



#### X-TRADE BROKERS DOM MAKLERSKI S.A.

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

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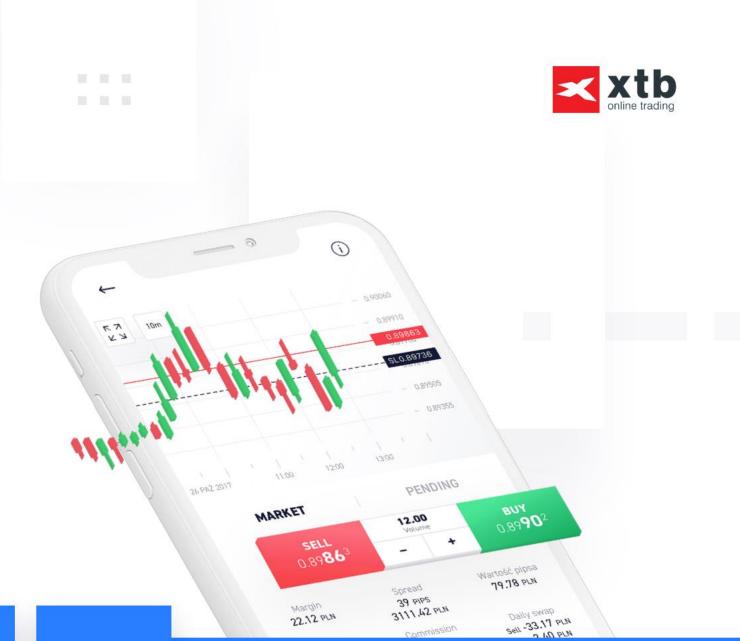
### **CURRENT REPORT NO. 12/2019**

Warsaw, 25 April 2019

# Information on the preliminary financial and operating results for the I quarter of 2019

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the "Issuer") hereby announces that on 25 April 2019 the aggregation process of financial data for the purpose of the preparation of the condensed consolidated financial statements of the Issuer's Group for the I quarter of 2019 was completed. Therefore the decision was made to publish the preliminary consolidated selected financial and operating data for the above period, which the Issuer submits as an attachment to the foregoing current report.

The Issuer informs also that the final financial and operating results for the I quarter of 2019 will be submitted in the extended consolidated report of the Issuer's Group for the I quarter of 2019, publication of which was planned for 10 May 2019.



# **Appendix to the current report**No. 12/2019 dated 25 April 2019

X-TRADE BROKERS DOM MAKLERSKI S.A.



## Selected consolidated financial data

(in PLN'000)		THREE-MONTH	PERIOD ENDED
(1117 LN 000)	31.03.2019	31.12.2018	31.03.2018
Total operating income	40 890	42 786	113 737
Total operating expenses	(41 098)	(40 862)	(41 043)
Profit (loss) on operating activities (EBIT)	(208)	1 924	72 694
Finance income	1 617	(174)	4 258
Finance costs	(338)	2 502	(3 209)
Profit before tax	1 071	4 252	73 743
Income tax	(308)	(279)	(14 256)
Net profit	763	3 973	59 487

(in DLN/000)			AS AT
(in PLN'000)	31.03.2019	31.12.2018	31.03.2018
Own cash	457 590	467 987	452 041
Equity	455 500	455 156	458 337
Standalone capital adequacy ratio (%)	15,3	20,0	13,0
Aggregated capital adequacy ratio (%)	14,5	19,1	12,7

# Selected consolidated operating data (KPI)

corocca correction operating access (i.i.	<u> </u>	THREE-MONT	TH PERIOD ENDED
	31.03.2019	31.12.2018	31.03.2018
New clients <sup>1</sup>	6 843	5 742	5 312
Average number of active clients <sup>2</sup>	22 245	20 568	22 317
Clients in total	122 645	116 517	103 907
New accounts <sup>3</sup>	16 243	13 930	12 731
Average number of active accounts <sup>4</sup>	24 386	22 528	25 279
Accounts in total	253 978	238 980	205 997
Net deposits (in PLN'000) <sup>5</sup>	92 320	78 702	86 969
Average operating income per active client (in PLN'000) <sup>6</sup>	1,8	2,1	5,1
Average operating income per active account (in PLN'000) <sup>7</sup>	1,7	1,9	4,5
Transaction volume in CFD instruments in lots <sup>8</sup>	394 421	458 869	675 344
Profitability per lot (in PLN) <sup>9</sup>	104	93	168
Transaction volume in CFD instruments in nominal value (in USD'000000)	130 335,0	160 515,2	254 118,0
Profitability per 1 million transaction volume in CFD instruments (in PLN)	81,8	70,9	131,1
Turnover of shares in nominal value (in USD'000000)	33,5	20,2	0,7

