income tax assets:			
Property, plant and equipment	117	(5)	112
Loans granted and other receivables	7	(7)	–
Investments in subsidiaries	–	1 847	1 847
Financial liabilities held for trading	4 113	506	4 619
Provisions for liabilities	50	(3)	47
Prepayments and deferred costs	1 074	67	1 141
Other liabilities	21	(21)	–
Tax losses of previous periods to be settled in future periods	8 926	(456)	8 470
Total deferred income tax assets	14 308	1 928	16 236

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.06.2017
Deferred income tax provision:			
Financial assets held for trading	17 143	3 701	20 844
Other liabilities	1	214	215
Prepayments and deferred costs	21	(21)	–
Property, plant and equipment	658	(211)	447
Total deferred income tax provision	17 823	3 683	21 506
Deferred tax disclosed in profit or (loss)	–	(1 755)	–

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 30.06.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	479	(374)	105
Total deferred income tax provision included directly in the equity	479	(374)	105

Geographical division of deferred income tax assets

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Central and Eastern Europe	97	100	86
- including Poland	–	–	–
Western Europe	8 447	8 202	8 465
- including Spain	–	–	–
Total deferred income tax assets	8 544	8 302	8 551

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2018 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	3 977	19 094	–	15 117
Czech Republic	43	–	43	–
Slovakia	53	–	53	–
Germany	2 879	–	2 879	–
France	5 569	–	5 569	–
Total	12 521	19 094	8 544	15 117

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2017 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	10 348	18 370	–	8 022
Czech Republic	49	–	49	–
Slovakia	59	8	51	–
Germany	2 815	–	2 815	–
France	5 387	–	5 387	–
Total	18 658	18 378	8 302	8 022

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2017 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	7 683	21 609	–	13 926
Czech Republic	37	–	37	–
Slovakia	51	2	49	–
Germany	2 942	–	2 942	–
France	5 523	–	5 523	–
Total	16 236	21 611	8 551	13 926

27. Related party transactions

27.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As per Company's best knowledge as at 30 June 2018 it holds 66,99% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.

Mr. Jakub Zabłocki is the ultimate parent company for the Company and XXZW Investment Group S.A.

27.2 Figures concerning related party transactions

As at 30 June 2018 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 199,94 due to his investment account. As at 31 December 2017 and 31 Match 2017 the Company had no settlements with related parties. In the periods covered by the half-year condensed financial statements the Company noted profit in the amount of PLN 57,10 resulting from transactions with Mr Jakub Zabłocki.

27.3 Incomes and costs

(IN PLN'000)	1.01.2018 - 30.06.2018 (UNAUDITED)		1.01.2017 - 30.06.2017 (UNAUDITED)	
	INCOMES	COSTS	INCOMES	COSTS
Subsidiaries:				
XTB Limited (UK)	15 665	(6 059)	13 498	(7 658)
XTB Limited (CY)	76	(1 469)	77	(644)
X Open Hub Sp. z o.o.	1 426	(240)	946	(123)
X-Trade Brokers Menkul Degerler A.S	–	–	5 083	(4 358)
XTB Services Limited	–	(2 967)	–	–
XTB International	10 383	(5 737)	1 104	(5 226)

27.4 Receivables

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Subsidiaries:			
XTB Limited (UK)	2 142	2 211	3 824
XTB Limited (CY)	13	13	13
X Open Hub Sp. z o.o.	871	345	532
X-Trade Brokers Menkul Degerler A.S	–	–	2 221
XTB Services Limited	–	–	–
XTB International	1 199	157	744

27.5 Liabilities

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Subsidiaries:			
XTB Limited (UK)	2 925	2 790	1 411
XTB Limited (CY)	220	141	89
X Open Hub Sp. z o.o.	55	40	11
X-Trade Brokers Menkul Degerler A.S	–	–	2 760
XTB Services Limited	628	398	–
XTB International	675	2 398	3 681

27.6 Benefits to Management Board and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Benefits to the Management Board members	(1 762)	(2 099)
Benefits to the Supervisory Board members	(50)	(39)
Total benefits to the Management Board and Supervisory Board	(1 812)	(2 138)

These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

Members of the Management Board of the Company are included in the scheme of variable remuneration elements specified in note 21 of the financial statements. The value of the element settled in financial instruments in the years 2015 - 2018 acquired by the members of the Management Board amounts to PLN 444 thousand.

Members of the Management Board of the Company, within the framework of the Options Program described in note 32.6 of the financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date.

27.7 Share-based payments

Pursuant to the Shareholders Agreement of the Company of 28 March 2011, the Company introduced an incentive scheme for the key employees, who received the right to shares of the Company before 2012, constituting a payment programme in the form of share options ("Options programme"). The value of the program depends on individual targets set for the employees in relation to the results of the Company in specific years. The scheme covers the years 2011-2014. For 2011, rights to shares were acquired by three employees in the amount of 177 025 items, for 2012, one employee acquired rights to shares in the amount of 41 245 items, for 2013, one employee acquired rights to shares in the amount of 123 370 items and for 2014 and 2015, according to the best knowledge of the Company's Management Board, no employee will acquire rights to shares. In total, the employees acquired 341 640 rights to shares. The estimated value of the scheme as at the balance-sheet date is PLN 462 thousand. The vesting period expired in 2015. Depending on individual contracts, the shares can be acquired starting from 2014 based on the participation rules specified in the Options Program.

On the 23 December 2016 two employees of X-Trade Brokers Dom Maklerski S.A. acquired 256 835 Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

For the shares options granted, the fair value of services rendered by the key employees is measured in relation to the fair value of rights granted as at the date of granting. The fair value of rights is determined based on option estimation models, which include among others execution price, share price as at the date of granting, expected variability of option value during the programme and other appropriate factors affecting fair value. The Company assesses the probability of acquiring the rights in the programme, which affects the programme value in the costs for the period.

The following ratios were adopted in the valuation of the share option plan: volatility ratio of 54,69%, risk-free interest rate of 5,03%, weighted average share price of PLN 494,42.

No other features relating to grant of options were taken into consideration during fair value measurement.

Unrealized rights to shares

	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Unrealized rights to shares as at the beginning of the period	–	84 805	84 805
Realized rights to shares	–	(84 805)	(84 805)
Unrealized rights to shares as at the end of the period	–	–	–

Volatility used to measure the options was calculated on the basis of the average volatility of share prices of peer companies. Volatility in the peer group of companies was calculated based on historical daily rates of return. Based on the daily rates of return, the standard deviation was calculated and annualised, on the assumption that a trading year lasts 250 days. The period for which the rates of return were accounted for complied with the options exercise period. Volatility was calculated for each option in appropriate periods. Companies which were listed for a period shorter than the option exercise period were eliminated from the peer group.

27.8 Loans granted to the Management and Supervisory Board members

As at 30 June 2018, 31 December 2017 and 30 June 2017 there are no loans granted to the Management and Supervisory Board members.

28. Supplementary information and explanations to the cash flow statement

28.1 Change in the balance of loans granted and other receivables

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Change in loans granted and other receivables	(2 914)	2 162
Loans granted presented in financing activity	–	(732)
Valuation of loan and interests accrued	–	2
Change in the balance of loans granted and other receivables	(2 914)	1 432

28.2 Change om the balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Change in other liabilities	(2 471)	(1 906)
Payment of finance lease liabilities	47	77
Change in the balance of other liabilities	(2 424)	(1 829)

28.3 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018 (UNAUDITED)	30.06.2017 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	893	(1 710)
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(29)	30
Change in other adjustments	864	(1 680)

Foreign exchange differences on translation of movements in tangible and intangible assets include the difference between the rates as at the opening balance and as at the closing balance adopted for valuation of the gross value of tangible and intangible assets in the Company's foreign entities and the difference between the rate applied to value amortization and depreciation cost of fixed assets and intangible assets in the Company's foreign entities and the rate of translation of amortization and depreciation amounts on such assets. This value results from the chart of movements in tangible and intangible assets.

29. Post balance sheet events

On 10 July 2018 the Supervisory Board appointed Mr Jakub Kubacki for the position of Member of the Management Board responsible for legal affairs.

On 10 July 2018 the Company established a subsidiary XTB Africa (PTY) LTD. As at the date of publication of these financial statements the share capital of subsidiary was not paid.

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,
  - 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 standarised risk warning.

When it comes to binary options, the agreed measures include a 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.

The measures to be implemented on the basis of decisions of ESMA have a significant impact on the way the Company offers and promotes financial products, hence Company acting with due diligence implemented organizational changes to comply with new requirements of conducting activity. However, it cannot be excluded that the manner of interpretation of prohibition and restrictions of ESMA by regulators may be different than solutions adopted by the Company which may involve applying supervisory activities and sanctions provided for by applicable law and might require the Company to incur further significant financial outlays and implement significant organizational changes. In addition, it cannot be excluded that implementation of ESMA decisions may have a negative impact on the financial results of the Company.

On 28 March 2018, the President of the Republic of Poland signed the Act amending the Act on Trading in Financial Instruments and certain other acts. This Act is aimed at implementing into the national legal order EU regulations concerning markets for financial instruments, i.e. MiFID II Directive and MiFIR Regulation. The Act imposes additional obligations on financial market entities, implements new rules for communication with the client, extends information requirements, ensures greater transparency of costs and introduces new powers for supervisors. The act came into force on 21 April 2018. The new regulations of the Minister of Finance specify the law:

– on the mode and conditions of proceedings for investment companies and banks, quoted in Article 70 section 2 of the Act on financial instruments trading, and custodian banks; and
– on specifying detailed technical and organisational conditions for investment companies and banks, quoted in Article 70 section 2 of Act on financial instruments trading, and custodian banks.

The above regulations came into force on 23 June 2018 however the transitional measures allow the investment companies to adjust to new regulations by 21 October 2018.

It can’t be ruled out that regulatory changes at the national and international levels can have a significant impact on the way the Company offers and promotes financial products, clients' investment strategies, the volume of trading in lots, and profitability per lot, and what's next goes on the Company’s financial results.

30. Customers' financial instruments and nominal values of transactions in derivatives (off-balance sheet items)

30.1 Nominal value of financial instruments

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Index CFDs	1 690 106	2 164 412	1 912 190
Currency CFDs	1 224 537	1 289 072	1 665 559
Commodity CFDs	493 626	396 239	418 383
Stock CFDs	104 478	127 021	90 109
Bond CFDs	23 839	23 658	11 901
Stock	12 263	22 967	15 542
Total financial instruments	3 548 849	4 023 369	4 113 684

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2018 transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2017: 2% of the total nominal value of instruments, as at 30 June 2017: 2% of the total nominal value of instruments).

30.2 Customers' financial instruments

Presented below is a list of customers' instruments deposited in the accounts of the brokerage house:

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	16 088	83	186
Other securities registered in customers' securities accounts	311	329	332
Total customers' financial instruments	16 399	412	518

31. Items regarding the compensation scheme

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	3 285	2 687	2 687
- increases	*354*	*598*	*281*
b) closing balance	3 639	3 285	2 968
2. XTB's share in the profits from the compensation scheme	229	213	191

32. Capital management

The Company's principles of capital management are established in the "Capital management policy in X–Trade Brokers Dom Maklerski S.A.". The document is approved by the Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the Company's capital strategy. It specifies, in particular, long-term capital objectives, the current and preferred capital structure, contingency plans and basic elements of the internal capital estimation process. The policy is updated as appropriate so as to reflect the development in the Company and its business environment.

The objective of the capital management policy is to ensure balanced long-term growth for the shareholders and to maintain sufficient capital to enable the Company to operate in a prudent and efficient manner. This objective is attained by maintaining an appropriate capital base, taking into account the Company's risk profile and prudential regulations, as well as risk-based capital management in view of the operating goals.

Determination of capital-related goals is essential for equity management and serves as a basic reference in the context of capital planning, allocation and contingency plans. The Company establishes capital-related objectives which ensure a stable capital base, achievement of its capital strategy goals (in accordance with its general principles), and also match the Company's risk appetite. To establish its capital-related goals, the Company takes into consideration its strategic plans and expected growth of operations as well as external conditions, including the macroeconomic situation and other business environment factors. The capital-related goals are set for a horizon similar to that of the business strategy and are approved by the Management Board.

Capital planning is focused on an assessment of the Company's current and future capital requirements (both regulatory and internal), and on comparing them with the current and projected levels of available capital. The Company has prepared contingency plans to be launched in the event of a capital adequacy problem, described in detail in the "Capital management policy in X–Trade Brokers Dom Maklerski S.A."

As part of ICAAP, the Company assesses its internal capital in order to define the overall capital requirement to cover all significant risks in the Company's operations and evaluates its quality. The Company estimates internal capital necessary to cover identified significant risks in compliance with procedures adopted by the Company and taking into account stress test results.

The Company is obligated to maintain the capitals (equity) to cover the higher of the following values:

- capital requirements calculated in accordance with the Regulation (EU) of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and
- internal capital estimated in compliance with the Ordinance of the Minister of Finance of 27 September 2012 on defining detailed technical and organizational conditions for investment firms and banks, as referred to in Article 70 par. 2 of the Act on Trading in Financial Instruments, and custodian banks and the conditions for internal capital estimation by brokerages (Journal of Laws 2012, item 1072, as amended).

The principles of calculation of own funds are established in the CRR resolution, "The procedure for calculating risk adequacy ratios in X–Trade Brokers Dom Maklerski S.A." and are not regulated by IFRS.

The Company calculated equity in accordance with part two of the Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 ("CRR"). At present, the total equity of the Company belongs to the best category – Tier 1.

In accordance with the Act on macroprudential supervision of the financial system and crisis management in the financial system of 5 August 2015, since 1 January 2016 the Company is obliged to maintain capital buffers. In the period covered by the financial statements the Company was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
The Company's own funds	386 216	315 486	284 350
Tier I Capital	386 216	315 486	284 350
Common Equity Tier I capital	386 216	315 486	284 350
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total risk exposure	2 417 689	2 581 512	2 611 408
Capital conservation buffer	45 331	32 269	32 643
Countercyclical capital buffer	1 687	712	322
Combined buffer requirement	47 018	32 981	32 965

The mandatory capital adequacy was not breached in the periods covered by the financial statements. The table below presents data on the level of capitals and on the total capital requirement divided into requirements due to specific types of risks calculated in accordance with separate regulations together with average monthly values. Average monthly values were calculated as an estimation of the average values calculated based on statuses at the end of specific days.

In the table below, in order to ensure comparability of the presentation, the total capital requirement was presented as 8% of the total risk exposure, calculated in accordance with the CRR.

(IN PLN'000)	AS AT 30.06.2018 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2017 (AUDITED)	AS AT 30.06.2017 (UNAUDITED)
1. Capital/Own funds	386 216	347 447	315 486	284 350
1.1. Base capital/Common Equity Tier I without deductions	411 774	363 743	324 868	324 868
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(25 558)	(16 296)	(9 382)	(40 518)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–	–	–	–
I. Level of capitals subject to monitoring/Own funds	386 216	347 447	315 486	284 350

(IN PLN'000)	AS AT 30.06.2018 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2017 (AUDITED)	AS AT 30.06.2017 (UNAUDITED)
1. Market risk	124 036	101 876	137 572	143 214
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	8 353	8 470	10 285	8 352
3. Credit risk	25 763	21 658	23 401	23 656
4. Operating risk	35 263	35 122	35 263	33 690
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	193 415	167 126	206 521	208 912
IIb. Total risk exposure	2 417 689	2 089 076	2 581 512	2 611 408
Capital conservation buffer	45 331	39 170	32 269	32 643
Countercyclical capital buffer	1 687	2 544	712	322
Combined buffer requirement	47 018	41 714	32 981	32 965

Pursuant to CRR the duty to calculate the capital requirement in respect of fixed costs arises only in the event that the entity does not calculate the capital requirement in respect of operating risk.

