



X-TRADE BROKERS DOM MAKLESKI S.A.

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

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CURRENT REPORT NO. 25/2018

Warsaw, 26 October 2018

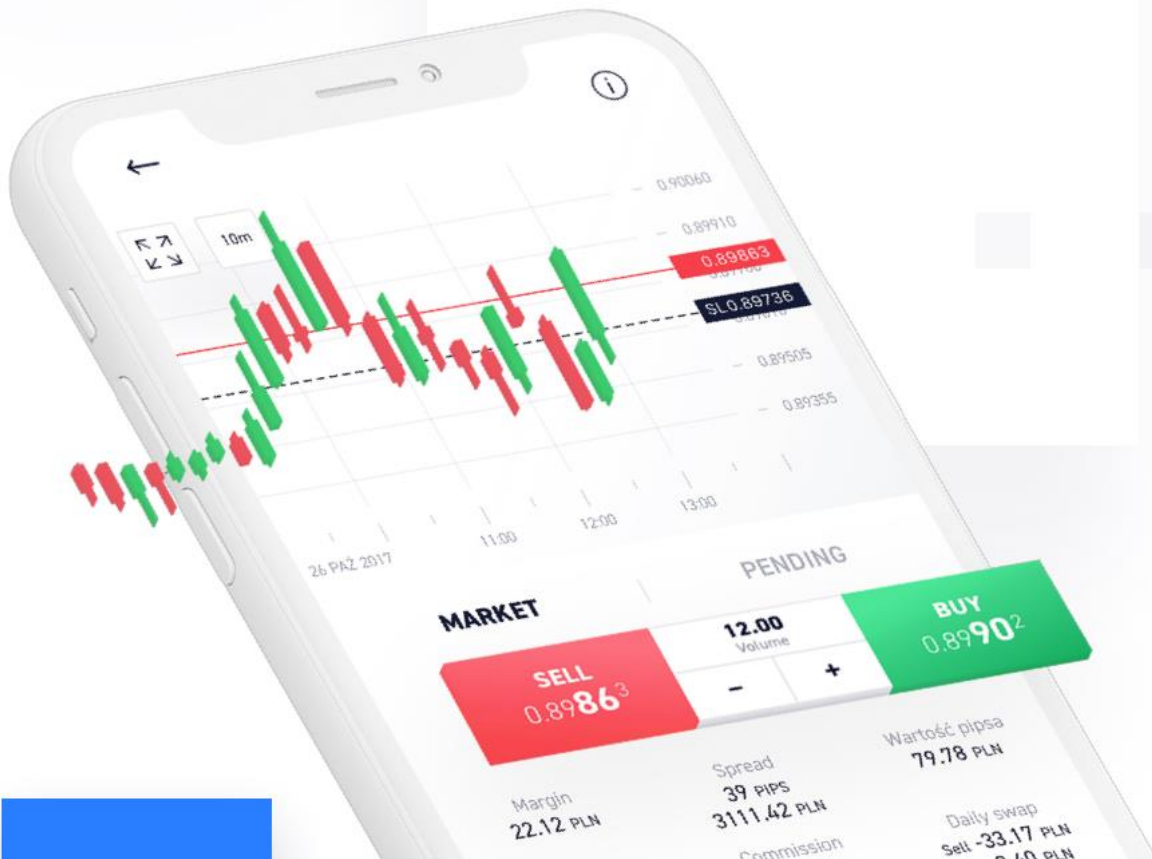
Information on the preliminary financial and operating results for the III quarter of 2018

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”) hereby announces that on 26 October 2018 the aggregation process of financial data for the purpose of the preparation of the condensed consolidated financial statements of the Issuer’s Group for the III quarter of 2018 was completed. Therefore the decision was made to publish the preliminary consolidated selected financial and operating data for the above period, which the Issuer submits as an attachment to the foregoing current report.

The Issuer informs also that the final financial and operating results for the III quarter of 2018 will be submitted in the extended consolidated report of the Issuer’s Group for the III quarter of 2018, publication of which was planned for 8 November 2018.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report

No. 25/2018 dated 26 October 2018



Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED			NINE-MONTH PERIOD ENDED		
	30.09.2018	30.09.2018 Corrected by one-off event	30.09.2017	30.09.2018	30.09.2018 Corrected by one-off event	30.09.2017
Total operating income	47 578	47 578	73 115	245 515	245 515	198 446
Total operating expenses	(48 837)	(39 687)	(34 777)	(131 630)	(121 980)	(107 402)
Profit (loss) on operating activities (EBIT)	(1 259)	7 891	38 338	113 885	123 535	91 044
Impairment of intangibles assets	-	-	-	-	-	(5 612)
Finance income	(1 062)	(1 062)	1 364	9 257	9 257	3 785
Finance costs	733	733	602	(2 723)	(2 723)	(12 114)
Profit (loss) before tax	(1 588)	7 562	40 304	120 419	130 069	77 103
Income tax	(1 316)	(1 316)	(8 962)	(22 921)	(22 921)	(16 403)
Net (loss) profit	(2 904)	6 246	31 342	97 498	107 148	60 700

