



X-TRADE BROKERS DOM MAKLERSKI S.A.

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

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CURRENT REPORT NO. 16/2019

Warsaw, 28 October 2019

Information on the preliminary financial and operating results for the III quartet of 2019

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”) hereby announces that on 28 October 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 III 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 III quarter of 2019 will be submitted in the extended consolidated report of the Issuer’s Group for the III quarter of 2019, publication of which was planned for 8 November 2019.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report

No. 16/2019 dated 28 October 2019



QIII 2019

NET PROFIT

15,5 MM PLN
+ 434,0 % y/y ↑

EBIT

18,0 MM PLN
+ 1 327,5 % y/y ↑

OPERATING INCOME

61,0 MM PLN
+ 28,1 % y/y ↑

NEW CLIENTS

10 042
+ 105,6 % y/y ↑

AVERAGE NUMBER OF ACTIVE CLIENTS

28 136
+ 38,8 % y/y ↑

CFD VOLUME

423 333
+ 22,7 % y/y ↑

CFD PROFITABILITY PER LOT

144 PLN
+ 4,4 % y/y ↑



Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Total operating income	60 952	47 578	149 733	245 515
Total operating expenses	(42 979)	(48 837)	(126 567)	(131 630)
Profit (loss) on operating activities (EBIT)	17 973	(1 259)	23 166	113 885
Finance income	2 408	(1 062)	5 640	9 257
Finance costs	860	733	(452)	(2 723)
Profit before tax	21 241	(1 588)	28 354	120 419
Income tax	(5 733)	(1 316)	(7 690)	(22 921)
Net profit	15 508	(2 904)	20 664	97 498

(in PLN'000)	AS AT		
	30.09.2019	31.12.2018	30.09.2018
Own cash	436 800	467 987	504 660
Equity	456 671	455 156	489 072
Standalone capital adequacy ratio (%)	11,3	20,0	17,3
Aggregated capital adequacy ratio (%)	10,8	19,1	16,0

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
New clients ¹	10 042	4 884	26 131	14 930
Average number of active clients ²	28 136	20 277	25 171	21 515
Clients in total	139 960	111 401	139 960	111 401
New accounts ³	24 424	11 758	62 882	35 810
Average number of active accounts ⁴	30 768	22 259	27 544	24 032
Accounts in total	297 995	225 784	297 995	225 784
Net deposits (in PLN'000) ⁵	95 259	75 619	290 143	254 205
Average operating income per active client (in PLN'000) ⁶	2,2	2,3	5,9	11,4
Average operating income per active account (in PLN'000) ⁷	2,0	2,1	5,4	10,2
Transaction volume in CFD instruments in lots ⁸	423 333	345 118	1 203 072	1 636 544
Profitability per lot (in PLN) ⁹	144	138	124	150
Transaction volume in CFD instruments in nominal value (in USD'000000)	140 167,7	131 253,2	409 133,3	613 383,8
Profitability per 1 million USD transaction volume in CFD instruments (in PLN)	108,7	98,6	91,5	108,9
Turnover of shares in nominal value (in USD'000000)	48,9	16,3	123,6	29,4

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 third quarter of 2019 XTB reported a consolidated net profit of PLN 15,5 million compared to PLN (2,9) million loss a year earlier. Consolidated revenues amounted to PLN 61,0 million (Q3 2018: PLN 47,6 million), and operating costs PLN 43,0 million (Q3 2018: PLN 48,8 million). In the third quarter, the Group gained a record number of new customers, i.e. 10 042, which means an increase by 105,6% y/y and by 8,6% q/q.

Revenues

In the third quarter of 2019, revenues increased by 28,1% compared to the third quarter of 2018, i.e. PLN 13,4 million from PLN 47,6 million to PLN 61,0 million. This increase was caused by: (i) higher turnover of XTB clients with financial instruments expressed in the number of transactions in lots - an increase by 78 215 lots (from 345 118 to 423 333 lots), (ii) higher profitability per lot - an increase of PLN 6 (from 138 to 144 PLN).