 $<sup>\</sup>ensuremath{^{\mathrm{1}}}\xspace$  ) The number of new Group's clients in the individual periods.

<sup>&</sup>lt;sup>2</sup>) The average quarterly number of clients who at least one transaction has been concluded over the last three months.

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

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

<sup>&</sup>lt;sup>5</sup>) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.

<sup>6)</sup> 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.

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

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

<sup>&</sup>lt;sup>9</sup>) Total operating income divided by the transaction volume in CFDs in lots.



IQ 2019

**EBIT** 

↓(0,2)
MM PLN
-110,8% q/q

**NEW CLIENTS** 

**16 843** 

+ 19.2% q/q

**CFD VOLUME** 

**J394 421** 

LOTS

- 14,0% q/q

**NET PROFIT** 

**↓0,8**MM PLN
-80,8% q/q

**OPERATING INCOME** 

**↓40,9**MM PLN

// /% q/q

AVERAGE NUMBER OF ACTIVE CLIENTS

**122 245** 

+8.2% 9/9

**CFD PROFITABILITY PER LOT** 

**104** 

PLN

+ 11,2% q/q



# Management Board's commentary on the preliminary results

In the first quarter of 2019 XTB reported a consolidated net profit of PLN 0,8 million compared to PLN 4,0 million a quarter earlier. Consolidated revenue was PLN 40,9 (IV quarter 2018: PLN 42,8 million) and operating expenses reached PLN 41,1 million (IV quarter 2018: PLN 40,9 million). In this period XTB noted a record number of new clients i.e. 6 843, which is an increase of 19,2% q/q. Situation on the financial and commodity market was creating limited income opportunities for XTB clients. This translated into the turnover volumes they have achieved and the level of the Group's revenues.

### Revenues

The revenues in the IQ of 2019 decreased by 4,4% q/q, i.e. PLN 1,9 million from PLN 42,8 to PLN 40,9 million. Significant factors which determined the level of revenues in this period were: the product intervention of the European Securities and Markets Authority (ESMA) coming into force in August 2018, which in case of the retail clients limited maximum permitted level of leverage and low level of volatility in the financial and commodity markets understood as occurrence of clear and long-term market trends at the various types of assets. As a consequence the transaction volume in CFD instruments amounted to 394,4 thousand lots (IVQ 2018: 458,9 thousand lots) and profitability per lot reached PLN 104 (IVQ 2018: PLN 93).

						THREE-M	ONTH PER	IOD ENDED
	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017
Total operating income (in PLN'000)	40 890	42 786	47 578	84 200	113 737	76 145	73 115	66 613
Transaction volume in CFD instruments in lots <sup>1</sup>	394 421	458 869	345 118	616 082	675 344	618 893	523 769	513 814
Profitability per lot (in PLN) <sup>2</sup>	104	93	138	137	168	123	140	130

<sup>1)</sup> A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.

XTB has a solid foundation in the form of constantly growing customer base and number of active clients. The intention of the Management Board in 2019 is to further increase the client base. Despite lower revenues in the first quarter of 2019, the Group reported a record number of new clients amounting to 6 843 compared to 5 742 a quarter earlier (IQ 2018: 5 312). This is the effect of continuing the optimized sales and marketing strategy and the successive introduction of new products to the offer, such as shares and ETFs. The average number of active clients was higher by 1 677 q/q, i.e. 8,2% q/q.

