



X-TRADE BROKERS DOM MAKLEPSKI S.A.

(joint stock company with its registered office in Warsaw and address at 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. 11/2020

Warsaw, 26 April 2020

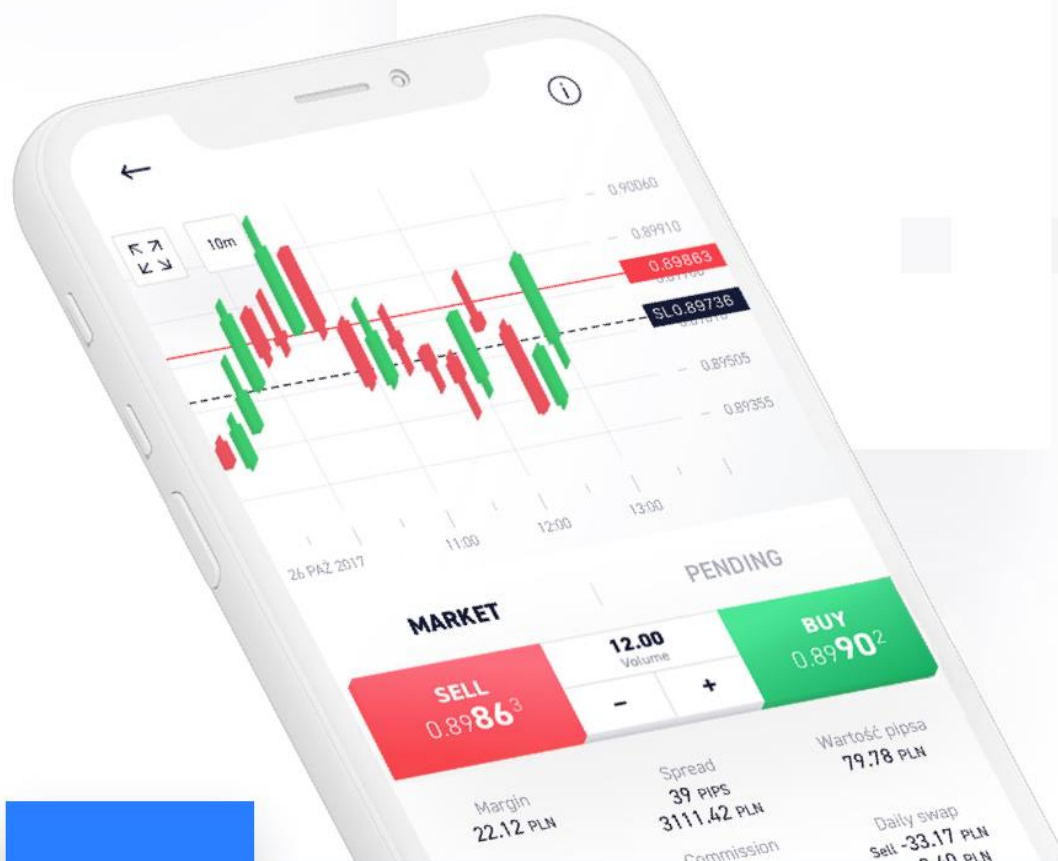
Information on the preliminary financial and operating results for the I quarter of 2020

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”) hereby announces that on 26 April 2020 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 2020 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 2020 will be submitted in the extended consolidated report of the Issuer's Group for the I quarter of 2020, publication of which was planned for 7 May 2020.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report

No. 11/2020 dated 26 April 2020



Q1 2020

NET PROFIT

176,0 MM PLN
+ 22 962,8% r/r ↑

EBIT

234,1 MM PLN
+ 112 664,9% r/r ↑

OPERATING INCOME

306,7 MM PLN
+ 650,0% r/r ↑

NEW CLIENTS

21 911
+ 220,2% r/r ↑

AVERAGE NUMBER OF ACTIVE CLIENTS

45 660
+ 105,3% r/r ↑

CFD VOLUME

784 840
+ 99,0% r/r ↑

CFD PROFITABILITY PER LOT

391 PLN
+ 276,0% r/r ↑



Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2020	31.12.2019	31.03.2019
Total operating income	306 664	89 571	40 890
Total operating expenses	(72 529)	(47 324)	(41 098)
Profit (loss) on operating activities (EBIT)	234 135	42 247	(208)
Finance income	1 043	261	1 617
Finance costs, including:	(12 904)	(1 425)	(338)
- negative foreign exchange differences relating to a company in Turkey	(21 880)	-	-
Profit before tax	222 274	41 083	1 071
Income tax	(46 305)	(4 045)	(308)
Net profit	175 969	37 038	763