(in PLN'000)	AS AT	
	30.09.2018	30.09.2017
Own cash	504 660	262 402
Equity	489 072	372 422

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
New clients ¹	4 884	4 201	14 930	12 331
Average number of active clients ²	20 277	18 263	21 515	17 920
Clients in total	111 401	99 542	111 401	99 542
New accounts ³	11 758	11 278	35 810	34 193
Average number of active accounts ⁴	22 259	20 549	24 032	20 194
Accounts in total	225 784	188 380	225 784	188 380
Net deposits (in PLN'000) ⁵	75 619	56 779	254 205	272 766
Average operating income per active client (in PLN'000) ⁶	2,3	4,0	11,4	11,1
Average operating income per active account (in PLN'000) ⁷	2,1	3,6	10,2	9,8
Transaction volume in CFD instruments in lots ⁸	345 118	523 769	1 636 544	1 577 665
Profitability per lot (in PLN) ⁹	138	140	150	126

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

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

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

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

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

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

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

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

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



I-IIIQ 2018





Management Board's commentary on the preliminary results

In the III quarter of 2018, XTB noted consolidated net loss of PLN 2,9 million against PLN 31,3 million profit a year earlier. The III quarter result was charged with a one-off event, which was the imposition of an administrative fine by the PFSA in the amount of PLN 9,9 million of which the Company informed in the current report No. 20/2018 dated 18 September 2018. After correcting by a one-off event, in the III quarter, the Company generated PLN 6,2 million of consolidated net profit and PLN 7,9 million of operating profit (EBIT). Consolidated revenues amounted to PLN 47,6 million compared to PLN 73,1 million a year earlier.

In the period I-III quarter of 2018, XTB generated consolidated net profit of PLN 97,5 million (after correcting by one-off event PLN 107,1 million) against PLN 60,7 million profit a year earlier.

Revenues

In the I half of 2018 XTB noted a record revenues (PLN 197,9 million), which were the result the constantly growing customer base, high volatility in the financial markets, relatively high profitability per lot (an average of PLN 153) and significant customer activity expressed in the number of contracts in lots. In August 2018, the product intervention of the European Securities and Markets Authority (ESMA) came into force. which caused, among others reduction for the retail client of the maximum permitted level of leverage for CFDs up to 30:1 for major currency pairs and 20:1 for non-majors currency pairs, gold and major indices. ESMA's decision together with the holiday period, and the lower volatility on the financial markets, contributed to the reduction in the III quarter of 2018 transactions volume in lots of 34,1% y/y and 44,0% q/q. Volume was lower by 178,7 thousand of lots q/q and unit profitability by PLN 1,7. Consequently, the revenues decreased by 34,9% y/y ie (PLN 25,5 million) from PLN 73,1 million to PLN 47,6 million. It should be emphasized that XTB business model is characterized by high volatility of revenues in a short period of time.

	THREE-MONTH PERIOD ENDED							
	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016
Total operating income (in PLN'000)	47 578	84 200	113 737	76 145	73 115	66 613	58 718	93 959
Transaction volume in CFD instruments in lots ¹	345 118	616 082	675 344	618 893	523 769	513 814	540 082	488 660
Profitability per lot (in PLN) ²	138	137	168	123	140	130	109	192

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 III quarter of 2018 the number of new clients was 4 884 and was higher by 16,3% y/y. The average number of active clients was higher by 2 014, ie. 11,0% y/y.



	PERIOD ENDED							
	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016
New clients ¹	4 884	4 734	5 312	6 582	4 201	3 860	4 270	3 918
Average number of active clients ²	21 515	22 135	22 317	18 667	17 920	17 748	17 959	15 548
New accounts ³	11 758	11 321	12 731	16 530	11 278	9 635	13 280	9 624
Average number of active accounts ⁴	24 032	24 918	25 279	21 088	20 194	20 016	20 408	17 243

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

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

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

⁴) The average quarterly number of accounts respectively for 9, 6, 3 months of 2018 and 12, 9, 6, 3 months of 2017 and 12 months of 2016

Similarly to the prior quarters of current and previous year, in the III quarter of 2018, XTB implemented an optimized sales and marketing strategy and introduced new products. XTB's offer has expanded to include shares and ETFs from the largest stock exchanges in Europe and the United States. The aim of expanding the product offer is to create a complete investment company offering various products to investors tailored to their risk appetite.