33. Risk management

The Company is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Company takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken, as well as to establish appropriate limits to mitigate such risk on a regular basis.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Company has appointed a Risk Management Committee. Its key tasks include performing supervisory, consultative and advisory functions for the Company's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Company's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Company and creating a catalogue of risks, approves policies and procedures of risk and ICAAP management, reviews and approves analyses carried out by owners of specific risks and the Risk Control Department as part of the risk and ICAAP management system within the Company.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of the occurrence of new types of risk, significant changes in strategy and operating plans. The Department also monitors the appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls the market risk of the Company's own investments, defines the overall capital requirement and estimates internal capital. The Risk Control Department reports directly to the Member of the Management Board responsible for the operation of the Company's internal control system.

The Company's Supervisory Board approves risk management system.

33.1 Fair value

33.1.1 Carrying amount and fair value

The fair value of cash and cash equivalents is estimated as being close to their carrying amount.

The fair value of loans granted and other receivables, amounts due to customers and other liabilities is estimated as being close to their carrying amount in view of the short-term maturities of these balance sheet items.

33.1.2 Fair value hierarchy

The Company discloses fair value measurement of financial instruments carried at fair value, applying the following fair value hierarchy which reflects the significance of input data used to establish the fair value:

- Level 1: quoted prices (unadjusted) in active markets for the assets or liabilities;

- Level 2: input data other than quoted prices classified in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices). This category includes financial assets and liabilities measured using prices quoted in active markets for identical assets, prices quoted in active markets for identical assets considered less active or other valuation methods where all significant inputs originate directly or indirectly from the markets;
- Level 3: input data for valuation of a given asset or liability is not based on observable market data (unobservable inputs.

(IN PLN'000)	30.06.2018 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	12 273	97 333	–	109 606
Total assets	12 273	97 333	–	109 606
Financial liabilities				
Financial liabilities held for trading	–	14 376	–	14 376
Total liabilities	–	14 376	–	14 376

(IN PLN'000)	31.12.2017 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	22 967	95 197	–	118 164
Total assets	22 967	95 197	–	118 164
Financial liabilities				
Financial liabilities held for trading	–	34 834	–	34 834
Total liabilities	–	34 834	–	34 834

(IN PLN'000)	30.06.2017 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	125 244	–	125 244
Total assets	–	125 244	–	125 244
Financial liabilities				
Financial liabilities held for trading	–	23 793	–	23 793
Total liabilities	–	23 793	–	23 793

In the periods covered by the financial statements, there were no transfers of items between the levels of the fair value hierarchy.

The fair value of contracts for differences (CFDs) is determined based on the market prices of underlying instruments, derived from independent sources, i.e. from reliable liquidity suppliers and reputable news, adjusted for the spread specified by the Company. The valuation is performed using closing prices or the last bid and ask prices. CFDs are measured as the difference between the current price and the opening price, taking account of accrued commissions and swap points.

The impact of adjustments due to credit risk of the contractor, estimated by the Company, was insignificant from the point of view of the general estimation of derivative transactions concluded by the Company. Therefore, the Company does not recognise the impact of unobservable input data used for the estimation of derivative transactions as significant and, pursuant to IFRS 13.73, does not classify such transactions as level 3 of the fair value hierarchy.

33.2 Market risk

In the period covered by these financial statements, the Company entered into OTC contracts for differences (CFDs) and digital options. The Company may also acquire securities and enter into forward contracts on its own account on regulated stock markets.

The following risks are specified, depending on the risk factor:

- Currency risk connected with fluctuations of exchange rates
- Interest rate risk
- Commodity price risk

- Equity investment price risk

The Company's key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Company's practice in this area is consistent with the following principles.

As part of the internal procedures, the Company applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, maximum value of a single instruction. The Trading Department monitors open positions subject to limits on a current basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Department reviews the limit usage on a regular basis, and controls the hedges entered into.

33.2.1 Currency risk

The Company enters into transactions principally in instruments bearing currency risk. Aside from transactions where the FX rate is an underlying instrument, the Company also offers instruments which price is denominated in foreign currencies. Also, the Company has assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations.

The carrying amount of the Company's assets and liabilities in foreign currencies as at the balance sheet date is presented below. The values for all base currencies are expressed in PLN'000:

Assets and liabilities denominated in foreign currencies as at 30 June 2018 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	34 164	88 376	1 947	19 903	1 281	3 145	3 750	152 566	451 653
Customers' cash and cash equivalents	10 268	174 030	2	34 444	1 544	5 913	112	226 313	298 819
Financial assets at fair value through P&L	10 250	55 467	316	11 737	1 875	1 229	321	81 195	109 606
Investments in subsidiaries	–	–	–	–	–	–	–	–	56 164
Income tax receivables	–	3	–	104	–	–	–	107	238
Loans granted and other receivables	1 883	2 482	1 250	271	670	105	506	7 167	7 974
Prepayments and deferred costs	–	481	–	189	–	39	–	709	4 553
Intangible assets	–	10	–	8	–	–	–	18	1 100
Property, plant and equipment	–	497	–	222	–	27	–	746	2 436
Deferred income tax assets	–	8 500	–	44	–	–	–	8 544	8 544
Total assets	56 565	329 846	3 515	66 922	5 370	10 458	4 689	477 365	941 087
Liabilities									
Amounts due to customers	15 723	215 666	2	44 902	3 227	6 842	112	286 474	383 243
Financial liabilities held for trading	2 663	6 403	142	1 300	79	120	81	10 788	14 376
Income tax liabilities	–	202	–	–	–	–	–	202	202
Other liabilities	651	7 332	984	1 243	–	158	133	10 501	18 253
Provisions for liabilities	–	–	–	–	–	444	–	444	1 587
Deferred income tax provision	–	–	–	–	–	–	–	–	15 117
Total liabilities	19 037	229 603	1 128	47 445	3 306	7 564	326	308 409	432 778

Assets and liabilities denominated in foreign currencies as at 31 December 2017 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	32 088	50 264	1 668	17 765	177	1 272	2 175	105 409	332 954
Customers' cash and cash equivalents	10 678	192 391	168	37 059	1 404	3 454	78	245 232	334 100
Financial assets held for trading	12 137	60 612	632	10 675	634	1 557	291	86 538	118 164
Investments in subsidiaries	–	–	–	–	–	–	–	–	57 160
Income tax receivables	–	61	–	54	–	–	–	115	115
Loans granted and other receivables	595	2 791	826	17	259	148	53	4 689	5 060
Prepayments and deferred costs	–	75	–	176	–	10	–	261	2 661
Intangible assets	–	14	–	15	–	–	–	29	2 111
Property, plant and equipment	–	499	–	251	–	34	–	784	2 764
Deferred income tax assets	–	8 253	–	49	–	–	–	8 302	8 302
Total assets	55 498	314 960	3 294	66 061	2 474	6 475	2 597	451 359	853 391
Liabilities									
Amounts due to customers	12 599	210 896	150	42 061	1 875	4 822	965	273 368	374 930
Financial liabilities held for trading	2 913	13 255	784	3 904	55	147	271	21 329	34 834
Income tax liabilities	–	313	–	–	–	–	–	313	1 121
Other liabilities	1 492	6 478	1 372	1 572	–	391	–	11 305	20 724
Provisions for liabilities	–	–	–	–	–	425	–	425	911
Deferred income tax provision	–	–	–	–	–	–	–	–	8 022
Total liabilities	17 004	230 942	2 306	47 537	1 930	5 785	1 236	306 740	440 542

Assets and liabilities denominated in foreign currencies as at 30 June 2017 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN									CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	TRY	OTHER CURRENCIES	TOTAL	
Assets										
Own cash and cash equivalents	38 144	95 730	1 893	14 494	3 747	4 009	2 264	2	160 283	189 820
Customers' cash and cash equivalents	17 320	209 403	29	47 790	3 400	5 801	2	–	283 745	413 933
Financial assets held for trading	7 850	60 278	456	10 704	1 219	1 641	676	344	83 168	125 244
Investments in subsidiaries	–	–	–	–	–	–	–	–	–	59 205
Income tax receivables	–	36	–	1 020	–	–	–	–	1 056	1 055
Loans granted and other receivables	3 296	2 654	982	88	323	84	1 586	412	9 425	9 874
Prepayments and deferred costs	–	123	–	114	–	11	–	–	248	4 921
Intangible assets	–	21	–	24	–	–	–	–	45	3 275
Property, plant and equipment	–	577	–	301	–	47	–	–	925	3 043
Deferred income tax assets	–	8 515	–	36	–	–	–	–	8 551	8 551
Total assets	66 610	377 337	3 360	74 571	8 689	11 593	4 528	758	547 446	818 921
Liabilities										
Amounts due to customers	11 447	208 467	2	47 930	3 212	5 845	1 427	95	278 425	409 102
Financial liabilities held for trading	1 057	12 346	42	2 296	69	441	11	108	16 370	23 793
Income tax liabilities	–	104	–	–	–	–	–	–	104	3 304
Other liabilities	805	5 886	1 254	950	–	223	728	–	9 846	18 532
Provisions for liabilities	–	93	–	–	–	440	–	–	533	776
Deferred income tax provision	–	–	–	–	–	–	–	–	–	13 926
Total liabilities	13 309	226 896	1 298	51 176	3 281	6 949	2 166	203	305 278	469 433

A change in exchange rates, in particular, the PLN exchange rate, affects the balance sheet valuation of the Company's financial instruments and the result on translation of foreign currency balances of other balance sheet items. Sensitivity to exchange rate fluctuations was calculated with the assumption that all foreign currency rates change by ±5% to PLN. The carrying amount of financial instruments was revalued.

The sensitivity of the Company's equity and profit before tax to a 5% increase or decrease of the PLN exchange rate is presented below:

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2018 (UNAUDITED)		30.06.2017 (UNAUDITED)	
	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%
Income (expenses) of the period	19 950	(19 950)	7 650	(7 650)
Equity, of which:	1 046	(1 046)	892	(892)
Foreign exchange differences on translation	1 046	(1 046)	892	(892)

The sensitivity of equity is connected with foreign exchange differences in the translation of value in functional currencies of the foreign operations.

33.2.2 Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Company to the adverse impact of exchange rate fluctuations. Such risk may result from the contracts entered into by the Company, where receivables or liabilities are dependent upon exchange rates as well as from holding assets or liabilities dependent on exchange rates.

The basic interest rate risk for the Company is the mismatch of interest rates paid to customers in connection with funds deposited in cash accounts in the Company, and of the bank account and bank deposits where the Company's customers' funds are invested.

In addition, the source of the Company's profit variability associated with the level of market interest rates, are amounts paid and received in connection with the occurrence of the difference in interest rates for different currencies (swap points) as well as potential debt instruments. As a rule, the change in bank interest rates does not significantly affect the Company's financial position, since the Company determines interest rates for funds deposited in customers' cash accounts based on a variable formula, in an amount not higher than the interest rate received by the Company from the bank maintaining the bank account in which customers' funds are deposited.

Interest rates applicable to cash accounts are floating, and related to WIBID/WIBOR/LIBOR/EURIBOR rates. Therefore, the risk of interest rate mismatch adverse to the brokerage house is very low.

Since the Company maintains a low duration of assets and liabilities and minimises the duration gap, sensitivity of the market value of assets and liabilities to calculations of market interest rates is very low. As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Company's operations.

Sensitivity analysis of financial assets and liabilities where cash flows are exposed to interest rate risk

The structure of financial assets and liabilities where cash flows are exposed to interest rate risk is as follows:

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Financial assets			
Cash and cash equivalents	750 472	657 054	603 753
Total financial assets	750 472	657 054	603 753
Financial liabilities			
Amounts due to customers	64 118	64 013	116 973
Other liabilities	128	128	182
Total financial liabilities	64 246	64 141	117 155

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in 2017 and 2016, using the average 1M interest rate in a given market.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2018 (UNAUDITED)		30.06.2017 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	3 516	(3 516)	2 862	(2 862)

Sensitivity analysis of financial assets and liabilities whose fair value is exposed to interest rate risk

There were no financial assets and liabilities whose fair value is exposed to interest rate risk in the periods covered by these financial statements.

33.2.3 Other price risk

Other price risk is exposure of the Company's financial position to unfavourable changes in the prices of commodities, equity investments (equity, indices) and debt instruments (in a scope not resulting from interest rates).

The carrying amount of financial instruments exposed to other price risk is presented below:

(IN PLN'000)	30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Financial assets at fair value through P&L*			
Commodity CFDs			
Precious metals	4 448	1 943	3 466
Base metals	118	764	228
Other	17 458	9 437	8 451
Total commodity CFDs	22 024	12 144	12 145
Equity CFDs			
Stocks	18 991	28 070	18 903
Indicies	49 741	52 445	65 154
Total equity CFDs	68 732	80 515	84 057
Debt CFDs	327	91	48
Total financial assets at fair value through P&L*	91 083	92 750	96 250
Financial liabilities held for trading			
Commodity CFDs			
Precious metals	166	1 043	104
Base metals	350	41	81
Other	2 055	2 809	2 995
Total commodity CFDs	2 571	3 893	3 180
Equity CFDs			
Stocks	2 654	2 544	1 769
Indicies	6 487	10 344	12 756
Total equity CFDs	9 141	12 888	14 525
Debt CFDs	14	52	55
Total financial liabilities held for trading	11 726	16 833	17 760

item presented in comparative periods as Financial assets held for trading

The Company's sensitivity to fluctuations in the prices of specific commodities and equity investments by ±5 per cent with regard to equity and profit before tax is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED) INCREASE BY 5%	30.06.2018 (UNAUDITED) DECREASE BY 5%	30.06.2017 (UNAUDITED) INCREASE BY 5%	30.06.2017 (UNAUDITED) DECREASE BY 5%
Income/(expenses) for the period				
Commodity CFDs				
Precious metals	(6 220)	6 220	(5 385)	5 385
Base metals	190	(190)	(167)	167
Other	(5 248)	5 248	(6 040)	6 040
Total commodity CFDs	(11 278)	11 278	(11 592)	11 592
Equity CFDs				
Stocks	27	(27)	35	(35)
Indicies	(10 612)	10 612	1 278	(1 278)
Total equity CFDs	(10 585)	10 585	1 313	(1 313)
Debt CFDs	661	(661)	293	(293)
Total income/(expenses) for the period	(21 202)	21 202	(9 986)	9 986

33.3 Liquidity risk

For the Company, liquidity risk is the risk of losing its payment liquidity, i.e. the risk of losing capacity to finance its assets and to perform its obligations in a timely manner in the course of normal operations or in other predictable circumstances with no risk of loss. In its liquidity analysis, the Company takes into consideration current possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

The objective of liquidity management in X–Trade Brokers is to maintain the amount of cash on the appropriate bank accounts that will cover all the operations necessary to be carried on such accounts.

In order to manage liquidity in relation to certain bank accounts associated with the operations of financial instruments, the Company uses the liquidity model of which the essence is to determine the safe area of the state of free cash flow that does not require corrective action.

Where the upper limit is achieved, the Company makes a transfer to the appropriate current account corresponding to the surplus above the optimum level. Similarly, if the cash in the account falls to the lower limit, the Company makes a transfer of funds from the current account to the appropriate account in order to bring cash to the optimum level.

Tasks relating to the maintenance and updating of the rules of the liquidity model are performed by the Company's Risk Control Department. Risk Control Department employees are required to analyse liquidity at least once a week, as well as to transfer the relevant information to the Company's Accounting Department in order to make certain operations in the accounts.