(in PLN'000)	AS AT		
	31.03.2020	31.12.2019	31.03.2019
Own cash	731 175	484 351	457 590
Own cash and treasury bonds	757 387	499 250	457 590
Equity	690 132	490 744	455 500
Standalone capital adequacy ratio (%)	18,0	14,6	15,3
Aggregated capital adequacy ratio (%)	15,1	13,3	14,5

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		
	31.03.2020	31.12.2019	31.03.2019
New clients ¹⁾	21 911	10 424	6 843
Average number of active clients ²⁾	45 660	30 815	22 245
Clients in total	170 290	149 304	122 645
New accounts ³⁾	49 338	26 747	16 243
Average number of active accounts ⁴⁾	50 273	33 765	24 386
Accounts in total	372 355	323 315	253 978
Net deposits (in PLN'000) ⁵⁾	454 360	119 278	92 320
Average operating income per active client (in PLN'000) ⁶⁾	6,7	2,9	1,8
Average operating income per active account (in PLN'000) ⁷⁾	6,1	2,7	1,7
Transaction volume in CFD instruments in lots ⁸⁾	784 840	394 146	394 421
Profitability per lot (in PLN) ⁹⁾	391	227	104
Transaction volume in CFD instruments in nominal value (in USD'000000)	248 654,6	132 376,2	130 335,0
Profitability per 1 million transaction volume in CFD instruments (in PLN)	297,4	178,2	81,8
Turnover of shares in nominal value (in USD'000000)	157,4	55,2	33,5

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.



Management Board's commentary on the preliminary results

In the first quarter of 2020 XTB reported a consolidated net profit of PLN 176,0 million compared to PLN 0,8 million a year earlier. It is an increase of PLN 175,2 million. Consolidated revenue amounted to PLN 306,7 million (I quarter 2019: PLN 40,9 million) and operating expenses amounted to PLN 72,5 million (I quarter 2019: PLN 41,1 million). In this period the Group noted a record number of new clients i.e. 21 911, which is an increase of 220,2% y/y.

Revenues

In the first quarter of 2020 XTB noted a record revenue increase by 650,0 % y/y, i.e. by PLN 265,8 million from PLN 40,9 million to PLN 306,7 million. The significant factors determining the level of revenues were above-average volatility on financial and commodity markets caused by among others coronavirus COVID-19 global pandemic and a constantly growing client base combined with their high transaction activity noted in the number of concluded transactions in lots. As a consequence the transaction volume in CFD instruments amounted to 784,8 thousand lots (Q1 2019: 394,4 thousand lots) and a profitability per lot increased by 276,9%.

	THREE-MONTH PERIOD ENDED							
	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
Total operating income (in PLN'000)	306 664	89 571	60 952	47 891	40 890	42 786	47 578	84 200
Transaction volume in CFD instruments in lots ¹	784 840	394 146	423 333	385 318	394 421	458 869	345 118	616 082
Profitability per lot (in PLN) ²	391	227	144	124	104	93	138	137

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 foundation in the form of constantly growing client base and the number of active clients. In the Q1 of 2020 the Group reported a new record in the number of new clients amounted to 21 911 compared to 6 843 a year earlier i.e. an increase by 220,2 %. This is the effect of continuing the optimized sales and marketing strategy and the successive introduction of new products to the offer, such as CFD based on sector indices, shares, ETFs and expansion into new geographic markets. The average number of active clients was higher by 23 415 y/y, i.e. 105,3%. The intention of Management Board in 2020 is to further increase the client base.