	THREE-MONTH PERIOD ENDED							
	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Total operating income (in PLN'000)	60 952	47 891	40 890	42 786	47 578	84 200	113 737	76 145
Transaction volume in CFD instruments in lots ¹	423 333	385 317	394 421	458 869	345 118	616 082	675 344	618 893
Profitability per lot (in PLN) ²	144	124	104	93	138	137	168	123

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 customer base and number of active clients. The intention of the Management Board in 2019 is to further increase the client base. Since the beginning of the year, the Group reported a record number of new clients amounting to 26 131 against 14 930 in the comparable period. In the third quarter of 2019, the number of new clients increased by 796 clients q/q, i.e. by 8,6%. This is the effect of continuing the optimized sales and marketing strategy and the gradual introduction of new products to the offer, such as shares and ETFs. In turn, the average number of active customers was higher by 7 859 compared to the third quarter of 2018, i.e. by 38,8%.

	PERIOD ENDED							
	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
New clients ¹	10 042	9 246	6 843	5 742	4 884	4 734	5 312	6 582
Average number of active clients ²	25 171	23 688	22 245	21 279	21 515	22 135	22 317	18 667
New accounts ³	24 424	22 215	16 243	13 930	11 758	11 321	12 731	16 530
Average number of active accounts ⁴	27 544	25 932	24 386	23 656	24 032	24 918	25 279	21 088

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

²) The average quarterly number of clients respectively for 9, 6 and 3 months of 2019 and 12, 9, 6 and 3 months of 2018 and 12 months of 2017.

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 and 3 months of 2019 and 12, 9, 6 and 3 months of 2018 and 12 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 analyses other possibilities of expanding the product offer, which could cause the introduction of new products in 2019 and subsequent years.

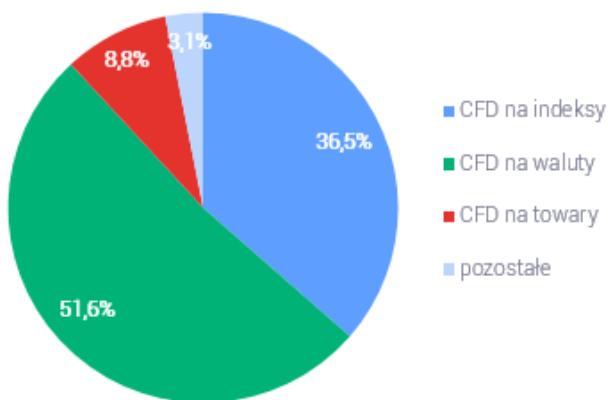


Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on currency dominated. Their share in the structure of revenues on financial instruments in the third quarter of 2019 reached 51,6% against 22,0% year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on the EURUSD currency pair. CFDs based on index were the second most profitable asset class. Their share in the structure of revenues on financial instruments in the third quarter of 2019 reached 36,5% (Q3 2018: 18,6%). Among this asset class, instruments based on the German DAX stock index (DE30) and the US indices: US100, US500 were the most popular. Revenues based on commodities amounted to 8,8% of all revenues, compared to 58,9% a year earlier.

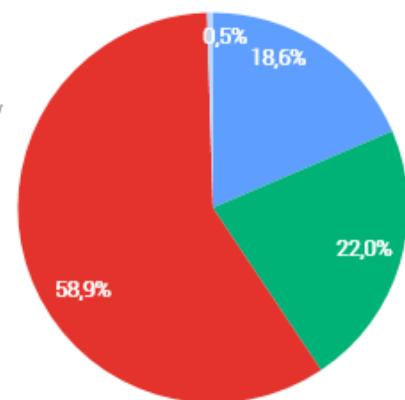
XTB clients, looking for investment opportunities to earn money, generally trade in financial instruments that are characterized by high market volatility in a given period. This may lead to fluctuations in the revenue structure by the asset class, which should be treated as a natural element of the 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 %)