The subsidiaries manage liquidity by analysing the anticipated cash flows and by matching the maturities of assets with the maturities of liabilities. The subsidiaries do not use any models for managing liquidity. Liquidity management based on the liquidity gap analysis is effective and sufficient – in subsidiaries, there were no incidents related to lack of liquidity or the lack of possibility of meeting financial obligations. In extraordinary cases, the subsidiaries' liquidity may be provided by the Company.

The procedure also provides for the possibility of deviating from its application, and such procedure requires the consent of at least two members of the Company's Management. Information on deviations is transmitted to the Risk Control Department of the Company.

The Company has also implemented liquidity contingency plans, which were not used in the period covered by the financial statements and in the comparative period, due to the fact that the amount of the most liquid assets (own cash and cash equivalents) greatly exceeds the amount of liabilities.

As part of ongoing business and the tasks related to liquidity risk management, the managers of appropriate organisational units of the Company monitor the balance of funds deposited in the account in the context of planned liquidity needs related to the Company's operating activities. In its liquidity analysis, the existing possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans are taken into consideration.

Supervision and control operations concerning the balance of cash accounts are also performed by the Risk Control Department of Company on a daily basis.

The contractual payment periods of financial assets and liabilities are presented below. The marginal and cumulative contractual liquidity gap, calculated as the difference between total assets and total liabilities for each maturity bucket, is presented for specific payment periods.

Contractual payment periods of financial assets and liabilities as at 30 June 2018 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	750 472	750 472	750 472	–	–	–	–
Financial assets at fair value through P&L							
Stocks	12 273	12 273	12 273	–	–	–	–
CFDs	97 333	97 333	97 333	–	–	–	–
Total financial assets at fair value through P&L	109 606	109 606	109 606	–	–	–	–
Investments in subsidiaries	56 164	56 164	–	–	–	–	56 164
Loans granted and other receivables	7 974	7 974	6 650	–	1 324	–	–
Total financial assets	924 216	924 216	866 728	–	1 324	–	56 164
Financial liabilities							
Amounts due to customers	383 243	383 243	383 243	–	–	–	–
Financial liabilities held for trading							
CFDs	14 376	14 376	14 376	–	–	–	–
Total financial liabilities held for trading	14 376	14 376	14 376	–	–	–	–
Other liabilities	18 253	18 253	11 127	5 539	–	–	1 587
Total financial liabilities	415 872	415 872	408 746	5 539	–	–	1 587
Contractual liquidity gap in maturities (payment dates)			457 982	(5 539)	1 324	–	54 577
Contractual cumulative liquidity gap			457 982	452 443	453 767	453 767	508 344

Contractual payment periods of financial assets and liabilities as at 31 December 2017 (audited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	657 054	657 054	657 054	–	–	–	–
Financial assets held for trading							
CFDs	118 164	118 164	118 164	–	–	–	–
Total financial assets held for trading	118 164	118 164	118 164	–	–	–	–
Investments in subsidiaries	57 160	57 160	–	–	–	–	57 160
Loans granted and other receivables	5 060	5 060	3 807	–	1 253	–	–
Total financial assets	837 438	837 438	779 025	–	1 253	–	57 160
Financial liabilities							
Amounts due to customers	374 930	374 930	374 930	–	–	–	–
Financial liabilities held for trading							
CFDs	34 834	34 834	34 834	–	–	–	–
Total financial liabilities held for trading	34 834	34 834	34 834	–	–	–	–
Other liabilities	20 724	20 724	10 263	8 866	37	–	1 558
Total financial liabilities	430 488	430 488	420 027	8 866	37	–	1 558
Contractual liquidity gap in maturities (payment dates)			358 998	(8 866)	1 216	–	55 602
Contractual cumulative liquidity gap			358 998	350 132	351 348	351 348	406 950

Contractual payment periods of financial assets and liabilities as at 30 June 2017 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	603 753	603 753	603 753	–	–	–	–
Financial assets held for trading							
CFDs	125 244	125 244	125 244	–	–	–	–
Total financial assets held for trading	125 244	125 244	125 244	–	–	–	–
Investments in subsidiaries	59 205	59 205	–	–	–	–	59 205
Loans granted and other receivables	9 874	9 874	8 238	–	1 636	–	–
Total financial assets	798 076	798 076	737 235	–	1 636	–	59 205
Financial liabilities							
Amounts due to customers	409 102	409 102	409 102	–	–	–	–
Financial liabilities held for trading							
CFDs	23 793	23 793	23 793	–	–	–	–
Total financial liabilities held for trading	23 793	23 793	23 793	–	–	–	–
Other liabilities	18 532	18 532	10 683	5 867	78	–	1 904
Total financial liabilities	451 427	451 427	443 578	5 867	78	–	1 904
Contractual liquidity gap in maturities (payment dates)			293 657	(5 867)	1 558	–	57 301
Contractual cumulative liquidity gap			293 657	287 790	289 348	289 348	346 649

The Company does not expect the cash flows presented in the maturity analysis to occur significantly earlier or in significantly different amounts.

33.4 Credit risk

The chart below shows the carrying amounts of financial assets corresponding to the Company's exposure to credit risk:

(IN PLN'000)	30.06.2018 (UNAUDITED)		31.12.2017 (AUDITED)		30.06.2017 (UNAUDITED)	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	750 472	750 472	657 054	657 054	603 753	603 753
Financial assets at fair value through P&L *	109 606	5 718	118 164	12 806	125 244	10 619
Investments in subsidiaries	56 164	56 164	57 160	57 160	59 205	59 205
Loans granted and other receivables	7 974	7 974	5 060	5 060	9 874	9 874
Total financial assets	924 216	820 328	837 438	732 080	798 076	683 451

** As at 30 June 2018 the maximum exposure to credit risk for financial assets at fair value through P&L, not including the collateral received, was PLN 97 3337 thousand (31 December 2017: PLN 95 197 thousand; 30 June 2017: PLN 109 702 thousand). This exposure was collateralised with customers' cash, which, as at 30 June 2018, covered the amount of PLN 91 615 thousand (31 December 2017: PLN 82 391 thousand; 30 June 2017: PLN 99 083 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

The credit quality of the Company's financial assets is assessed based on external credit quality assessments, risk weights assigned based on the CRR, taking account of the mechanisms used to mitigate credit risk, the number of days past due, and the probability of counterparty insolvency.

The Company's assets fall within the following credit rating brackets:

- Fitch Ratings - from F1+ to F3
- Standard & Poor's Ratings Services - from A-1+ to A-3
- Moody's – from P-1 to P-2

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and customers' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 30 June 2018, the Company had deposit accounts in 22 banks and institutions (31 December 2017: in 21 banks and institutions; 30 June 2017: in 23 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

	30.06.2018 (UNAUDITED)		31.12.2017 (AUDITED)		30.06.2017 (UNAUDITED)
ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)
Bank 1	235 204	Bank 1	223 440	Bank 1	131 441
Bank 2	143 774	Bank 2	108 812	Bank 2	115 749
Bank 3	98 152	Bank 3	86 083	Bank 3	92 835
Bank 4	75 604	Bank 4	77 019	Bank 4	69 881
Bank 5	41 396	Bank 5	41 163	Bank 5	41 043
Bank 6	35 898	Bank 6	25 291	Bank 6	29 651
Bank 7	23 673	Bank 7	23 946	Bank 7	29 099
Bank 8	17 804	Bank 8	22 026	Bank 8	26 955
Bank 9	15 925	Bank 9	13 976	Bank 9	15 606
Bank 10	14 514	Bank 10	6 351	Bank 10	14 425
Other	48 528	Other	28 947	Other	37 068
Total	750 472	Total	657 054	Total	603 753

The table below presents a short-term assessment of the credit quality of the Company's cash and cash equivalents according to credit quality steps determined based on external credit quality assessments (where step 1 means the best credit quality and step 6 – the worst) and the risk weights assigned based on the CRR. Long-term assessment of the credit quality were used in case of exposures without short-term assessment of the credit quality or maturity longer than 3 months.

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000) 30.06.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.06.2017 (UNAUDITED)
Cash and cash equivalent			
Step 1	703 147	614 489	539 261
Step 2	783	628	1 215
Step 3	46 542	41 937	63 277
Total	750 472	657 054	603 753

Financial assets at fair value through P&L

Financial assets at fair value through P&L result from transactions in financial instruments entered into with the Company's customers and the related hedging transactions.

Credit risk involving financial assets at fair value through P&L is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the Company's policy is to mitigate the counterparty credit risk through the so-called "stop out" mechanism. Customer funds deposited in the brokerage serve as a security. If a customer's current balance is 30 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the Company includes special clauses in agreements with selected customers, in particular, requirements regarding minimum balances in cash accounts.

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets at fair value through P&L is high and does not show significant diversity.

The Company's top 10 exposures to counterparty credit risk taking into account collateral (net exposure) are presented in the table below (numbering of counterparties determined individually for each period):

	30.06.2018 (UNAUDITED)		31.12.2017 (AUDITED)		30.06.2017 (UNAUDITED)
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	1 333	Entity 1	2 076	Entity 1	2 138
Entity 2	620	Entity 2	1 340	Entity 2	1 136
Entity 3	435	Entity 3	772	Entity 3	872
Entity 4	350	Entity 4	713	Entity 4	409
Entity 5	176	Entity 5	703	Entity 5	362
Entity 6	168	Entity 6	675	Entity 6	349
Entity 7	128	Entity 7	433	Entity 7	316
Entity 8	115	Entity 8	416	Entity 8	298
Entity 9	109	Entity 9	383	Entity 9	282
Entity 10	97	Entity 10	238	Entity 10	257
Total	3 531	Total	7 749	Total	6 419

Financial assets held to maturity

There were no financial assets held to maturity in the periods covered by the financial statements.

Other receivables

Other receivables do not show a significant concentration, and they arose in the normal course of the Company's business. Non-overdue other receivables are collected on a regular basis and, from the perspective of credit quality, they do not pose a material risk to the Company.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

1. Basic information

1.1 General information

The Parent Company in the Capital Group X-Trade Brokers Dom Maklerski S.A. (the „Group", „Capital Group") is X Trade Brokers Dom Maklerski S.A. (hereinafter: the „Company" „Parent Entity", „Parent Company", „Brokerage", „XTB") with its headquarters located in Warsaw, at Ogrodowa street 58, 00-876 Warsaw.

The Group operates on the basis of licences granted by regulators in Poland, the UK, Cyprus, Turkey and Belize. The Group's business is regulated and supervised by competent authorities on the markets on which the Group operates, including EU countries, where it operates on the basis of a single European passport. Currently, the Group is focusing on growing its business in 12 key countries, including Poland, Spain, the Czech Republic, Portugal, France and Germany and has prioritised Latin America as a region for future development.

On 10 February 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. It has led to a significant decline in the number of customers and consequently to a significant reduction in the Group's activity in Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB).

During the six months of 2018, the Group continued the process of expanding the product offer. The purpose of these activities is to diversify the offer to meet the expectations of various groups of investors. The most important innovation was the introduction of a shares offer in March 2018, thanks to which investors with a higher risk aversion than CFD products can invest in shares and ETFs from over a dozen global markets. This service was introduced on the xStation platform, which is still subject to improvements so that trade in financial instruments is as simple as possible, and the client has all the necessary information in one place, i.e. on the transaction platform. One of the examples of applications improving customer experience is the ETF Scanner introduced in the first quarter of 2018, which allows for a thorough fundamental analysis of funds traded on stock exchanges. Also in the first quarter, XTB introduced a new refreshed investment offer on CFDs based on cryptocurrencies, which met with great interest of the Company's clients. XTB is constantly expanding the functionality of the xStation platform to meet the requirements of both CFD customers and a new group of share clients. In the second quarter of 2018, a business decision was made to cease offering the xSocial product.

The Management Board is of the opinion that the Group has built solid foundations that ensure its good position to generate growth in the future.

In the I half of 20118 operating income, EBIT and net profit of the Group was respectively PLN 197,9 million, PLN 115,1 million and PLN 100,4 million. In comparable period in 2017 operating income; EBIT and net profit of the Group was respectively PLN 125,3 million, PLN 52,7 million and PLN 29,4 million.

These semi-annual condensed financial statements for the first half of 2018 (separate and consolidated) have been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" as endorsed by the European Union. Other standards, amendments to existing standards and interpretations of the International Financial Reporting Interpretations Committee recently adopted or awaiting adoption have no bearing on the Group's business or its impact would not be material. Detailed description of the rules for drawing up the above- The financial statements are presented in item 3 of the Semi-Annual Condensed Consolidated Financial Statements as well as in the separate financial statements.

Products and services

The Group is an international provider of trading and investment products, services and solutions, specialising in OTC markets with a particular focus on CFDs, which are investment products with returns linked to the changes in the prices and values of underlying instruments and assets. The Group operates in two segments: retail and institutional segment. The Group's retail operations mainly include online trading of derivatives based on assets and underlying instruments that are traded on the financial and commodity markets. Institutional customers of the Group offers technologies thanks to which they can offer their clients the possibility of trading in financial instruments under their own brand. The Group also acts as a liquidity provider for institutional clients.

The Group offers two trading platforms to both retail clients and institutional clients:

- xStation
- MetaTrader 4 (MT4),

which are supported by the Group's advanced, proprietary technology infrastructure. The Group's retail clients are given access to one of the above-mentioned front-end trading platforms and to the range of its components, along with access to back-office systems. Institutional clients are granted full access to the set-up and management facilities, the branding system and the risk management tools.

The Group also offers its clients various trading alternatives based on the level of client sophistication (from beginner to expert) and on the mode of access (from smartphones to web-based interfaces to desktop applications). These applications provide retail clients investing in CFDs based on various financial instruments with tools, including charts, analytics, research and online trading.

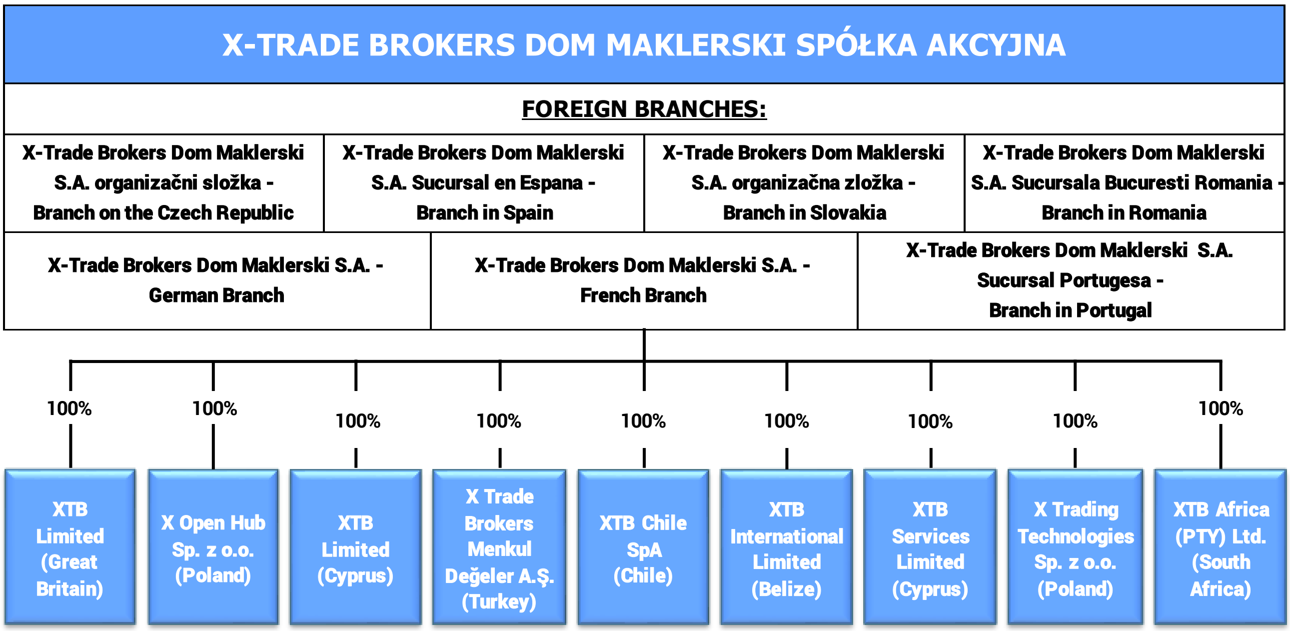
The functionality of the Group's offer enables clients to open and deposit funds in accounts, place and move orders and request statements via the Internet. The Group's core technology uses software products designed for their functionality and scalability.

