



X-TRADE BROKERS DOM MAKLEPSKI 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. 2/2018

Warsaw, 2 February 2018

Information on the preliminary financial and operating results for the year 2017

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”, „Company”, „XTB”)

Hereby announces that on 2 February of 2018 the aggregation process of financial data for the purpose of the preparation of the condensed consolidated financial statements of the Issuer’s Group 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 2017 will be submitted in the extended consolidated report of the Issuer’s Group for the 2017, publication of which was planned for 7 March of 2018.

Legal basis:

Article 17 paragraph 1 MAR- inside information.



Appendix to the current report

no. 2/2018 dated 2 February of 2018



Selected consolidated financial data

(IN PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total operating income	75 459	93 959	273 766	250 576
Total operating expenses	(38 066)	(38 889)	(145 329)	(168 461)
Operating profit (EBIT)	37 393	55 070	128 437	82 115
Impairment write-off of intangible assets	-	-	(5 612)	-
Finance income	2 533	7 792	6 318	12 122
Finance costs	(2 177)	108	(14 291)	(955)
Profit before tax	37 749	62 970	114 852	93 282
Income tax	(5 321)	(12 548)	(21 724)	(15 575)
Net profit	32 428	50 422	93 128	77 707

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
New accounts ¹⁾	16 530	9 624	50 723	31 300
Average number of active accounts ²⁾	23 773	19 376	21 088	17 243
Accounts in total	204 064	156 501	204 064	156 501
Net deposits (in PLN'000) ³⁾	84 911	116 759	357 677	314 045
Average operating income per active account (in PLN'000) ⁴⁾	3,2	4,8	13,0	14,5
Transaction volume in CFD instruments in lots ⁵⁾	618 893	488 660	2 196 558	2 015 655
Profitability per lot (in PLN) ⁶⁾	122	192	125	124

¹⁾ The number of accounts opened by the Group's clients in the individual periods.

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

³⁾ Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.

⁴⁾ 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.

⁵⁾ 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.

⁶⁾ Total operating income divided by the transaction volume in CFDs in lots.



2017 YEAR





Management Board commentary on the preliminary results

XTB reported a consolidated net profit of PLN 93.1 million in 2017 compared to PLN 77.7 million a year earlier. It is increase by PLN 15.4 million ie. 19.8%. Operating profit (EBIT) increased by PLN 46.3 million y/y ie. 56.4% reaching the value PLN 128.4 million. Consolidated revenue was PLN 273.8 million compared to PLN 250.6 million a year earlier.

The net result for the 2017 was mainly created by the following factors:

- 56.4% increase of operating profit (EBIT) caused by:
 - 9.3% increase of operating income due to higher volume generated by XTB clients on comparable profitability per lot;
 - significant improvement of cost efficiency manifested in decrease in total operating expenses by PLN 23.1 million;
- factors not related with basic operating activities ie.:
 - impairment of intangible assets which is released of a license for brokerage activity on the Turkish market in amount of PLN 5.6 million (one-off event);
 - occurrence of negative exchange rate differences (financial costs) from own funds held by XTB in amount of PLN 13.6 million (2016: positive exchange rate amounted PLN 6.4 million) as a result of zloty strengthening against other currencies.

Revenues

Increase of revenues in 2017 by 9.3% y/y ie. PLN 23.2 million from PLN 250.6 million to PLN 273.8 million due to mainly decrease of transactions volume in lots on comparable profitability per lot. Turnover was higher by 180.9 thousands lots and profitability by PLN 0,3.

	TWELVE-MONTH PERIOD ENDED				
	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Total operating income (in PLN'000)	273 766	250 576	282 542	204 434	215 559
Transaction volume in CFD instruments in lots ¹	2 196 558	2 015 655	2 443 302	1 986 639	1 947 679
Profitability per lot (in PLN) ²	125	124	116	103	111

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.



	THREE-MONTH PERIOD ENDED							
	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Total operating income (in PLN'000)	75 459	73 063	66 526	58 718	93 959	42 802	31 050	82 765
Transaction volume in CFD instruments in lots ¹	618 893	523 769	513 814	540 082	488 660	468 686	525 108	533 201
Profitability per lot (in PLN) ²	122	139	129	109	192	91	59	155

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.

Despite the fact that quarterly revenues XTB Group can be subject to significant fluctuations, which is typical for the Group's business model, in the longer term, which is the year, the revenues are more stable and comparable to those from historical periods.

XTB have solid foundation for growth in the form of constantly growing customer base. In IV quarter of 2017 number of new accounts was record-breaking both in relation to the previous quarters of 2017 and individual quarters of 2016. The total number of new accounts open in 2017 increased by 62.1% compared to the comparable period. In turn the average number of active accounts in the above period amounted 21 088 which means increase by 22.3% y/y.

	PERIOD ENDED							
	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
New account ¹	16 530	11 278	9 635	13 280	9 624	8 060	7 178	6 438
Average number of active accounts ²	21 088	20 194	20 016	20 408	17 243	16 531	16 305	16 087

¹) The number of accounts opened by the Group's clients in the individual periods

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

Similarly to the previous quarters of 2017, the increase in accounts in the IV quarter was related to the implementation of an optimized sales and marketing strategy and new products. An additional factor supporting the achievement of such an increase was the favorable situation on the financial markets.