	PERIOD ENDED							
	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
New clients ¹	21 911	10 424	10 042	9 246	6 843	5 742	4 884	4 734
Average number of active clients ²	45 660	26 582	25 171	23 688	22 245	21 279	21 515	22 135
New accounts ³	49 338	26 747	24 424	22 215	16 243	13 930	11 758	11 321
Average number of active accounts ⁴	50 273	29 099	27 544	25 932	24 386	23 656	24 032	24 918

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

²) The average quarterly number of clients respectively for 3 months of 2020 and 12, 9, 6 and 3 months of 2019 and 12, 9 and 6 months of 2018.

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

⁴) The average quarterly number of accounts respectively for 3 months of 2020 and 12, 9, 6 and 3 months of 2019 and 12, 9 and 6 months of 2018.

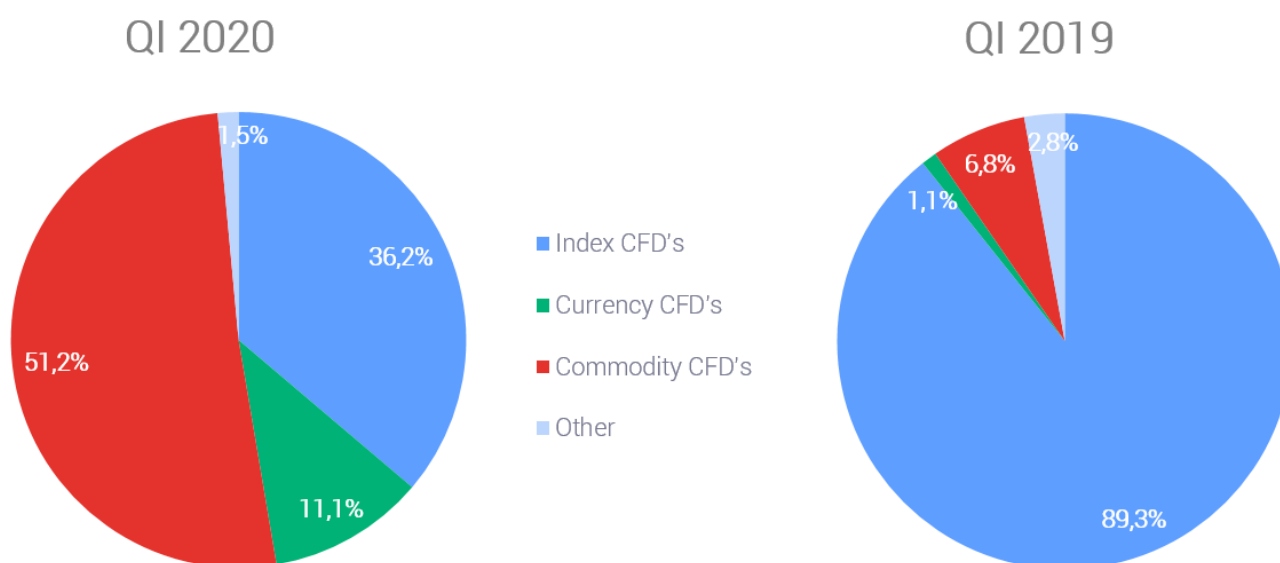


XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyses other possibilities of expanding the product offer, which could cause the introduction of new products in 2020 and subsequent years.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on commodities. Their share in the structure of revenues on financial instruments in Q1 2020 reached 51,2% against 6,8% a year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on oil prices and natural gas contracts. The second most profitable class were CFD instruments based on indices. Their share in the structure of revenues in Q1 2020 reached 36,2% (Q1 2019: 89,3%). The most popular instruments among this asset class were instruments based on the German DAX stock index (DE30) and contract based on volatility index listed on the U.S. organized market. Revenues of CFD based on currency reached 11,1% of all revenues, compared to 1,1% a year earlier.

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.