The Group is actively introducing new improvements to the transaction platform that make it more intuitive and easy to use. As at the end of I half of 2018, the Group offered more than 1 700 CFDs with leverage, including approximately 50 instruments based on currency pairs, approximately 20 based on commodities, approximately 25 based on indices, approximately 1 500 based on shares of companies listed on stock exchanges in 12 countries and approximately 80 based on American and European ETFs. In March 2018, the Group decided to introduce equity instruments from European and American exchanges to the offer. Currently, the share offer includes about 1 800 stocks and over 70 ETFs. At the same time, decisions were made to withdraw the offer of synthetic stocks. Currently, the group offers its clients over 3 500 instruments. Institutional client may also use the xRisk platform, which provides a complete risk management system. In 2017, the Group expanded its offer by CFD based on cryptocurrencies and on cash indexes. In addition, a new range of equity instruments with a lever based on Scandinavian shares was also made available. In order to better protect retail clients, the Group decided to introduce a protection service against the negative balance of the client's account. In 2017, the method of collecting a security deposit was changed completely by introducing a mechanism based on the nominal exposure of the customer's account. At the end of June 2018, the Group withdrew options from its offer. The decision was caused by ESMA's regulatory changes and a total ban on offering such products.

1.2 Description of the Group's organization

As at date of this report the Group comprised Parent Company and 9 subsidiaries. The Company has 7 foreign branches.

The chart below presents the Group's structure, including the Company's foreign branches, including its share in the share capital / number of votes at the general meeting or the shareholders meeting to which the shareholder or shareholder is entitled.



The results of all subsidiaries are fully consolidated from the date of their creation/acquisition.

Neither the Parent Company nor any Group company holds shares in other companies that may have a material impact on its assets and liabilities, financial position and profit or loss.

Subsidiaries

Basic information about the Group companies, which are directly or indirectly dependent on the Company, is provided below.

<u>XTB Limited, Great Britain</u>

XTB Limited business comprises, among other things, the following types of operations:

- making arrangements regarding investments for clients,
- dealing in investments as an agent,
- dealing in investments as the principal.

<u>X Open Hub Sp. z o.o., Poland</u>

Main scope of business of the company is offering electronic applications and trading technology.

<u>XTB Limited (formerly: DUB Investments Ltd.), Cyprus</u>

XTB Limited business comprises:

- accepting and forwarding orders relating to one or more financial instruments,
- managing share packages.

On 12 July 2016 Cypriot Securities and Exchange Commission, „CySEC" approved to expand the brokerage license of the company by the following investment services:

- execution of orders on behalf of clients,
- dealing on own account and following ancillary services:
  - safekeeping and administration of financial instruments on behalf of clients; including custodianship and related services such as cash/additional insurance,

- granting investors credits or loans to one or more financial instruments, where the firm granting the credit or loans is involved in the transaction,
- foreign exchange services where these are connected to the provision of investment services.

Expanding of brokerage license includes all financial instruments listed in Section C of Annex 1 of MiFiD Directive.

X Trade Brokers Menkul Değerler A.Ş., Turkey

X Trade Brokers Menkul Değerler A.Ş. business encompasses among other.:

- investment consulting,
- trading derivatives,
- leverage trading on the forex market,
- trading intermediation.

On 10 February 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB).

XTB Chile SpA, Chile

On 17 February 2017 the Parent Company established XTB Chile SpA. The Company owns 100% of shares in subsidiary. XTB Chile SpA will provide services involving the acquisition of clients from the territory of Chile.

XTB International Limited, Belize

On 23 February 2017 the Parent Company acquire 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 the company changed its name from CFDs prime Limited to XTB International Limited. The company provides brokerage services based on the obtained permission issued by the International Financial Service Commission.

XTB Services Limited, Cyprus

On 27 July 2017 the Parent Company acquired 100% shares in Jupette Limited with its registered office in Cyprus. On 5 August 2017 the subsidiary changed its name to XTB Services Limited. The company provides marketing and marketing-sales services.

X Trading Technologies Sp. z o.o., Poland

In January 2018, the Parent Company established a subsidiary of X Trading Technologies Sp. z o.o. based in Poland. The company holds 100% shares in a subsidiary. X Trading Technologies Sp. z o.o. conducts software related activities. On 30 January 2018, the parent company acquired 3 900 shares in the increased share capital of the subsidiary, maintaining 100% share in its capital. On May 14 2018, the Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to dissolve the company and open its liquidation.

XTB Africa (PTY) Ltd., South Africa

On 10 July of 2018 the Parent Company established a subsidiary of XTB Africa (PTY) Ltd with its seat in RPA. The company hold 100% shares in a subsidiary. As at the date of publication of this report, the Company did not conduct any operating activities.

In the reporting period, i.e. from 1 January to 30 June 2018 and as at the submission date of this report, there were no changes in the structure of the X-Trade Brokers Dom Maklerski S.A. Group other than those described above.

2. Summary and analysis of the results of the Group

In the I half of 2018, XTB noted a record consolidated net profit of PLN 100,4 million against PLN 29,4 million a year earlier. This is an increase by PLN 71,0 million i.e. 242,0%. Operating profit (EBIT) increased by PLN 62,4 million y/y, i.e.118,5%, reaching the value PLN 115,1 million. Consolidated revenues were PLN 197,9 million compared to PLN 125,3 million a year earlier.

2.1 Factors affecting operating and financial results

The Group's operating and financial results are primarily influenced by:

- number of active clients, transaction volume and amount of deposits;
- volatility in financial and commodity markets;
- general market, geopolitical and economic conditions;
- competition in the FX/CFD market; and
- regulatory environment.

The key factors influencing the Group's financial and operating results for the 6 months ended 30 June 2018 are discussed below. According to the Management Board, these factors have and may have an impact on the Group's operations, operational and financial results, financial situation and prospects in the future.

2.2 Discussion of the Group's result for the I half of 2018

The table below presents the selected items of the consolidated statement of comprehensive income for the periods.

(in PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2018	30.06.2017	CHANGE IN VALUE	CHANGE %
Result of operations on financial instruments	194 316	123 047	71 269	57,9
Income from fees and charges	3 541	2 247	1 294	57,6
Other income	80	37	43	116,2
Total operating income	197 937	125 331	72 606	57,9
Salaries and employee benefits	(39 116)	(36 267)	(2 849)	7,9
Marketing	(16 775)	(13 807)	(2 968)	21,5
Other external services	(12 729)	(10 125)	(2 604)	25,7
Costs of maintenance and lease of buildings	(3 915)	(3 763)	(152)	4,0
Amortisation and depreciation	(2 254)	(3 021)	767	(25,4)
Taxes and fees	(923)	(1 346)	423	(31,4)
Commission expenses	(4 034)	(2 621)	(1 413)	53,9
Other expenses	(3 047)	(1 675)	(1 372)	81,9
Total operating expenses	(82 793)	(72 625)	(10 168)	14,0
Operating profit (EBIT)	115 144	52 706	62 438	118,5
Impairment of intangible assets	-	(5 612)	5 612	-
Finance income	10 319	2 421	7 898	326,2
Finance costs	(3 456)	(12 716)	9 260	(72,8)
Profit before tax	122 007	36 799	85 208	231,5
Income tax	(21 605)	(7 441)	(14 164)	190,4
Net profit	100 402	29 358	71 044	242,0

Income

Increase of revenues in I half of 2018 by 57,9% y/y i.e. 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 of lots y/y and unit profitability by PLN 34,3 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
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, i.e. 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 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 clients of the Group in individual periods.
[2]) Average number of active clients respectively 6 and 3 months of 2018 and 12, 9, 6 and 3 months of 2017 and 12, 9 and 6 months of 2016.
[3]) The number of new accounts of the Group in individual periods.
[4]) Data for the period adjusted for the effect of a technical error including test accounts.
[5]) Average number of active accounts respectively 6 and 3 months of 2018 and 12, 9, 6 and 3 months of 2017 and 12, 9 and 6 months of 2016.

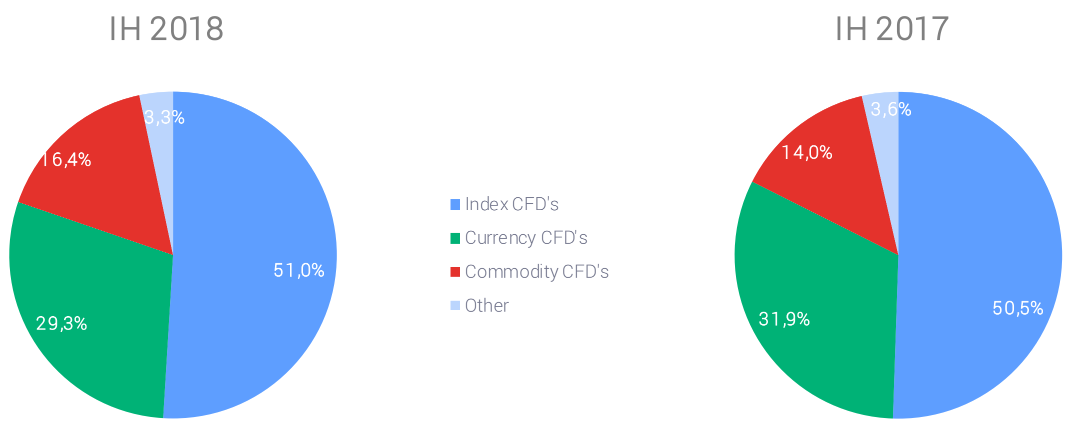
Similarly, to the prior quarters of the previous year, in the I half of 2018, XTB implemented an optimized sales and marketing strategy and introduced new products. The favourable situation on the financial markets was an additional factor supporting the growth of the client base.

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		CHANGE %
	30.06.2018	30.06.2017	
Index CFDs	100 228	64 525	55,3
Currency CFDs	57 621	40 742	41,4
Commodity CFDs	32 318	17 844	81,1
Stock CFDs	2 268	1 097	106,7
Bond CFDs	322	(257)	(225,3)
Total CFDs	192 757	123 951	55,5
Options	3 947	3 743	5,5
Shares and listed derivative instruments	(34)	-	-
Gross gain on transactions in financial instruments	196 670	127 694	54,0
Bonuses and discounts paid to costumers	(1 582)	(1 775)	(10,9)
Commission paid to cooperating brokers	(772)	(2 872)	(73,1)
Net gain on transaction in financial instruments	194 316	123 047	57,9

The share of instruments in the result of the operations on financial instruments



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 82,8 million (I half of 2017 PLN 72,6 million) and were higher by PLN 10,2 million i.e. 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, including PLN 0,7 million concerning created provisions for litigations.

(in PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Salaries and employee benefits	39 116	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	3 047	1 675
Total operating expenses	82 793	72 625

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

	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)	41 750	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 should 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 elements 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.

2.3 Group's selected financial ratios

The financial ratios presented in the following table are not a measure of the financial results in accordance with the IFRS nor should they be treated as a measure of the financial results or cash flows from operating activities, or considered an alternative to a profit. These indicators are not uniformly defined and may not be comparable to ratios presented by other companies, including companies operating in the same sector as the Group.

	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
EBITDA (in PLN'000)[1]	117 398	55 727
EBITDA margin (%)[2]	59,3	44,5
Net profit margin (%)[3]	50,7	23,4
Return on equity –ROE (%)[4]	44,6	16,9
Return on assets – ROA (%)[5]	21,4	7,1
Aggregate capital adequacy ratio (%)[6]	15,4	11,1

[1]) EBITDA calculated as operating profit, including amortisation and depreciation.
[2]) Calculated as the quotient of operating profit, including amortisation and depreciation, and operating income.
[3]) Calculated as the quotient of net profit and operating income.
[4]) Calculated as the quotient of net profit and average balance of equity (calculated as the arithmetic mean of the total equity as at the end of the prior period and as at the end of the current reporting period; ratios for 6-months periods were annualized).
[5]) Calculated as the quotient of net profit and average balance of total assets (calculated as the arithmetic mean of the total assets as at the end of the prior period and as at the end of the current reporting period; ratios for 6-months periods were annualized).
[6]) Calculated as the quotient of equity and total risk exposure.

2.4 Selected operating data

The table below shows data on the Group's transaction volumes (in lots) by geographical area for the periods indicated.

	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Retail operations segment	1 171 279	938 563
Central and Eastern Europe	667 811	498 781
Western Europe	445 281	320 836
Latin America and Turkey	58 187	118 946
Institutional operations segment	120 147	115 333
Total	1 291 426	1 053 896

The table below presents:
- the number of new clients in individual periods;
- the number of active clients;
- the aggregate number of clients;
- the number of new accounts opened by the Group's clients in individual periods;
- the number of active accounts;
- the aggregate number of accounts;
- the amount of net deposits in the individual periods;
- average operating income per one active account;
- the transaction volume in lots;
- profitability per lot.

The information presented in the table below is related to the aggregate operations in the retail and institutional operations segments.

	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 clients in the individual periods.
[2]) The average quarterly number of clients via which 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 via which 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.

The table below shows data on the Group's revenue by geographical area for the periods indicated.

(in PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Result from operations on financial instrument:	194 316	123 047
Central and Eastern Europe	101 832	48 586
Western Europe	82 478	66 412
Latin America and Turkey	10 006	8 049
Income from fees and charges:	3 541	2 247
Central and Eastern Europe	2 805	1 624
Western Europe	655	634
Latin America and Turkey	81	(11)
Other income:	80	37
Central and Eastern Europe	80	37
Western Europe	-	-
Latin America and Turkey	-	-
Total operating income[1]	197 937	125 331
Central and Eastern Europe	104 718	50 247
- including Poland [2]	*63 999*	*24 405*
Western Europe	83 133	67 046
- including Spain[2]	*29 725*	*28 791*
Latin America and Turkey	10 086	8 038
- including Turkey	-	*5 073*

[1]) The countries where the Group always generates 15% or more of its revenues include Poland and Spain. The share of any of the other countries in the Group's revenue structure by geographical area does not exceed 15%.
[2]) The country which generates the highest revenue in the region

Retail operations segment

The table below presents key operational data in the retail operations segment of the Group for the respective periods indicated.

	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
New clients[1]	10 042	8 126
Average number of active clients[2]	22 117	17 727
Clients in total	107 173	95 783
New accounts[3]	24 042	22 904
Average number of active accounts[4]	24 892	19 985
Accounts in total	215 155	177 922
Number of transactions[5]	17 918 284	13 248 399
Transaction volume in CFD instruments in lots[6]	1 171 279	938 563
Net deposits (in PLN'000)[7]	170 719	173 176
Average operating income per active client (in PLN'000)[8]	8,5	5,9
Average operating income per active account (in PLN'000)[9]	7,5	5,3
Average cost of obtaining an client (in PLN'000)[10]	1,7	1,7
Average cost of obtaining an account (in PLN'000)[11]	0,7	0,6
Profitability per lot (in PLN)[12]	160	112

[1]) The number of new clients in the individual periods.
[2]) The average quarterly number of clients via which 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]) Total number of open and closed transactions in a given period.
[6]) 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.
[7]) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
[8]) The Group's operating income in a given period divided by the average quarterly number of clients via which at least one transaction has been concluded over the last three months.
[9]) 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.
[10]) Average cost of obtaining a client comprise total marketing costs of the Group divided by the number of new clients in given period.
[11]) Average cost of obtaining an account comprise total marketing costs of the Group divided by the number of new accounts in given period.
[12]) Total operating income in retail segment divided by the transaction volume in CFDs in lots.