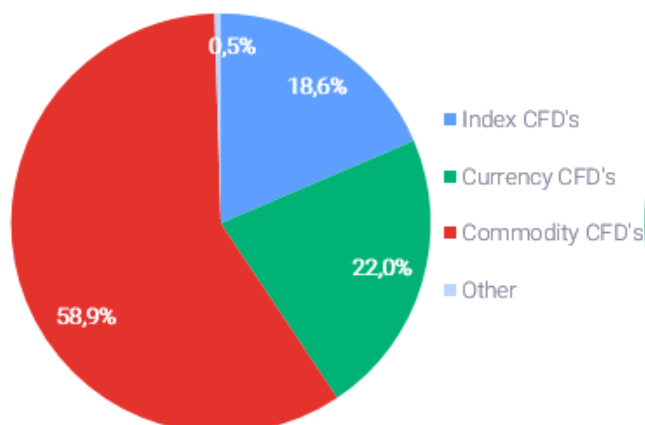
In the IV quarter of 2018, the Management Board will strive to stabilize the number of new clients and the average number of active clients at the levels observed in previous, record quarters. The Management sees the greatest growth potential in the German, French and Latin American market.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that, in the III quarter of 2018, CFDs based on commodity dominated. Their share in the structure of revenues on financial instruments in the III quarter of 2018 was 58,9% against 7,5% a year earlier. The most popular instrument among customers was CFD based on quotations of the contract for coffee quoted on the regulated market and an instrument which price is based on quotations of troy ounce of gold on the interbank market. Revenues on CFD instruments based on currency pairs amounted to 22,0% of total revenues against 39,8% a year earlier. Among this class of instruments, the USDTRY currency pair was the most popular among XTB clients.

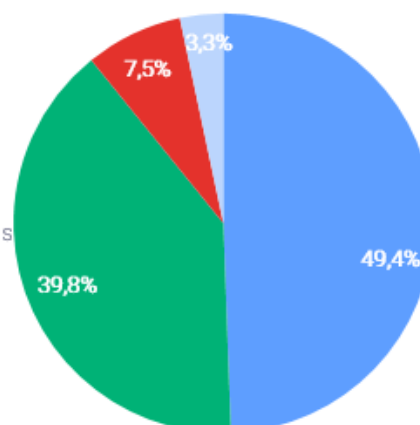
(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Index CFDs	8 786	36 530	109 014	101 055
Currency CFDs	10 445	29 380	68 066	70 122
Commodity CFDs	27 865	5 544	60 183	23 388
Stock CFDs	187	915	2 455	2 012
Bond CFDs	(5)	171	317	(86)
Total CFDs	47 278	72 540	240 035	196 491
Options	-	1 376	3 947	5 119
Shares and listed derivative instruments	46	-	12	-
Gross gain on transactions in financial instruments	47 324	73 916	243 994	201 610
Bonuses and discounts paid to costumers	(1 049)	(1 051)	(2 631)	(2 826)
Commission paid to cooperating brokers	(261)	(817)	(1 033)	(3 689)
Net gain on transaction in financial instruments	46 014	72 048	240 330	195 095



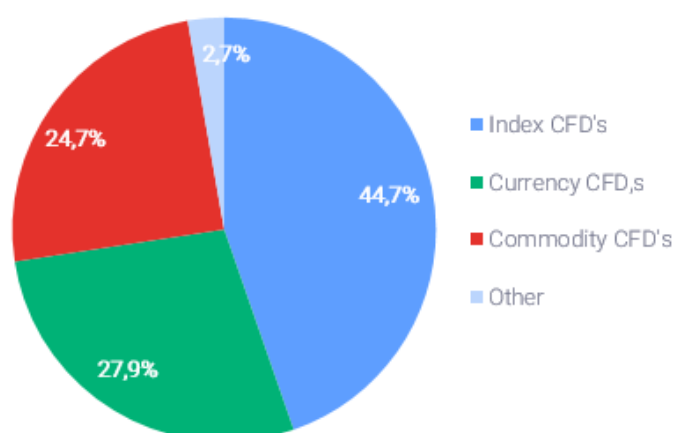
IIIQ 2018



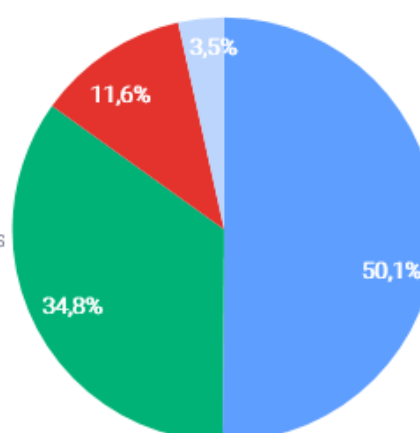
IIIQ 2017



I - IIIQ 2018



I - IIIQ 2017



Geographically, XTB revenues were well diversified. In the I-III period of 2018 their growth has occurred in both, Central and Eastern Europe, Western Europe and Latin America. Country from which the Group derives more than 15% of revenues is Poland with shares amounting to 33,5% (I-III period of 2017: 24,5%). The second largest market for XTB is Spain, with shares amounting to 14,5% (I-III period of 2017: 20,3%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%. Latin America is also gaining on importance, which has already replaced the gap in Turkey.