							PER	IOD ENDED
	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017
New clients <sup>1</sup>	6 843	5 742	4 884	4 734	5 312	6 582	4 201	3 860
Average number of active clients <sup>2</sup>	22 245	21 279	21 515	22 135	22 317	18 667	17 920	17 748
New accounts <sup>3</sup>	16 243	13 930	11 758	11 321	12 731	16 530	11 278	9 635
Average number of active accounts <sup>4</sup>	24 386	22 528	24 032	24 918	25 279	21 088	20 194	20 016

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

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

<sup>2)</sup> The average quarterly number of clients respectively for 3 months of 2019 and 12, 9, 6 months of 2017 and 12, 9, 6 months of 2017.

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

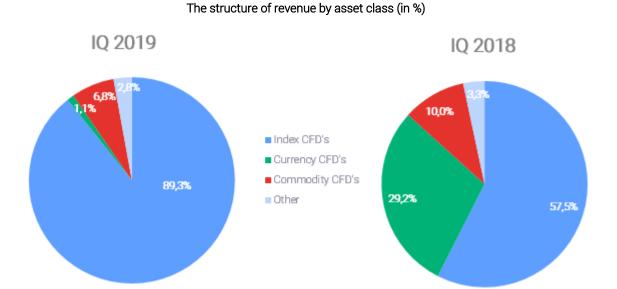
<sup>&</sup>lt;sup>4</sup>) The average quarterly number of accounts respectively for 3 months of 2019 and 12, 9, 6, 3 months of 2018 and 12, 9, 6 months of 2017.



XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyzes other possibilities of expanding the product offer, which could cause the introduction of new products in 2019.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that similar as in IQ of 2018, CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in the first quarter of 2019 reached 89,3% against 57,5% year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on the German DAX stock index (DE30) and the US indices US500, US100, US30. The second most-profitable class of assets were CFD commodities. Their share in the structure of revenues on financial instruments in the first quarter of 2019 reached 6,8% (IQ 2018: 10,0%). The most lucrative instrument among customers was CFD based on quotations of the contract for coffee. Revenues on CFD instruments based on currency pairs amounted to 1,1% of total revenues against 29.2% a year earlier. Among this class of instruments, where the EURUSD currency pair was the most popular between XTB clients, there were more predictable trends in which the market moved within a limited price range. This led to the emergence of market trends, which can be predicted with a higher probability than in the case of larger directions of movements on the markets, which created favorable conditions for transactions concluded in a narrow range of the market (range trading). In this case, XTB has observed a higher number of profitable transactions for customers.

XTB clients, looking for investment opportunities to earn money, generally trade in financial instruments that are characterized by high market volatility in a given period. This may lead to fluctuations in the revenue structure by the asset class, which should be treated as a natural element of the business model. From the point of view of XTB, it is important that the range of financial instruments in the Group's offer is as broad as possible and allows clients to use every upcoming market opportunity to earn money.





(in DIAPOON)		THREE-MONT	H PERIOD ENDED
(in PLN'000)	31.03.2019	31.12.2018	31.03.2018
Index CFDs	35 363	32 910	65 534
Commodity CFDs	2 680	9 316	11 346
Stock CFDs	627	423	956
Currency CFDs	433	(874)	33 278
Bond CFDs	329	272	149
Total CFDs	39 432	42 047	111 263
Options	-	-	2 702
Shares and listed derivative instruments	178	87	8
Gross gain on transactions in financial instruments	39 610	42 134	113 973
Bonuses and discounts paid to costumers	(71)	(732)	(932)
Commission paid to cooperating brokers	(286)	(259)	(490)
Net gain on transaction in financial instruments	39 253	41 143	112 551

XTB places great importance on the geographical diversification of revenues. The countries from which the Group derives more than 15% of revenues are Poland and Spain with the share of 54.6% (IQ 2018: 26.7%) and 17.0% (IQ 2018: 18). The share of other countries in the geographical structure of revenues does not exceed in any case 15%.