The table below presents the average quarterly number of retail clients maintained by the Group on which at least one trade was executed in the last three months, by geographical location. The locations of active clients have been determined based on the location of the Group's office (that maintains the client) except for clients maintained by XTB Limited and XTB International Limited. The clients maintained by XTB Limited and XTB International Limited have been classified based on the client's country of residence rather than the location of the Group's office.

	SIX-MONTH PERIOD ENDED			
	30.06.2018		30.06.2017	
Central and Eastern Europe	12 521	56,6%	10 395	58,6%
Western Europe	8 234	37,2%	5 809	32,8%
Latin America and Turkey	1 362	6,2%	1 523	8,6%
Average number of active clients	22 117	100,0%	17 727	100,0%

Institutional operations segment

Since 2013, the Group has provided its services to institutional clients, including brokerage houses and other financial institutions.

The table below presents information regarding the number of clients and number of accounts in the Group's institutional operations segment in the periods indicated.

	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Average number of active clients	18	22
Clients in total	41	36
Average number of active accounts	26	31
Accounts in total	82	86

The table below presents the Group's turnover (in lots) in the institutional operations segment in the periods indicated.

	SIX-MONTH PERIOD ENDED	
	30.06.2018	30.06.2017
Transaction volume in CFD instruments in lots	120 147	115 333

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.

2.5 Factors which in the Management's Board belief may impact the Group's operations and perspectives

The Management Board believes that the following trends have impact and will maintain and continue to impact the Group's operations until the end of 2018 and in some cases also longer:

- The Group's revenue depends directly on the volume of transactions concluded by the Group's clients and profitability per lot which in turn is correlated with the general level of transaction activity on the FX/CFD market.

  As a rule, the Group's revenues are positively affected by higher activity of financial markets due to the fact that in such periods, a higher level of turnover is realized by the Group's customers and higher profitability per lot. The periods of clear and long market trends are favourable for the Company and it is at such times that it achieves the highest revenues. Therefore, high activity of financial markets and commodities generally leads to an increased volume of trading on the Group's trading platforms. On the other hand, the decrease in this activity and the related decrease in the transaction activity of the Group's clients leads, as a rule, to a decrease in the Group's operating income. Due to the above, operating income and the Group's profitability may decrease in periods of low activity of financial and commodity markets. In addition, there may be a more predictable trend in which the market moves within a limited price range. This leads to market trends that can be predicted with a higher probability than in the case of larger directional movements on the markets, which creates favourable conditions for transactions concluded in a narrow range of the market (range trading). In this case, a greater number of transactions that bring profits to customers is observed, which leads to a decrease in the Group's result on market making.

  The volatility and activity of markets results from a number of external factors, some of which are characteristic for the market, and some may be related to general macroeconomic conditions. It can significantly affect the revenues generated by the Group in the subsequent quarters. This is characteristic of the Group's business model. To illustrate this impact, the table below presents the historical financial results of the Group on a quarterly basis.

	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.

- Since 2013, the Group provides services for institutional clients, including brokerage houses, start-ups and other financial institutions within the institutional activity segment (X Open Hub). As at the date of this report, the Group is in the process of developing the business of this segment, which is still at an early stage of development. The products and services offered by the Group as part of the X Open Hub differ from those offered as part of the retail segment, which entails different risks and challenges. As a result, the Group's revenues from this segment are exposed to large fluctuations from period to period, just like in the retail segment, which is typical of the business model adopted by the Group. The table below illustrates the percentage share of the institutional business segment in total operating income.

	30.06.2018	2017	2016	2015	2014	2013
% share of operating income from institutional operations in total operating income	5,6%	15,2%	7,8%	4,7%	14,1%	4,6%

The Management Board anticipates that the level of activity in financial and commodity markets in 2018, regulatory changes as well as other factors (if they occur) may affect the condition of XTB's institutional partners and thus to the volume of trading in lots in the coming period, as well as and XTB revenues from these customers. On the other hand, the Management Board of XTB can't exclude a higher turnover of clients in the institutional segment in the coming quarters.

- The Management Board expects that in 2018 operating expenses should 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 elements 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.

- On 10 February 2017, the Turkish regulatory body, the Capital Markets Board of Turkey (CMB), introduced changes to the regulations regarding the operation of investment services, investment activities and additional services. This contributed to a significant decrease in the number of clients and, consequently, to a significant reduction in the Group's operations in Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB).

  In case of termination of activity on the Turkish market, which from the point of view of accounting in accounting books should be understood by repaying share capital/liquidation of assets held (loss of license). The Group, in accordance with the applicable accounting principles, will be required to take actions in reclassification of exchange differences resulting from the conversion of the Turkish company's capital from the position Exchange differences from conversion included in equity to the income statement. This operation will not affect the total amount of the Group's equity as at the date of its execution. Nevertheless, the Company will be required to demonstrate the effects of the abovementioned conversion as part of the result on financial activities, however, in the case of negative exchange differences, the effects of these conversions will be the financial cost. The company explains that the amount of exchange differences related to investments in Turkey is derived from the rate of Turkish lira, which is subject to fluctuations, hence the Group is not able to precisely estimate the value of the financial cost incurred in this respect as it will be recognized in the future as at the date of this report.

- Current regulatory changes in the industry at the national and international level may change its face in the long term.

On 27 March 2018, the European Securities and Markets Authority ('ESMA') agreed measures on the offering of contracts for differences ('CFDs') and binary options to retail investors in the European Union (EU).

Agreed measures regarding CFDs include:

- Leverage limits on the opening of a position by a retail client between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument, including:
  - 30:1 for major currency pairs;
  - 20:1 for non-major 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 closes out rule on a per account basis;
- Negative balance protection on a per account basis;
- Restriction on the incentives offered to trade CFDs;
- Standardised risk warning.

In the binary options:

- Prohibition on the marketing; distribution or sale of binary options to retail investors

Taken on 22 May 2018 pursuant to art. 40 of Regulation (EU) 600/215 on markets in financial instruments by ESMA, decisions on product intervention were finally published in the Official Journal of the European Union.

The temporary prohibition the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July 2018 and is motivated by significant concerns related to investor protection due to the complexity of the product and the negative expected rate of return.

In relation to CFD temporary above mentioned restrictions on trade, distribution and sale began on 1 August 2018.

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.

On 28 March 2018, the President of the Republic of Poland signed the Act amending the Act on Trading in Financial Instruments and certain other acts. This Act is aimed at implementing into the national legal order EU regulations concerning markets for financial instruments, i.e. MiFID II Directive and MiFIR Regulation. The Act imposes additional obligations on financial market entities, implements new rules for communication with the client, extends information requirements, ensures greater transparency of costs and introduces new powers for supervisors. The act entered into force on 21 April 2018. The statutory provisions specify the new regulations of the Minister of Finance:

- regarding the procedure and conditions of conduct of investment companies, banks referred to in Art. 70 sec. 2 of the Act on Trading in Financial Instruments, and custodian banks; and
- on detailed technical and organizational conditions for investment companies, banks referred to in Art. 70 sec. 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 firms to comply with the new requirements by 21 October 2018.

It can't be ruled out that regulatory changes at the national and international levels can have a significant impact on the way the Group offers and promotes financial products, clients' investment strategies, the volume of trading in lots, and profitability per lot, and what's next goes on the Group's financial results.

Due to the uncertainty regarding future economic conditions, expectations and forecasts of the Management Board are subject to a particularly high degree of uncertainty.

3. Company's authorities

3.1 Management Board

As at 30 June 2018 the composition of the Management Board:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout*	President of the Management Board	10.01.2017	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019
Filip Kaczmarzyk	Board Member	10.01.2017	29.06.2019

* Omar Arnaout on 10 January 2017 was appointed as a Member of the Management Board for Sales in the rank of Vice President of the Management Board. On 23 March 2017 he was appointed the President of the Management Board.

During the reporting period the following changes occurred in the composition of the Management Board:

- on 25 April 2018 Mr. Paweł Frańczak previously holding the position of a Member of the Management Board of the Company resigned from his function;
- At the same time i.e. 25 April 2018, the Supervisory Board of XTB appointed Mr. Jakub Kubacki for the position of the Member of the Management Board of the Company. The resolution comes into force and the appointment becomes effective, provided that the Polish Financial Supervision Authority ("PFSA") shall give its consent in accordance with Art. 102a of the Act on Trading in Financial Instruments. As at the date of publication of this report, the PFSA has not yet approved it.

In the period from the balance sheet date to the date of submission of this periodic report, the following changes took place in the composition of the Management Board:

- on 10 July 2018 the Supervisory Board of the Company adopted a resolution regarding the appointment of Mr. Jakub Kubacki as a Member of the Management Board for Legal Affairs on the same day. At the same time, also on 10 July 2018, the Supervisory Board of the Company determined that as soon as the Polish Financial Supervision Authority granted the consent in accordance with Art. 102a.1 of the Act on Trading in Financial Instruments, the member of the Management Board for Legal Affairs will become responsible for supervising the risk management system and will subsequently become a Member of the Management Board for Legal Affairs and Risks.

As at the date of publication of this periodic report the composition of the Management Board:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout	President of the Management Board	10.01.2017*	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019
Filip Kaczmarzyk	Board Member	10.01.2017	29.06.2019
Jakub Kubacki	Board Member	10.07.2018	29.06.2019

* Omar Arnaout on 10 January 2017 was appointed as a Member of the Management Board for Sales in the rank of Vice President of the Management Board. On 23 March 2017 he was appointed the President of the Management Board.

3.2 Supervisory Board

As at 30 June 2018 and as at the date of publication of this periodic report, the composition of the Management Board was as follows:

IMIĘ I NAZWISKO	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Jakub Leonkiewicz	Chairman of the Supervisory Board	30.05.2017	09.11.2018
Łukasz Baszczyński	Member of the Supervisory Board	09.11.2015	09.11.2018
Jarosław Jasik	Member of the Supervisory Board	09.11.2015	09.11.2018
Bartosz Zabłocki	Member of the Supervisory Board	09.11.2015	09.11.2018
Marek Strugała	Member of the Supervisory Board	07.03.2018	09.11.2018

In the reporting period, the following changes took place in the composition of the Supervisory Board:

- on 7 March 2018, Mr. Michał Kędzia, the previous Member of the Supervisory Board, resigned from his function in the Supervisory Board of the Company with effect on the 7 March 2018;
- at the same time, the Company's shareholder, i.e. Systexan S.a.r.l. with its registered office in Luxemburg acting pursuant to § 15 section 4(b) of the Articles of Association of XTB, filed a declaration on the appointment of Mr. Marek Strugała to the Supervisory Board of the Company to the Member of the Supervisory Board position on 7 March 2018.

In the reporting period and until the date of submission of this report, there were no changes in the composition of the Supervisory Board other than those described above.

4. Information about shares and shareholding

4.1 Equity

As at 30 June 2018 and as at the submission date of this periodic report, share capital of X-Trade Brokers Dom Maklerski S.A. comprised of 117 383 635 A-series ordinary shares. The nominal value of the shares is PLN 0,05 per share.

4.2 Share in the free float

On 4 May 2016, the WSE Management Board adopted a resolution to admit the Company's shares to trading on the regulated market with the same day. Subsequently, on 5 May 2016, the WSE Management Board adopted a resolution to introduce, as of 6 May 2016, all Company shares for stock exchange trading.

4.3 Shareholding structure

To the best knowledge of the Management Board of the Company as at 10 May 2018 i.e. as at the submission date of the previous periodic report (I quarter report for the 2018), the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

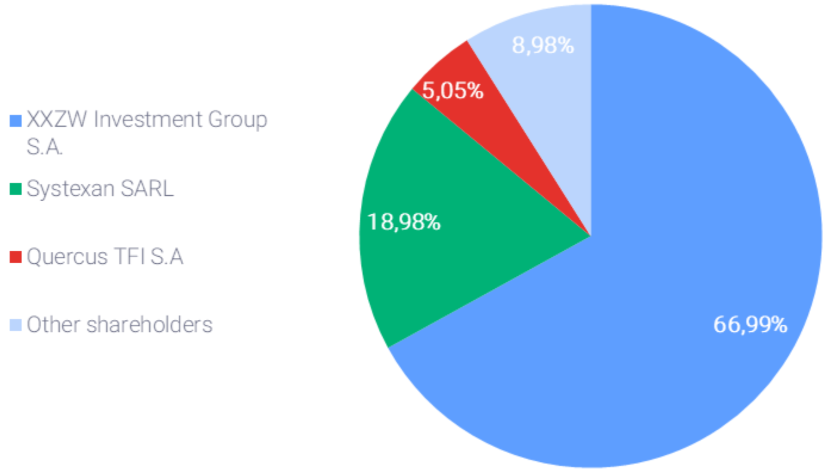
	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Systexan SARL[2]	22 280 207	1 114	18,98%
Quercus TFI S.A	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100%

[1]) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.

[2]) SYSTEXAN S.à r.l. with its registered office in Luxembourg is directly controlled by the Polish Enterprise Fund VI L.P., with its registered office in the Cayman Islands.

The percentage share in the share capital of the Parent Company of the abovementioned shareholders is in line with the percentage shares in the number of votes at the General Meeting.

The shareholding structure as at 10 May 2018 is presented on the graph below:



To the best knowledge of the Company's Management Board as at 30 June 2018 and as at the date of this periodic report, the condition of shareholders holding directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Entity did not change compared to 10 May 2018.

4.4 Shares and rights held by Members of the Management and Supervisory board

The below table presents shares held by Members of the Management and Supervisory Board as at the submission date of the previous and current report.

Name and Surname	Function	Number of shares as at date of previous period report	Number of shares held as at date of this report
Paweł Frańczak	Board Member *	37 328	na

* Paweł Frańczak at 25 April 2018 resigned from Member of Management Board position.

Other managing and supervising persons did not have, at the end of the reporting period and at the date of this report, share the Company's shares. Management and supervisory personnel did not hold, at the end of the reporting period and at the date of this report, the entitlements to the Company's shares.

5. Other information

5.1 Information on transactions with related parties

In 6-month period ended 30 June 2018 and 30 June 2017 were no related transactions concluded on other than arm's length basis.