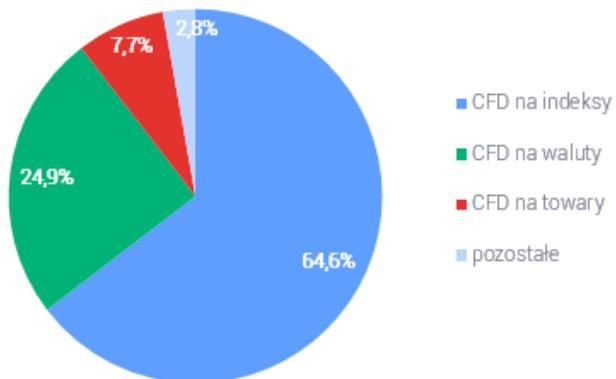
Q3 2019



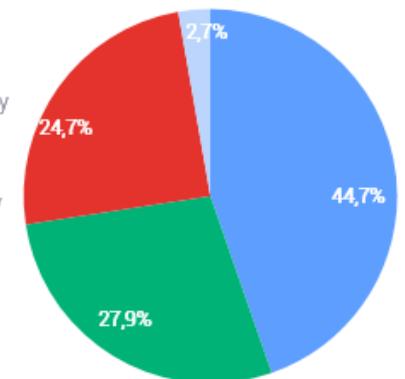
Q3 2018



Q1 – Q3 2019



Q1 – Q3 2018





(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Index CFDs	21 937	8 786	94 532	109 014
Currency CFDs	31 125	10 445	36 461	68 066
Commodity CFDs	5 256	27 865	11 206	60 183
Stock CFDs	1 207	187	2 369	2 455
Bond CFDs	404	(5)	1 067	317
Total CFDs	59 929	47 278	145 635	240 035
Options	-	-	-	3 947
Shares and listed derivative instruments	268	46	668	12
Gross gain on transactions in financial instruments	60 197	47 324	146 303	243 994
Bonuses and discounts paid to customers	(61)	(1 049)	(150)	(2 631)
Commission paid to cooperating brokers	(344)	(261)	(924)	(1 033)
Net gain on transaction in financial instruments	59 792	46 014	145 229	240 330

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 41,4% (Q3 2018: 38,4%) and 18,5% (Q3 2018: 12,5%). 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		NINE-MONTH PERIOD ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Central and Eastern Europe	34 252	27 976	78 955	132 694
- including Poland	25 211	18 265	61 423	82 264
Western Europe	22 934	14 295	59 870	97 428
- including Spain	11 247	5 946	32 434	35 671
Latin America	3 766	5 307	10 908	15 393
Total operating income	60 952	47 578	149 733	245 515

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		NINE-MONTH PERIOD ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Retail segment	60 161	43 188	138 312	230 131
Institutional segment (X Open Hub)	791	4 390	11 421	15 384
Total operating income	60 952	47 578	149 733	245 515



It should be noted that, similar as a retail segment, product intervention, introduced by relevant regulators on local markets of European Union countries, 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 third quarter of 2019 amounted to PLN 43,0 million and were lower by PLN 5,9 million in relation to the same period a year earlier. The most significant changes y/y occurred in:

- costs of salaries and employee benefits, an increase of PLN 1,7 million related to new employment and severance payments paid;
- costs of maintenance and lease of buildings, a decrease of PLN 1,1 million and thus an increase in depreciation costs by PLN 0,9 million, mainly due to a change in the recognition of lease rent costs since 2019, in connection with the entry into force of IFRS 16 Leasing;
- other costs, a decrease of PLN 7,8 million as a result of a one-off occurrence in the third quarter of 2018, which was the imposition of an administrative penalty by the PFSA in the amount of PLN 9,9 million.

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Salaries and employee benefits	21 368	19 681	61 898	58 797
Marketing	8 735	8 669	27 494	25 444
Other external services	5 737	5 605	17 098	18 334
Costs of maintenance and lease of buildings	884	1 946	2 416	5 861
Amortization and depreciation	1 795	883	5 033	3 137
Taxes and fees	551	912	2 081	1 835
Commission expenses	2 143	1 609	6 047	5 643
Other expenses	1 766	9 532	4 500	12 579
Total operating expenses	42 979	48 837	126 567	131 630

In q/q terms, operating costs increased slightly by PLN 0,5 million, mainly due to higher costs of salaries and employee benefits by PLN 0,6 million.

	THREE-MONTH PERIOD ENDED							
	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Total operating income including: (in PLN'000)	42 979	42 519	41 098	40 218	48 837	41 750	41 043	38 919
- Marketing	8 735	9 581	9 178	7 878	8 669	8 976	7 799	6 243
New clients	10 042	9 246	6 843	5 742	4 884	4 734	5 312	6 582
Average number of active clients	25 171	23 688	22 245	20 568	20 277	21 952	22 317	20 909



The Management Board expects in Q4 of 2019 operating expenses to be at a level comparable to that observed in previous quarters this year. The final level will depend on the variable remuneration elements paid to employees, the level of marketing expenditures and the impact of product interventions, introduced by relevant regulators on local markets of European Union countries, 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. In turn, if the need arises, the impact of product interventions, introduced by relevant regulators on local markets of the European Union on the Group's revenues will revise the cost assumptions for the next period of 2019.

Development perspectives

The entry into force of product intervention, introduced by relevant regulators on local markets of European Union countries, 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 relevant regulators on local markets of European Union countries 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 to build a global brand.