The structure of revenue by asset class (in %)





(in PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2020	31.12.2019	31.03.2019
Commodity CFDs	156 545	815	2 680
Index CFDs	110 682	80 584	35 363
Currency CFDs	34 048	6 163	433
Stock CFDs	2 500	(56)	627
Bond CFDs	163	(296)	329
Total CFDs	303 938	87 210	39 432
Shares and listed derivative instruments	1 839	531	178
Gross gain on transactions in financial instruments	305 777	87 741	39 610
Bonuses and discounts paid to costumers	(119)	(150)	(71)
Commission paid to cooperating brokers	(649)	286	(286)
Net gain on transaction in financial instruments	305 009	87 877	39 253

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 27,9% (Q1 2019: 54,6%) and 19,0% (Q1 2019: 17,0%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%.

(in PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2020	31.12.2019	31.03.2019
Central and Eastern Europe	151 062	42 379	24 997
- including Poland	85 432	33 967	22 319
Western Europe	132 390	31 064	12 926
- including Spain	58 136	15 208	6 964
Latin America	23 212	16 128	2 967
Total operating income	306 664	89 571	40 890

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 PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2020	31.12.2019	31.03.2019
Retail segment	253 014	80 145	37 605
Institutional segment (X Open Hub)	53 650	9 426	3 285
Total operating income	306 664	89 571	40 890



Expenses

In the Q1 of 2020 operating expenses amounted to PLN 72,5 million and were higher by PLN 31,4 million in relation to the same period a year earlier (Q1 2019: PLN 41,1 million). The most significant changes occurred in:

- costs of salaries and employee benefits, an increase of PLN 19,0 million mainly due to provisions established for variable components of remuneration (bonuses) and unused holidays and an increase in employment;
- marketing costs, an increase of PLN 7,6 million mainly due to higher expenditures on marketing online campaigns;
- commission expenses, an increase of PLN 2,5 million as a result of larger amounts paid to payment service providers through which clients deposit their funds on transaction accounts;
- other external costs, an increase of PLN 2,0 million as a result of higher expenditures on: (i) IT support service (an increase of PLN 1,6 million y/y); (ii) IT systems and licenses (an increase of PLN 0,4 million y/y).

(in PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2020	31.12.2019	31.03.2019
Salaries and employee benefits	38 782	24 126	19 737
Marketing	16 740	10 222	9 178
Other external services	7 767	7 540	5 815
Costs of maintenance and lease of buildings	968	742	742
Amortization and depreciation	1 861	1 720	1 788
Taxes and fees	669	869	708
Commission expenses	4 540	2 282	2 032
Other expenses	1 202	(177)	1 098
Total operating expenses	72 529	47 324	41 098

In q/q terms, operating costs increased of PLN 25,2 million mainly due to higher by PLN 14,7 million costs of salaries and employee benefits and higher by PLN 6,5 million marketing expenditures.

	THREE-MONTH PERIOD ENDED							
	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
Total operating income including: (in PLN'000)	72 529	47 324	42 980	42 490	41 098	40 862	48 837	41 750
- Marketing	16 740	10 222	8 735	9 581	9 178	7 878	8 669	8 976
New clients	21 911	10 424	10 042	9 246	6 843	5 742	4 884	4 734
Average number of active clients	45 660	30 815	28 136	25 131	22 245	20 568	20 277	21 952

The Management Board expects that during the whole 2020 operating costs will be higher than in 2019. In the coming quarters the costs of salaries and employee benefits are expected to decline to similar levels to those we observed quarterly in 2019. In the second quarter of 2020 marketing costs are also expected to decline – similarly to the costs of salaries and employee benefits.

The final level of operating costs will depend on the level of variable remuneration components paid to employees, the level of marketing expenditures, the dynamics of geographical expansion into new markets and the impact of potential product interventions and other external factors 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 depends on their impact on the Group's results and profitability, the rate of foreign expansion and on clients responsiveness 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.

Development perspectives

XTB with its strong market position and dynamically growing client base enters the non-European markets. XTB is consequently implementing a strategy on building a global brand. In 2020 the Group aims to increase its European market penetration and continue with building its position in Latin America, Asia and Africa.