The table below shows the Group's transactions and balances of settlements with related parties:

(in PLN'000)	30.06.2018 REVENUES	30.06.2018 RECEIVABLES	30.06.2017 REVENUES	31.12.2017 RECEIVABLES	30.06.2017 RECEIVABLES
Related parties:					
XTB Limited (UK)	15 665	2 142	13 498	2 211	3 824
XTB Limited (CY)	76	13	77	13	13
X Open Hub Sp. z o.o.	1 426	871	946	345	532
X-Trade Brokers Menkul Degerler A.S	-	-	5 083	-	2 221
XTB International Limited	10 383	1 199	1 104	157	744

(in PLN'000)	30.06.2018 COSTS	30.06.2018 LIABILITIES	30.06.2017 COSTS	31.12.2017 LIABILITIES	30.06.2017 LIABILITIES
Related parties:					
XTB Limited (UK)	(6 059)	2 925	(7 658)	2 790	1 411
XTB Limited (CY)	(1 469)	220	(644)	141	89
X Open Hub Sp. z o.o.	(240)	55	(123)	40	11
X-Trade Brokers Menkul Degerler A.S	-	-	(4 358)	-	2 760
XTB International Limited	(5 737)	675	(5 226)	2 398	3 681
XTB Services Limited	(2 967)	628	-	398	-

Jakub Zabłocki indirectly controlling the Company (through XXZW Investment Group S.A. based in Luxembourg) has a brokerage account in XTB. Transactions and the status of settlements from the above title are presented in the table below:

(in PLN'000)	30.06.2018 COSTS	30.06.2018 LIABILITIES	30.06.2017 COSTS	31.12.2017 LIABILITIES	30.06.2017 LIABILITIES
Jakub Zabłocki	-	0,2	-	-	-

5.2 Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 30 June 2018 and in the reporting period, i.e. from 1 January 2018 to 30 June 2018, neither the Parent Company nor any of its subsidiaries granted any warranties in respect of loans or advances or any guarantees to any third party or its subsidiary, whose combined value is significant.

5.3 The Management Board's position concerning the realization of previous published forecast of the results for the current

The Management Board of X-Trade Brokers Dom Maklerski S.A. did not publish any forecasts of the results for 2018.

5.4 The information on the significant court proceedings, arbitration authority or public administration authority

As at 30 June 2018 and as at the submission date of this periodic report the Parent company and its subsidiaries were not a party to the proceedings pending before court, arbitration authority or public administration authority, the value of which could constitute at least 10% of the Issuer's equity.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report, the total value of the claims brought against the Company and/or the Group Companies amounted to approximately PLN 2,52 million, of which suits brought by the employees pending before court consist of the three proceedings where the total value of claims was PLN 1,10 million and eight brought by clients with the total value of claims of PLN 1,37 million. Below are presented the most significant, in the Company's view.

As at the submission date of this report, the Company is party to proceedings initiated by a former employee of the Company's branch in France. The matter was brought to court on 21 December 2012. Under the Court judgement of 4 November 2014 the sum adjudicated in favour of the former employee is the equivalent of PLN 100 000. On 14 December 2014, the plaintiff submitted an appeal. Although the judgement issued in the first instance was favourable to the Company, there is still a risk that the Company will lose the dispute.

In view of the complex nature of the dispute and the claim, as at the submission date of this report it is difficult to reliably assess the risks involved in the case. The original value of the claim was set at PLN 2,2 million. However, based on the representation of the law firm that is conducting the case, it should be theoretically assumed that the value of the claim may increase until it is finally settled by approximately EUR 20 000 per month. In view of the above, in previous periodic reports the Company used to apply assumption that total value of claims should be at the level taking into account this increase of value of the claim. Taking into consideration last opinion of law firm that is conducting the case, bearing in mind current facts of the case, the value of the claim should be reduced to the amount constituting equivalent of EUR 200 000. At the submission date of this report, the adjusted value of the claim was accounted for at the total value of the claims demanded against the Company of approximately PLN 0,87 million.

Since May 2016 in relation to Turkish subsidiary, X Trade Brokers Menkul Degerler A.Ş., there is an action pending brought by customer, who contests the merit of cancellation by the company of transactions concluded at incorrect prices. At the submission date of this report total value of the claims is the equivalent of PLN 686 000.

One of the Company's clients threatened in 2014 to file a suit regarding its alleged illegal actions. The client accuses the Company of improper execution of the agreement concluded with Company for provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts, by allegedly delaying and interrupting execution of the transactions via the trading platforms provided. The client has not referred the matter to court in the last 4 years and at the same time has repeatedly demanded payment of PLN 3,5 million, PLN 7 million and lately PLN 14 million, repeatedly blackmailing the company with damage of public image.

The company has taken decisive legal steps to defend its rights and interests. In October 2017, the Management Board of the Company submitted a notification to the Warsaw prosecutor's office regarding the threats of the client. In February this year the prosecutor's office in Warsaw has opened an investigation into the possibility of a crime being committed by a client, including the targeting of unlawful threats against the company's representatives and attempts to obtain cash. The management board finds client's claims groundless. The only reason for the loss of the customer was his wrong investment decisions. This has been clearly demonstrated, among others, during the audits of the Polish Financial Supervision Authority (PFSA) in 2016, in the subsequent correspondence of the company with the supervisor, and in the expertise of an independent consultancy company, Roland Berger, which analysed the client's transaction history. The analysis confirmed that the customer's transactions were not delayed, and the timing of his orders was even faster than the average for other clients.

Proceedings against XFR Financial Ltd. (the company currently operating under the name XTRADE Europe Ltd.)

The Company filed suit against XFR Financial Ltd., with its registered office in Cyprus ("XFR"), requesting the discontinuation of a breach of a trademark registered by the Company. The Company requested the Regional Court in Warsaw to secure its claim against XFR by: (i) prohibiting XFR from using the verbal and figurative mark "XTRADE"; and (ii) prohibiting XFR from using the verbal mark "XTRADE" in internet domain names. XFR conducts competitive business with respect to the Company and abuses, in the opinion of the Company, the significant recognition of the Company's brand in European countries, thus misleading the Group's existing and potential clients. The Company was notified that the request for protection of his claim against the XFR was dismissed therefore the Company filed an appellation against this decision. The Warsaw Court of Appeal upheld the appeal and changed the challenged judgment by securing XTB's claim against XFR and has banned XFR from using (i) word marks and word-figurative marks "XTB", "X-Trade", "XTrade", "X" and (ii) the word mark xtrade.eu. Proceedings before the Regional Court in Warsaw are currently pending based on the suit filed by the Company to prohibit XTRADE Europe Ltd. from violating the principles of fair competition, which involves unlawful use by the defendant of the verbal as well as verbal and graphical names "XTB", "X-Trade", "XTrade" and "X" to identify the enterprise or the financial, financial intermediation and advisory, brokerage and stockbroker activity. The following documents have been filed in the case: by XTRADE Europe Ltd. – reply to the suit, and by the Company – answer to the reply to the suit. As the legal representatives of XTRADE Europe Ltd. failed to prove being properly authorized to act in the case, the Court summoned them to furnish documents confirming that the persons granting the power of attorney to them were, on the date of granting thereof, authorised to act for and on behalf of XTRADE Europe Ltd. The reply of XTRADE Europe Ltd. has been filed. After correction of formal defects by XFR, the Company submitted a response to the reply on 9 November 2017 and by letter of 28 May 2018 filed a new motion as to evidence. XFR responded in writing to both these letters of the Company. The Court obligated the Company to express its standpoint regarding the reply of XTRADE Europe Ltd. by 1 March 2018. Court scheduled the date of the first hearing for 20 September 2018.

Moreover, proceedings before the District Court for Warsaw-Śródmieście in Warsaw are pending based on the suit filed by the Company, with the participation of XTRADE Europe Ltd. In this case, a petition for commencement of enforcement proceedings has been filed as XTRADE Europe Ltd. has not ceased to use identifications being the Company's property to identify its business or services provided, despite a respective ruling of the Court of Appeal in Warsaw dated 15 March 2017. The petition for commencement of enforcement proceedings was filed on 19 June 2017. On 12 January 2018, the District Court for Warsaw-Śródmieście in Warsaw issued a ruling ordering XTRADE Europe Ltd. to pay the amount of PLN 5 000 to the Company. The defendant was also threatened to be ordered to make a payment to the Company in case of determination of any subsequent violation by the debtor of the obligation to exercise the ruling of the Court of Appeal in Warsaw dated 15 March 2017. District Court issued a motion for PLN 100 000 as a result of XTRADE Europe Ltd.'s failure to perform a collateral established by the Court of Appeal.

The Company has also launched a German court proceedings aimed at cessation of infringement of the Company trademark by XFR. According to the court judgment received by the Company, the court has prohibited XFR from using in Germany marks „XTRADE" and „XTRADE EUROPE Ltd" confirming that these marks are confusingly similar to the trademarks registered by the Company. In addition, XFR is also obliged to provide information indicating scope and number of use of those marks in the past and to pay damages, amount of which has not yet been specified. In its judgment the court pointed out that the company has the right to challenge XFR marks and to submit appropriate motion for cancellation of registration XFR marks. On 19 April 2018 the Court of Appeal rejected the appeal – the judgment which forbids usage of XTRADE symbol in Germany is final.

Administrative and control proceedings

The Company and the Group Companies are party to several administrative and control proceedings related to the Group's business. The Company believes that below are presented the most significant among them.

As part of exercising supervisory powers over the Company, the Polish Financial Supervision Authority (PFSA) has performed, basically for the period from 1 January 2014 to 11 June 2016, checks on compliance with legal regulations and internal regulations, (i) the provision of certain brokerage services, (ii) the mode and conditions of dealing with clients, (iii) the organization and operation of the internal control system, the system of compliance with law and the internal audit system, and (iv) technical and organizational conditions for conducting brokerage activities. The audit ended on 16 September 2016.

On 14 October 2016, the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. The PFSA did not take into account the Company's objections and therefore issued post-control recommendations, which required the Company to implement appropriate measures to remove the detected irregularities.

The Company applied due care in order to implement all the recommendations of the KNF. As to the post-inspection objections, the Management Board submitted to the KNF extensive substantive and legal objections as well as detailed analyses, pointing that remarks included in the control protocol are groundless.

On 13 November 2017 an article was published, from which follows that there are pending prosecutorial proceedings by way of the KNF's notice after the control in the Company. The Management Board has also received information from the prosecutor's office regarding ongoing proceedings arising from the notification of the KNF's and one of the clients' notice. The Management Board finds no grounds for the objections regarding Company's business misconduct. The Company finds groundless the information presented in the article referring to deliberate actions performed by the Company aiming at unreliable execution of orders.

On 17 November 2017, the Company was served with the decision of the Polish Financial Supervision Authority dated 14 November 2017 on initiation ex officio of administrative proceedings regarding imposition of a monetary penalty upon the Company in connection with suspicion regarding significant violation of the law, in particular in the area of provision of brokerage services in favour of the Company's clients and organisation and operation of trading systems. The violations identified by the Polish Financial Supervision Authority are identical with the abnormalities and defaults identified in the inspection protocol dated 14 October 2016. In the Company's opinion, the allegations presented by the PFSA are unfounded and are not confirmed in the facts.

Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board is planning to take determined actions to defend against these objections.

If the Commission finds that the Company has incorrectly implemented recommendations or due to identified ones as part of the control of the violation or irregularities in the implementation and application of the applicable regulations and regulations by the Company, the PFSA – in accordance with the content of the abovementioned provisions of November 14, 2017 – may impose on the Company a fine of up to 10% of the revenue shown in the last audited financial statements.

As part of exercising supervisory powers over the Company, the PFSA has exercised its control over the Company's compliance with its obligations under the provisions of the Anti-Money Laundering and Financing of Terrorism Act of 16 November 2000, among others, obligations relating to (i) keeping a register of transactions, (ii) monitoring of transactions, (iii) having appropriate procedural solutions and (iv) identifying clients. The audit took place from 20 March 2017 to 20 April 2017. Due to the identified shortcomings in the implementation and application of the applicable provisions of law and regulations, on 19 June 2017 the PFSA submitted post-inspection recommendations which required the Company to implement appropriate measures to remove detected irregularities.

The Company has adjusted its activity to the PFSA's post-inspection recommendations with due diligence. Nevertheless, no assurance may be given that the Company's way of activity adjustment to the particular PFSA's recommendation will not be considered as unlawful or non-compliant with PFSA's attitude to the issue, therefore detected infringements in Company's brokerage activity may constitute basis to, inter alia, initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of PFSA or other authorities.

Romanian Financial Supervisory Authority („ASF"), within the scope of its supervisory powers, carried out on 8 June – 30 June 2017 the inspections of the Company's branch in Romania. The scope of the inspection included reviewing the compliance of the branch's activity with the local law and internal regulations, inter alia, the review of among others (i) the operational activity as well as documents and information forwarded to clients and potential clients, (ii) the organization and functioning of internal control system, (iii) transactions registers and the manner of their archiving and (iv) policy and internal mechanisms for money laundering prevention.

On 19 September 2017 the Company received a control report indicating that inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company and branch, in response to which the Company has lodged substantiated objection in accordance with the applicable regulations. The Company has implemented the ASF's post-inspection recommendations. However, one cannot exclude the possibility that the manner of adaptation followed by the branch and the Company to any given recommendation may be considered non-compliant with the law or the ASF's approach; abnormalities in the operation of the branch and the Company may give ground, inter alia, to initiation against the branch and the Company of administrative proceedings concerning imposition onto the branch and the Company of penalties or other sanctions pursuant to the supervisory rights of the ASF or other authorities.

On 20 November 2017 the inspection by Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") started in the German branch of the Company. This inspection concerns the affiliation programme. Until the date of delivery of this report, the Company has not obtained any feedback from the supervisory authority regarding the results of this inspection.

Moreover, on 26 January 2018 the Company was served with the letter from the National Bank of the Czech Republic ("CNB"), notifying commencement of inspection at the Company's Czech branch. The inspection covers evaluation with regard to compliance of the branch and the Company's operations with the Czech act on the capital market in the area of (i) provision of investment services with due professional diligence, (ii) operating principles of the investment company in its contacts with clients, as well as (iii) daily reporting of clients' transactions to the supervisory authority.

On 15 June 2018 the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable in Czech Republic laws and regulations by the branch and the Company, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. The Company will exercise due diligence in order to implement the post-audit recommendations of CNB. Nevertheless, no assurance may be given that the branch and Company's way of adjustment to the particular recommendation will not be considered as unlawful or non-compliant with CNB's attitude to the issue, therefore detected infringements in branch and

Company's brokerage activity may constitute basis to, inter alia, initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of CNB or other authorities.

As of the date of delivery of this report the Company is in the process of obtaining the PFSA's permission to use the delta coefficient calculated on the basis of own option pricing model. At the Company's request on 27 September 2017 the PFSA issued a decision on the suspension of the proceedings for obtaining a permission to use the delta coefficient calculated on the basis of option pricing model. The Company received an expert opinion in which it was stated that the CRR Regulation is not applicable to the specificity of the binary options in respect of use of delta. At the beginning of January 2018 the Company asked the European Banking Authority for an interpretation of the CRR Regulation regarding the application of the option pricing model to financial instruments, such as binary options.

At first the proceeding was initiated by the Company in March 2014, then suspended and resumed by the Company on 5 March 2015. The Company introduced Up&Down options in 2012 on the basis of exceptions stemming from the provisions of the Polish Capital Requirements Regulation Offering Up&Down was not required by the PFSA. Due to the entry into force on 1 January 2014, the CRR Regulation abrogating the Polish Capital Requirement Regulation risks to say that the Group used to offer Up&Down options without the PFSA's consent, and that the Company may be subject to penalties or other sanctions by the PFSA.

Regulatory environment

The Group operates in a highly regulated environment imposing on it certain obligations regarding the respect of complying with many international and local regulatory and law provisions. The Group is subject to regulations concerning inter alia (i) sales practices, including customer acquisition and marketing activities, (ii) maintaining the capital at a certain level, (iii) practices applied in the scope of preventing money laundering and terrorist financing and procedures for customer identification (KYC), (iv) reporting duties to the regulatory authorities and reporting to the trade repository, (v) the obligations regarding the protection of personal data and professional secrecy, (vi) protection obligations in the scope of investors protection and communicating of relevant information on the risks associated with the brokerage services, (vii) supervision over the Group's activity, (viii) inside information and insider dealing, preventing the unlawful disclosure of inside information, preventing market manipulation, and (ix) providing information to the public as the issuer.

The sections below describe the most relevant, from the Company's point of view, changes of regulatory obligations occurring during the last period covered by this report and the changes that will enter into force in the forthcoming period.