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Central and Eastern Europe	27 976	40 060	132 694	90 307
- including Poland	18 265	24 211	82 637	48 616
Western Europe	14 295	29 379	97 428	96 425
- including Spain	5 946	11 548	35 671	40 339
Latin America and Turkey	5 307	3 676	15 393	11 714
- including Turkey	-	(130)	-	4 943
Total operating income	47 578	73 115	245 515	198 446



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

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Retail segment	43 188	67 951	230 131	173 138
Institutional segment (X Open Hub)	4 390	5 164	15 384	25 308
Total operating income	47 578	73 115	245 515	198 446

Expenses

Operating expenses in the period of I-III quarter of 2018 amounted to PLN 131,6 million (I-III quarter of 2017: PLN 107,4 million) and were higher by PLN 24,2 million ie. 22,6% y/y. This increase was mainly higher by one-off event, which was administrative fine imposed by PFSA in the amount of PLN 9,9 million and higher by:

- PLN 6,0 million of marketing costs mainly due to higher expenditures on marketing online campaigns;
- PLN 4,9 million of salaries and employee benefits costs mainly due to the increase in variable remuneration elements (bonuses);
- PLN 2,9 million of other external services costs as a result of incurring more expenditure on: 1) IT systems and licenses (increased by PLN 2,2 million y/y); 2) legal and advisory services (increased by PLN 1,1 thousand y/y);
- PLN 1,8 million of commission costs resulting from higher amounts paid to payment service providers through which clients deposit their funds to transaction accounts.

(in PLN'000)	THREE-MONTH PERIOD ENDED			NINE-MONTH PERIOD ENDED		
	30.09.2018	30.09.2018 Corrected by one-off event	30.09.2017	30.09.2018	30.09.2018 Corrected by one-off event	30.09.2017
Salaries and employee benefits	19 681	19 681	17 590	58 797	58 797	53 857
Marketing	8 669	8 669	5 615	25 444	25 444	19 422
Other external services	5 605	5 605	5 304	18 334	18 334	15 429
Costs of maintenance and lease of buildings	1 946	1 946	1 849	5 861	5 861	5 612
Amortization and depreciation	883	883	1 551	3 137	3 137	4 572
Taxes and fees	912	912	363	1 835	1 835	1 709
Commission expenses	1 609	1 609	1 196	5 643	5 643	3 817
Other expenses	9 532	382*	1 309	12 579	2 929*	2 984
Total operating expenses	48 837	39 687	34 777	131 630	121 980	107 402

* The position was corrected by the impact of a one-off event.

In the Company's opinion, the imposition of an administrative fine by PFSA is unjustified and not confirmed in the facts. The Commission refused to carry out the evidence requested by the Company (including the expert's opinion) and did not include the reports of independent experts submitted by the Company. Acting in the interest of the Company and its shareholders, as well as being guided by the welfare of its clients, the Company intends to appeal against the supervisor's decision.



In terms of q/q, after correcting by one-off event, operating expenses were reduced by PLN 2,1 million ie 4,9%.

	PERIOD ENDED							
	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016
Total operating income including: (in PLN'000)	39 687*	41 750	41 043	38 919	34 777	36 060	36 565	38 889
- Marketing	8 669	8 976	7 799	6 243	5 615	6 632	7 175	8 997
New clients	4 884	4 734	5 312	6 582	4 201	3 860	4 270	3 918
Average number of active clients	21 515	22 135	22 317	18 667	17 920	17 748	17 959	15 548

* Total operating expenses corrected by the impact of a one-off event.

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

Development perspectives

XTB has a stable market position, growing customer base and over PLN 500 million of own cash on the balance sheet. The Group plans further development by expanding the customer base and product offer, penetrating existing markets and expanding geographically to new markets in Africa and Asia, as well as Latin America, using its presence in Belize as a starting point for expansion and business development in other countries of the region.

The entry into force of product intervention by ESMA creates both opportunities and threats for XTB. On the one hand, there is a temporary drop in trade volumes among European brokers. On the other hand, the Management Board of XTB is convinced of the business's vitality over a longer time horizon. It seems likely that clients gradually adjust their trading strategies to a lower level of financial leverage. Maintaining the ESMA decision in time should lead to a wave of consolidation in the market and allow XTB to consolidate its leading position on the European market.