(: DI N/200)		THREE-MONTH	PERIOD ENDED
(in PLN'000)	31.03.2019	31.12.2018	31.03.2018
Central and Eastern Europe	24 997	7 800	53 792
- including Poland	22 319	(9 739)	30 344
Western Europe	12 926	27 060	54 138
- including Spain	6 964	6 689	20 459
Latin America	2 967	7 926	5 807
Total operating income	40 890	42 786	113 737

XTB puts also strong emphasis on diversification of segment revenues. Therefore the Group 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 DI N/000)		THREE-MONT	H PERIOD ENDED
(in PLN'000)	31.03.2019	31.12.2018	31.03.2018
Retail segment	37 605	39 355	102 910
Institutional segment (X Open Hub)	3 285	3 431	10 827
Total operating income	40 890	42 786	113 737



It should be noted that, similar as a retail segment, ESMA product intervention could affect the condition of the European institutional partners of XTB and thus the transaction volume in lots as well as the revenues of XTB from these customers. However, the Management Board cannot exclude that there will be increase in volatility of institutional clients in the further.

## Expenses

Operating expenses in the first quarter of 2019 amounted to PLN 41,1 million and were at a similar level in relation to comparative periods (IVQ 2018: PLN 40,9 million and IQ 2018: PLN 41,0 million). The most important changes y/y occurred in:

- marketing costs, an increase of PLN 1,4 million due to higher expenditures on marketing online campaigns;
- costs of maintenance and lease of buildings, a decrease of PLN 1.2 million and consequently an increase in depreciation costs by PLN 0,3 million, mainly due to a change in the recognition of lease rent costs since 2019;
- other external services, a decrease of PLN 1,0 million as a result of lower expenditure on:
   (i) IT support services (a decrease of PLN 0,6 million y / y); (ii) legal and advisory services (a decrease of PLN 0,5 million y / y).

(in DI N/200)		THREE-MONTH	H PERIOD ENDED
(in PLN'000)	31.03.2019	31.12.2018	31.03.2018
Salaries and employee benefits	19 737	19 681	19 452
Marketing	9 178	7 878	7 799
Other external services	5 815	6 575	6 838
Costs of maintenance and lease of buildings	742	1 954	1 939
Amortization and depreciation	1 788	794	1 479
Taxes and fees	708	505	367
Commission expenses	2 032	1 984	2 335
Other expenses	1 098	1 491	834
Total operating expenses	41 098	40 862	41 043

In IQ of 2019 operating expenses slightly increased, i.e. by PLN 0,2 million, mainly due to higher marketing expenditures by PLN 1.3 million.

						THREE-M	ONTH PER	IOD ENDED
	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017
Total operating income including: (in PLN'000)	41 098	40 218	48 837	41 750	41 043	38 919	34 777	36 060
- Marketing	9 178	7 878	8 669	8 976	7 799	6 243	5 615	6 632
New clients	6 843	5 742	4 884	4 734	5 312	6 582	4 201	3 860
Average number of active clients	22 245	20 568	20 277	21 952	22 317	20 909	18 263	17 537

The Management Board expects in 2019 operating expenses to be at a level comparable to that observed in 2018. The final level will depend on the variable remuneration elements paid to employees, the level of marketing expenditures and the impact of ESMA's product intervention on the level of revenues generated by the Group. The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures will depend on the impact of the

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results and profitability of the Group and on responsiveness of the customers to the actions taken. The impact of ESMA's product intervention on the Group's revenues will determine, if necessary, a revision of the cost assumptions for further months of 2019.

## Development perspectives

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. The natural consequence of ESMA's decision should be a wave of consolidation on the market that would allow XTB to consolidate its strong position on the European market. Less influential brokers, unable to withstand regulatory pressure and strong competition from a very significant brokers, will naturally disappear from the market. Consequently large brokers should expect the client base to grow.

XTB has a stable market position and dynamically growing customer base. 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 situation on the financial and commodity markets affects the financial results of XTB, in particular on the level of revenues. However, there's no way to predict what market conditions we will have to face with in the longer term, and thus it is premature to draw conclusions about the results of the entire 2019 on the basis of the first quarter. It can be seen well on the example of April, during which the Company observes a revival in the markets and increased volatility. Consequently, in April (as at the day preceding the publication of this report) the value of the result from operations on financial instruments already exceeded the value of revenues for the first three months of 2019.