The so-called the MiFID II/MIFIR package implementation into national legislative system by introducing act amending the act on trading in financial instruments and some other acts and new regulations to this act

The MiFID II Directive and MIFIR Regulation (the "MiFID/MiFIR package") entered into force on 3 January, 2018. Transposition of the MiFID II Directive into the national law took place by introducing amendments to the act on trading in financial instruments. The amended act entered into force on 21 April, 2018, albeit a longer vacatio legis has been reserved for some of its provisions. The main purpose of this act is to increase the safety of financial market participants and ensure competitive conditions for investment companies. The starting point for covering customers of investment companies with greater protection is an obligation of entities providing services to act in a reliable and professional manner, in accordance with principles of fair trading and the best interest of their clients. The legislator distinguished two stages: (i) preceding and (ii) accompanying and following after providing brokerage services and for each of them indicated separate obligations towards clients of investment companies. The professionalism and reliability of investment companies have been strengthened by new rules regarding communication with clients and introducing system to register telephone conversation and electronic communication with them. During provision of services investment companies were obliged to provide clients with regular reports related to the performance of a contract for the provision of brokerage services. Novum, also ensuring greater transparency of the market for its participants is authorisation of a new category of trading system in the form of an organised trading facilities (OTF). Non-discriminatory access rules to OTF will contribute to make the market competitive. There also were introduced separate provisions dedicated to the new type of financial instruments trading system, alternative trading platform for small and medium-sized enterprises. The regulation is intended to increase transparency of cross-selling by entities providing retail services inter alia in the area of fees associated with this kind of selling. The regulation also reduced unnecessary costs that could be charged to the client. The charging of remuneration, commissions or any other benefits from third parties by companies proving independent investment advisory services and asset management shall henceforth subject to significant restrictions. Thanks to the changes, it should be clear for the client who uses investment advisory services whether they are independent and he also should be familiarised with their costs and grounds. As a result of the amendment, the outsourcing of the processes, services or activities of an investment company was regulated, and the entities that deal with the algorithmic trading technique were subject to special surveillance. The act also specifies new rights for supervisors and the manner of trading in structured products of a given category.

Following the amendment to the act on trading in financial instruments, a new regulation of the Minister of Finance of May 30, 2018 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 (hereinafter the "RMC Regulation") entered into force. The layout and content of the new RMC Regulation is based on the previous regulation, however the Ministry of Finance broadened the definition part and enriched the RMC Regulation with additional sections. From the perspective of financial entities, it is crucial to determine the conditions for providing clients with report related to the performance of a contract for the provision of brokerage services: its content, method and time limit for its transfer. It also settled according to which principles incentives may be received or paid. From the law arise, among others, prohibition on accepting or receiving incentives if the investment company would provide brokerage services in a way that is unreliable, unprofessional, inconsistent with the principles of fair trading or does not duly take into account the interests of clients or potential clients. The aforementioned prohibition corresponds to the obligation to disclose data concerning benefits to those persons and to collect and store documentation confirming that the purpose of any benefits provided is to improve the quality of services. The RMC Regulation sets out situations where such the benefit is considered as improving the quality of services. The law has been enriched with a catalogue of forms of benefits considered as minor cash benefits. In relation to the previous regulation, the provisions on the principles of categorisation clients as retail or professional were modified. There are also new provisions for practices related to cross-selling. In addition, the RMC Regulation sets out the terms and conditions for the conduct of investment firms recommending, offering or otherwise enabling the acquisition or subscription of a financial instrument. The act contains additional conditions for the activity of investment companies who are: issuers of financial instruments or entities providing advice on issuing financial instruments. In conclusion, RMC Regulation extends mechanisms for securing clients and limits the possibility of receiving incentives by investment firms. New provisions came into force on 23 June, 2018, whereby investment firms have been given time to adapt their activities to the provisions of the RMC Regulation until 21 October, 2018.

Another element of the implementation of the MiFID II/ MIFIR package into the Polish system is the introduction of the regulation of the Minister of Finance of 29 May, 2018 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 (hereinafter "RTOC Regulation"). It regulates in detail the storage, registration and safekeeping of financial instruments and keeping cash accounts. The provisions of the RTOC Regulation contain a description of the manner and detailed conditions for recording and depositing funds of clients as well as categories of entities in which these funds may be deposited. An innovation is necessity to appoint one person responsible for fulfilling duties in the area of safekeeping of financial instruments and clients' funds in order to prevent the fragmentation of responsibility between individual employees and to reduce the associated risks. The regulations indicate the necessity of introducing organizational solutions regarding the manner of remunerating persons offering or concluding agreements in the course of cross-selling, in order to remove any possibility of concluding cross-selling contracts with clients for whom it will be inappropriate. There also can occur organizational changes in investment companies as a result of changes in the functioning of the internal audit and specifying rules allowing serving on boards of investment companies and holding other key positions. In relation to previous internal audit regulation, more flexibility has been given in the area of shaping the audit principles, because it was reduced to the obligation to introduce internal audit regulations. The requirements for the management personnel, also in the area of improvement of professional qualifications are indicated to strengthen the professionalism of activities of the investment companies. The RTOC Regulation develops the principles for keeping records of transactions, archiving documentation and other medium of information prepared in connection with running a business. The law issued on 29 May, 2018 entered into force on 23 June, 2018. Similarly, to the RMC Regulation, the transitional provisions allow investment companies to comply with the requirements of the RTOC Regulation by 21 October, 2018.

Project of amendments to act on trading in financial instruments and other acts aimed at reducing CFD’s leverage in Poland

On 12 July, 2017, the draft act of 10 July, 2017 on amendment of the act on supervision over the financial market and certain other acts was published. On 13 December, 2017, another draft act on amendment of the act on supervision over the financial market and certain other acts was presented. At present, opinions for the draft are being prepared. The main assumptions introduced by the draft include, among others: (i) 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 a 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, (ii) 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, and (iii) 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.

It is not known yet the final shape of the bill. However, the entry into force of the leverage restriction in the projected shape will most likely increase the transaction costs for the Company's clients from Poland. The result of the amendment may be reduction of ability and interest in trading instruments offered by the Company, particularly when clients have access to foreign investment firms' Polish regulations, which in turn may have a negative impact on the volume of trading in instruments offered by the Company in Poland, and thus on the Company's business, financial situation and results.

Changes in the scope of protection of personal data – act on protection of personal data and project of an act amending certain other acts in connection with ensuring implementation of the so-called the GDPR Regulation

A legislative package on a new EU legal framework for data protection consists of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation – "the GDPR Regulation") and the Directive (EU) 2016/680 of the European Parliament and of the Council of 27 April, 2016 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, and repealing Council Framework Decision 2008/977/JHA. Implementation of the Directive by the Member States, with some exceptions, was supposed to take place by 6 May, 2018. The GDPR Regulation did not require implementation and is being used directly by all of the countries of the Community as of 25 May, 2018.

The purpose of the aforementioned regulations is to ensure a high and uniform level of data protection throughout the European Union, as well as rise a sense of legal certainty in this area. The following main legal changes will be introduced by the GDPR: (i) an increase of administrative penalties, which depending on the violations, may amount to EUR 20 million, or 4% of the worldwide turnover for the previous year, depending on which amount will be higher, (ii) an obligation to notify a personal data protection authority (in Poland: GIODO) not later than 72 hours after having become aware of any breach of data security, (iii) the introduction of the requirement to ensure the security of personal data processing by entrepreneurs by keeping detailed documentation, including documents confirming the compliance of data processing with applicable laws and regulations, (iv) the introduction of the requirement to design the services or products in a way which enables the use of the minimum possible amount of personal data processed for their support, (v) regulation of the data subjects' rights and strengthening of existing rights by limiting the data processing, (vi) granting the GIODO broad powers e.g. the power to impose an obligation to temporarily or permanently reduce data processing by the entrepreneur, including the prohibition on personal data processing, (vii) regulation of the right to data portability, enabling the person to request for transfer its data between entrepreneurs, (viii) the new obligation to establish the Data Security Administrator in each enterprise if: a state authority is a personal data administrator, data processing is the core business of the enterprise or large amounts of sensitive data are processed, (ix) facilitation of processing of personal data within the capital group, which carry on the same activity, (x) the introduction of the "one stop shop" mechanism enabling to choose the supervisory authority for the whole capital group, e.g. the Polish GIODO.

The outcome of working on the implementation of the above-mentioned regulations into the Polish legal order is entering into force the act on personal data protection on 25 May, 2018. This act includes: (i) constitution of a new body accurate for personal data protection – President of the Personal Data Protection Office; (ii) procedure of personal data protection inspector's notifications; (iii) principles of certification and manner of proceedings in such cases, (iv) manner of proceeding in cases related to violation of personal data protection provisions; and (v) issues related to civil responsibility for violation of the personal data protection provisions.

At the present the works on the act amending other acts in connection with ensuring implementation of the GDPR Regulation are being conducted. The project of the Ministry of Digitalization Affairs of 23 May, 2018 contains provisions adapting certain acts to the requirements of the GDPR Regulation in areas such as the insurance sector, sectors of justice, culture, health and public statistics or the principles of processing personal data by employers. The significant element of the project for financial market entities is the introduction of an amendment to the act on trading in financial instruments in the scope of personal data processing of natural persons. The stage of public consultation of the project of regulation has been concluded and at the submission date of this report the work on project is underway in the Legal Affairs Committee.

The Company has exercised due diligence in order to comply with its obligations under provisions for the protection of personal data. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with provisions for the protection of personal data which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

Guidelines for the brokerage services on the OTC derivatives market

On 24 May, 2016 Polish Financial Supervision Authority (the "PFSA") adopted and issued guidelines concerning the rendering of brokerage services on the OTC derivatives market" (the "PFSA Guidelines"). Contents of the PFSA Guidelines are available on the Company's website. The PFSA Guidelines apply to many aspects of offering services on the OTC market, including, inter alia, the role of supervisory boards and management boards in the process of offering services, the promotion of such services, soliciting clients, outsourcing client solicitation, providing clients with information on the characteristics of and the risks involved in investing on the OTC market, the method of testing if the services provided are adequate to individual client knowledge and experience, the nature of margin collateral, financial leverage and the stop-out mechanism, as well as their practical application, the time required to execute client instructions, information for clients about OTC market profitability statistics, the terminology applied in contracts with clients, transaction costs and the process of the annulment and correction of transactions.

The Company used the best efforts to implement the PFSA Guidelines. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the PFSA approach which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

The PFSA Guidelines on the management of information technology and ICT environment security for investment firms

The purpose of these guidelines is to present investment firms with supervisory expectations concerning prudent and stable management of the IT and ICT environment, including specifically the risk associated therewith. According to the position of the PFSA's the guidelines should be applied on a 'comply or explain' basis in terms of the manner of implementation of the specific guidelines, subject to prudential approach, acceptable risk levels and the need to comply with applicable law.

The Company has exercised due diligence in order to comply with the PFSA Guidelines. However, it cannot be excluded that a given rule or requirement will be interpreted by the Company in a manner inconsistent with the PFSA approach which may be connected with risk of supervisory activities and sanctions specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

Document including key information on Financial product („KID" – Key Information Document)

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November, 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) was supposed to enter in force on 31 December, 2016, however it finally entered into force on 1 January, 2018. The PRIIP Regulation imposes an obligation on specified financial institutions of preparing document which contains key information of given financial product and defines the manner of its presentation to individual investors. KID document needs to be prepared for each packaged retail and insurance-based investment product. These products also include derivatives, such as options and CFDs. PRIIP Regulation precisely defines the elements and the sequence in which they shall be included in KID, that is: (i) product name, (ii) data identifying product manufacturers, (iii) information concerning supervision authority of manufacturer, (iv) appropriate warning if product is difficult to understand, (v) main characteristics of product, (vi) description of risk and return, (vii) costs related with investment, (viii) determine the duration of the possession of the product, (ix) information on methods of claim submission, (x) and other relevant information. In cases of infringement of the obligations arising from PRIIP Regulation the supervisory authority may impose following administrative sanctions and measures: (i) prohibition of the product's being placed on the market, (ii) order to suspend placing the product's on the market, (iii) placing the person responsible for the infringement on the list of the public notices, indicating the nature of the breach, (iv) the prohibition of dissemination KID not satisfying the requirements available and publication of the new version, (v) in case of legal persons administrative sanctions up to EUR 5 000 000, or in member states, whose currency is not the euro the equivalent in national currency at 30 December 2014, or up to 3% the total annual turnover of this legal person in accordance with the most recent available financial statement or up to twice the amount of the profits gained or losses avoided because of the breach, in case where fair value can be determined, (vi) in case of natural persons administrative sanctions up to EUR 700 000, or in member states, whose currency is not the euro the equivalent in national currency at 30 December 2014, or up to twice the amount of the profits gained, or losses avoided because of the breach, in case where fair value can be determined. The Regulation becomes directly applicable in all member states. The Company has exercised due diligence in order to comply with obligation under PRIIP Regulation. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with PRIIR Regulation which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

Preventing use of the financial system for money laundering or terrorist financing - the so-called IV AML Directive

The European Union is working on the adaptation of national legal systems to 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 (the Directive). The main changes resulting from the new legislation are among others: (i) highlight of the importance of a comprehensive approach to the analysis of the risk of money laundering and terrorist financing, at transnational, national and institutional levels, (ii) clarification of the methods of the real beneficiaries identification, (iii) extension of the definition of politically exposed persons (PEP) by adding domestic persons to that group, (iv) extension of the scope of the new regulations on entities receiving cash payments above EUR 10 000, instead present EUR 15 000.

The Polish legislator failed to complete transposition of provisions of the Directive within the required deadline which expired on 26 June, 2017. On 28 March, 2018 President signed the act on prevention of money laundering practices and financing of terrorism which implements provisions of the Directive into the Polish legal order. The act will come into force on 13 July 2018. Amendments in the new act include (i) introduction of a new category of institutions which are obliged to apply the act on the prevention of money laundering and terrorism financing, including entities conducting business activity involving provision of services related to exchange among virtual currencies and means of payment and exchange among virtual currencies, (ii) amendment of the definition of beneficial owner and politically exposed person, (iii) 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, (iv) obligation to have a single procedure on the prevention of money laundering for the whole capital group, (v) shortening of the deadline for reporting of transactions to the General Inspector for Financial Information to 7 days after execution thereof, (vi) reduction of the limit for transactions executed in cash to EUR 10 000, (vii) 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 business year. That act entered into force on 13 July 2018.

The Company has exercised due diligence in order to comply with obligation under act on prevention of money laundering practices and financing of terrorism. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Activity of the European Securities and Markets Authority ("ESMA")

The group is witnessing continuous regulatory changes in the industry at an international level that may change over time. The European Securities and Markets Authority (ESMA) published on 29 June 2017 a statement regarding possible product interventions for CFDs, binary options and other highly speculative financial products that would take place under MIFIR.

On 5 February, 2018 the ESMA published its Guidelines on MiFID II product governance requirements. The document discusses obligations regarding compliance with the law and reporting, and it presents: (i) guidelines for manufacturers, including the manufacturer's obligation to identify the potential target market and the relationship between the manufacturer's distribution strategy and their target market definition; (ii) guidelines for distributors, which define – inter alia – the relationship between the product governance requirements and assessment of suitability or adequacy, as well as the distribution strategy, and (iii) guidelines regarding issues applicable to manufacturers and distributors, including principles of identification of the negative target market and sales outside the positive target market, as well as application of the requirements of the target market to firms operating on wholesale markets.

Moreover, 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: (i) 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, 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; (ii) a margin close out rule on a per account basis; (iii) negative balance protection on a per account basis; (iv) a restriction on the incentives offered to trade CFDs; (v) a standardised risk warning. When it comes to binary options, the agreed measures include a 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.

The measures to be implemented on the basis of decisions of ESMA have a significant impact on the way the Group offers and promotes financial products, hence Group acting with due diligence implemented organizational changes to comply with new requirements of conducting activity. However, it cannot be excluded that the manner of interpretation of prohibition and restrictions of ESMA by regulators may be different than solutions adopted by the Group which may involve applying supervisory activities and sanctions provided for by applicable law and might require the Group to incur further significant financial outlays and implement significant organizational changes. In addition, it cannot be excluded that implementation of ESMA decisions may have a negative impact on the financial results of the Group.

France

In France the works on the introduction of restrictions on promoting the services in the scope of, inter alia, derivatives on the OTC market were completed. The act, passed by the French parliament on 8 November, 2016 entered into force on 11 December, 2016. As a consequence of the implementation of the act French supervisory authority – AMF adapted its own regulations applicable to investment firms providing services on French territory. The restrictions are one of the other underlying assumptions included in the French Monetary and Financial Code. The Act introduces, inter alia, ban on, indirect and direct transfer through electronic means of transmission promotional materials relating to financial services for non-professional clients and to prospective clients. The ban refers to the services for which a client is unable to estimate maximum exposure to risk at the time of the transaction, in respect of which the risk of financial losses may exceed the value of the initial margin or which the potential risk is not readily apparent due to the ability of the potential benefits.

The Company has exercised due diligence in order to comply with the amended regulations. However, it cannot be excluded that measures undertaken by the Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the Act which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

Turkey

On 10 February 2017 the Communiqué on the changes in the III-37.1 Communiqué on principles regarding investment services, activities and ancillary services have been published in the Official Journal. Key assumptions include the reduction of used leverage to 1:10 and the introduction of minimum deposit of TRY 50 thousand. The changes referred to above entered into force with immediate effect for all customers and open positions from 10 February 2017, and in relation to the positions opened before that date was a deadline 45 days to adjust the current state to the new regulations. Consequently, on 18 May 2017 the Company decided to withdraw from operations on the Turkish market. Yet, the decision was suspended on 30 November 2017 by the Board of the Company until the end of the first half of 2018, because of the possibility that the Turkish regulatory authority CMB may mitigate changes in the regulations governing operations in the area of investment services, investment activity and auxiliary services.

After analysis of the subsidiary's situation and as a result of lack of assumed alleviation of limitation introduced by the Capital Markets Board of Turkey, on 19 April 2018 the Management Board took a decision on renewal of actions leading to shut down of business at Turkish market and liquidation of subsidiary.

Germany

German supervisory authority – BaFin has declared that ESMA decisions on product intervention will be fully applied at the time specified explicitly by European authority. It should therefore be concluded that in the German legal order there has been a full adaptation of ESMA's recommendations from the day of 1 August 2018 regarding the prohibition on binary options and from 1 July 2018.

The Company has made every effort to comply with the above decisions. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the BaFin approach, which may involve application to the Company of the supervisory activities and sanctions provided for in the applicable legislation and may require the Company to incur further significant financial expenses and Implementation of significant organizational changes.

Great Britain

On 6 December 2016 British supervisory authority – FCA submitted for consultation the document called Enhancing conduct of business rules for firms providing contract for difference products to retail clients. The main assumptions of legal changes include among others reduction of leverage offered depending on the client's investment in derivatives experience. Under the proposed assumptions for experienced retail clients i.e. those who have done at least 40 transactions in a continuous period of 12 months over the last 3 years, or at least 10 transactions per quarter in the four quarters over the last three years the maximum leverage level will be 1:50. For other clients leverage was set at the maximum level 1:25. Further proposals indicated in the document assume preventing offering of bonuses or rebates, which depend on the opening of an account or payment of deposit by the client. The document also envisages the introduction of obligation to publish standardized information on the risks of investing in derivative instruments and information on the percentage of accounts, on which gain or loss was reported in the preceding quarter and the preceding 12 months.

FCA suspended work on the document until discussions conducted within the European Securities and Markets Authority ("ESMA") about the possible use of its product intervention powers under article 40 of MiFIR will be concluded and after their completion it was decided not to resume the work.

Following ESMA's decision to introduce a temporary prohibition on the distribution of binary options and restrictions on CFDs distribution to retail customers, FCA announced the timely implementation of aforementioned measures taken in the mode of product intervention on the British market. At the moment other FCA changes related to ESMA's product intervention are not expected.

Spain

On 17 March 2017 Spanish supervisory authority (Comisión Nacional del Mercado de Valores – CNMV) has required financial institutions offering CFD financial instruments and binary options which use leverage higher than 1:10, to include relevant information and warnings and to apply mechanisms which enforce client to acquaint with them and to accept the risks related with these products, inter alia, during the process of brokerage services agreement conclusion, before usage of such services and, as well, during usage of such services by client. Required by the CNMV warnings enforce clients of financial institutions to become acquainted with the risks related with products, and in case of willingness to use these products, to express unequivocal acceptation of this risk. Regulations are designed to protect individual investors.

The Company has exercised due diligence in order to comply with the above regulations. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the regulations which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

Romania

On 26 June 2018 an amendment to the Capital Markets Act No. 24/2017 has been published in the Official Monitor of Romania. The main principles of the amendment maintain a prohibition on the distribution of binary options to retail clients in Romania and restrictions in respect of CFD distribution in Romania. The Act came into force in mid-July 2018, however Romania is still working on further amendments to comply with decisions from 22 June 2018 taken by ESMA.

Financial transaction tax

As at the submission date of this report the only jurisdictions where the Group conducts its business and where financial transactions tax was payable were Italy (the tax applies from 1 September 2013) and France (the tax applies from 1 August 2012).

Notwithstanding the above, the work on the pan-European legislation imposing a financial transaction tax a portion of the proceeds of which would be contributed directly to the EU budget is in progress. The original proposal regarding the introduction of such tax provided that the minimum tax rates will be 0,1% on any trading in shares and bonds and 0,01% on any trading in derivative instruments. On 8 December 2015, a working draft of a summary of the meeting of the Economic and Financial Affairs Council, which was held on the same day, was published. It presented the principal assumptions for the future tax on financial trades regarding: (i) shares; and (ii) derivatives. According to that document, the tax should apply to all transactions involving shares, although a more precise definition of its territorial scope was left to the legislative initiative of the European Commission. The document states that the tax will also apply to transactions in derivative instruments executed within the scope of market making activities. As at the submission date of this report there is no official information about the possible date of the imposition of such a tax.

5.5 Risk factors

The Group within its operations monitors and assesses risks and undertakes activities in order to minimize their impact on the financial situation.

As at 30 June 2018 and as at the date of this report, the Group identifies the following risks associated with the Group's operations and with the regulatory environment.

Risks associated with the Group's operations:

- Group's revenue and profitability are influenced by trading volume and volatility in financial and commodity markets that are impacted by factors that are beyond the Group's control;
- economic, political and market factors beyond the Group's control may harm its business and profitability;
- the Group may incur material financial losses from its market making model;
- the Group's risk management policies and procedures may prove ineffective;
- the Group may experience disruptions to or corruption of its infrastructure necessary for the conduct of the Group's business;
- the Group's business relies, to a great extent, on the Group's ability to maintain its good reputation and the general perception of the FX/CFD market;
- the Company may not be able to pay dividends in the future or pay lower dividends than provided in the Group's dividend policy;
- the Group may fail to implement its strategy;
- as a result of implementing its strategy relating to developing its operations in Latin America the Group may be exposed to various risks specific to Latin America;
- the Group may experience difficulties in attracting new retail clients and maintain its active retail client base;
- the Group may be unable to effectively manage its growth;
- the Group is subject to counterparty credit risk;
- the Group is exposed to client credit risk;
- the Group is exposed to the risk of losing its liquidity;
- the Group may lose access to market liquidity;
- the decline in interest rates may have an adverse impact on the Group's revenue;
- the Group's operations in certain regions are subject to increased risks associated with political instability and the risks that are typical of the developing markets;
- the Group operates on a highly competitive market;
- the Group may not be able to maintain technological competitiveness and respond to dynamically changing client demands;
- the Group may be unable to effectively protect or to ensure the continued use of its current intellectual property rights;
- the development of the Group's product and services portfolio and expansion of the Group's operations to include new lines of business may involve increased risks;
- the Group may not be able to hire or retain qualified staff;
- risks related to the Group's cost structure;
- the Group's insurance coverage relating to its operations may be insufficient or not available;
- within its operations the Group is significantly dependent on third parties;
- the Group may not be able to prevent potential conflicts between its interest connected with its activities and the interests of the clients;
- other factors beyond the Group's control could have negative impact on its operating activities.

Risks associated with the regulatory environment:

- the Group operates in a heavily regulated environment and may fail to comply with the rapidly changing laws and regulations. Additional information regarding the Group's regulatory environment were presented in section 5.4.;
- the Group is required to adapt its business to the new PFSA Guidelines, which may force the Group to incur significant financial expenditures and to implement material organisational changes, and may adversely affect the Group's competitive position;
- the Group is required to adapt its operation to the new ESMA Guidelines, which may require it to incur considerable financial outlays and implement significant organisational changes, and may adversely affect the Group's competitive position;
- the Company is required to maintain minimum levels of capital, which could restrict the Company's and as a consequence Group's growth and subject it to regulatory sanctions;
- the Company may be required to maintain higher capital ratios;
- maximum leverage ratios may be further reduced by regulators;

- the interpretation of the applicable laws may be unclear, and the laws may be subject to change;
- the Group may be exposed to increased administrative burdens and compliance costs as a respect of entering new markets and in markets where it is already present;
- the procedures utilised by the Group, including in respect of anti-money laundering, preventing the financing of terrorism and 'know your client', may not be sufficient to prevent money laundering, the financing of terrorism, market manipulation or to identify other prohibited trades;
- the Group may be exposed to risks related to personal data and other sensitive data processed by the Group;
- a breach of consumer protection regulations may result in adverse consequences for the Group;
- advertising regulations and other regulations may impact the Group's ability to advertise;
- changes in tax law regulations specific for the Group's business, their interpretation or changes to the individual interpretations of tax law regulations could adversely affect the Group;
- the related-party transactions carried out by the Company and the Group Companies could be subject to inspection by the tax or fiscal authorities;
- court, administrative or other proceedings may have an unfavourable impact on the Group's operations, and the Group is exposed, in particular, to the risk of proceedings relating to client complaints and litigation, and regulatory investigation;
- as a brokerage house XTB may be required to bear additional financial burdens under Polish law, including contributions to the investment compensation scheme established by the NDS and contributions for the purpose of financing the PFSA's supervision of capital markets, as well as fees related to the costs of the Financial Ombudsman and his office;
- risk related to increased reporting obligations due to the applicability of FATCA and the automatic exchange of information on tax matters;
- the Group will be required to observe and to adjust its business to the MiFID II/MiFIR Package after it enters into force, which may be expensive and time-consuming and may result in significant restrictions in terms of the manner and scope in which the Group may offer its products and services;
- the risk related to the implementation of EU law in the Polish legal system on the implementation of remedial actions and the resolution of financial institutions;
- The Group is required to adapt its activities to comply with the provisions implementing the requirements of the MAD Directive and the requirements of the MAR Regulation, which may be expensive and time-consuming, and it cannot be excluded that this will lead to substantial restrictions the manner and extent of offering their products and services by the Group.

5.6 Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken and for regularly setting appropriate limits to limit the scale of exposure to these risks.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Risk Management Committee, composed of members of the Supervisory Board, was appointed in the Parent Company. The Committee's tasks include: preparation of a draft document regarding risk appetite of the brokerage house, issuing opinions on management strategy developed by the Management Board, supporting the Supervisory Board in supervising the strategy of the brokerage house in risk management by the Management Board, verification of remuneration policy and principles of its implementation in terms of adjusting the remuneration system to the risk the brokerage house is exposed to, its capital, liquidity and probabilities and dates of obtaining income.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of the occurrence of new types of risk, significant changes in strategy and operating plans. The Department also monitors the appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls the market risk of the Group's own investments, defines the overall capital requirement and estimates internal capital. The Risk Control Department reports directly to the Member of the Management Board responsible for the operation of the Company's internal control system.

The Parent Company's Supervisory Board approves procedures for internal capital estimation, capital management and planning.

In the reporting period there were no significant changes in the risk management system.

6. Statements of the Management Board

Statement of the Management Board of X-Trade Brokers Dom Maklerski S.A. on the reliability of preparation of the consolidated and separate financial statements

The Management Board of X-Trade Brokers Dom Maklerski S.A. declares that, to the best of its knowledge, the consolidated and separate financial statements for period of six months ended 30 June 2018 and comparative data have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear financial and financial situation and the financial result of the Group and the Company, respectively. The activity report contains a true picture of the development and achievements of the Group and the Company, respectively, including a description of the basic risks and threats.

Statement of the Management Board of X-Trade Brokers Dom Maklerski S.A. on the entity authorized to conduct audit of the consolidated and separate financial statements

The Management Board of X-Trade Brokers Dom Maklerski S.A. declares that the entity authorized to audit the consolidated and separate financial statements for period of six months ended 30 June 2018, i.e. Ernst & Young Audyt Polska Sp. z o.o. Sp.k., based in Warsaw, was selected in accordance with the law. This entity and statutory auditors who audited those financial statements met the conditions for expressing an unbiased and independent opinion on the audited financial statements, in accordance with the applicable regulations and professional standards.

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Translation of auditor's report originally issued in Polish
The Polish original should be referred to in matters of interpretation.

Independent Auditor's Report
on review of interim condensed consolidated financial statements
for the 6 months period ended on 30 June 2018

To Shareholders and the Supervisory Board of X-Trade Brokers Dom Maklerski S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of X-Trade Brokers Dom Maklerski S.A. (the 'Group'), with its parent company X-Trade Brokers Dom Maklerski S.A. (the 'Company') located in Warszawa, Ogrodowa 58 as of 30 June 2018, including the half year condensed statement of comprehensive income for the period from 1 January 2018 to 30 June 2018, half year condensed statement of financial position as at 30 June 2018, half year condensed statement of changes in equity, half year condensed statement of cash flows for the period from 1 January 2018 to 30 June 2018 and other explanatory notes (the 'interim condensed consolidated financial statements').

The Management Board of the parent company is responsible for the preparation and presentation of the accompanying interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, adopted by the resolution no. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution no. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Translation of auditor's report originally issued in Polish
The Polish original should be referred to in matters of interpretation.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 22 August 2018

Key Certified Auditor

(-)

Arkadiusz Krasowski
Certified Auditor
No. 10018

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
No. on audit firms list: 130

Translation of auditor's report originally issued in Polish
The Polish original should be referred to in matters of interpretation.

Independent Auditor's Report
on review of interim condensed financial statements
for the 6 months period ended 30 June 2018

To Shareholders and the Supervisory Board of X-Trade Brokers Dom Maklerski S.A.

Introduction

We have reviewed the accompanying interim condensed financial statements of X-Trade Brokers Dom Maklerski S.A. (the 'Company') with registered office located in Warszawa, Ogrodowa 58 as of 30 June 2018, including the half year condensed statement of comprehensive income for the period from 1 January 2018 to 30 June 2018, half year condensed statement of financial position as at 30 June 2018, half year condensed statement of changes in equity, half year condensed statement of cash flows for the period from 1 January 2018 to 30 June 2018 and other explanatory notes (the 'interim condensed financial statements').

The Company's Management Board is responsible for the preparation and presentation of the accompanying interim condensed financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the accompanying interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, adopted by the resolution no. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution no. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 22 August 2018

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