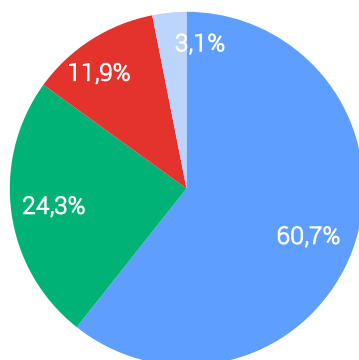
In the opinion of the Management Board, in the following quarters of 2018, the increase in number of accounts should be continued due to the increased marketing activity and the introduction of new products to the XTB offer. In addition, the Management Board maintains that the largest business growth potential is 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, similarly as in 2016, CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in 2017 reached 60.7% against 46.1% year earlier. This is consequence of the high interest of XTB clients in CFD instruments based on the German DAX stock index (DE30) and the US indices US30, US500, US100. The second most-traded class of assets traded by XTB clients were CFD currency instruments. Their share in the revenue structure in 2017 amounted to 24.3% (2016: 28.0%) and the most popular currency pair was EURUSD.

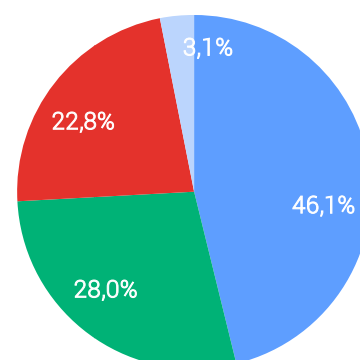
(IN PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Index CFD's	67 797	26 977	168 852	117 756
Currency CFD's	(2 463)	39 500	67 659	71 385
Commodity CFD's	9 710	27 022	33 098	58 069
Stock CFD's	(113)	510	1 899	1 454
Bond CFD's	3	(235)	(83)	1 116
Total CFD's	74 934	93 774	271 425	249 780
Options	1 765	1 980	6 884	5 332
Gross gain on transactions in financial instruments	76 699	95 754	278 309	255 112
Bonuses and discounts paid to costumers	(595)	(768)	(3 421)	(3 531)
Commission paid to cooperating brokers	(1 872)	(2 358)	(5 700)	(6 365)
Net gain on transaction in financial instruments	74 232	92 628	269 188	245 216

2017



2016

■ Index CFD's
 ■ Currency CFD's
 ■ Commodity CFD's
 ■ Other





Geographically, XTB revenues were well diversified. Their growth occurred both in Central and Eastern Europe and in Western Europe. The countries from which the Group generates more than 15% of revenues are: Poland with a contributions of 28.6% (2016: 31.9%) and Spain with contribution equal to 20.7% (2016: 18.0%). The contribution of other countries in the geographical structure of revenues does not exceed 15% in any case. Latin America is gaining in importance in the global contribution, which is gradually replacing the gap in Turkey.

(IN PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Central and Eastern Europe	41 263	58 602	131 448	128 915
- including Poland	29 861	38 335	78 356	80 008
Western Europe	32 156	28 524	128 564	105 986
- including Spain	16 211	8 864	56 550	45 177
Latin America and Turkey	2 040	6 833	13 754	15 675
- including Turkey	-	6 833	4 943	15 675
Total operating income	75 459	93 959	273 766	250 576

The segmental diversification of revenues is becoming more and more visible in XTB. This is due to the dynamic development of the segment of institutional operations (X Open Hub). Since 2013, the Group provides services to institutional clients. As part of it, XTB provides liquidity and technology to other financial institutions, including brokerage houses.

(IN PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Retail segment	59 187	84 705	232 186	231 059
Institutional segment (X Open Hub)	16 272	9 254	41 580	19 517
Total operating income	75 459	93 959	273 766	250 576

Expenses

In 2017, XTB significantly improved cost efficiency in relation to the same period of the previous year, while maintaining increases in new accounts opened and the number of active accounts. During this period operating expenses were at the level of PLN 145.3 million (2016: PLN 168.5 million), which is decrease by 13.7% y/y. This decrease was made by lower by PLN 24.5 million marketing costs resulting mainly from lower expenditures on advertising campaigns.



(IN PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Salaries and employee benefits	19 293	17 156	73 150	71 864
Marketing	5 558	8 997	24 841	49 338
Other external services	6 178	5 509	21 607	20 620
Costs of maintenance and lease of buildings	2 322	2 257	7 934	8 698
Amortization and depreciation	1 487	1 319	6 059	5 423
Taxes and fees	193	689	1 902	2 597
Commission expenses	2 147	939	5 964	4 182
Other expenses	888	2 023	3 872	5 739
Total operating expenses	38 066	38 889	145 329	168 461

In the IV quarter of 2017 operating expenses were comparable y/y and higher q/q mainly due to the increase in remuneration costs resulting from creation of provision for variable components of remuneration.

	THREE-MONTH PERIOD ENDED							
	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Total operating expenses, including: (in PLN'000)	38 066	34 725	35 973	36 565	38 889	34 378	54 730	40 464
- Marketing	5 558	5 563	6 545	7 175	8 997	8 041	24 310	7 990
New accounts	16 530	11 278	9 635	13 280	9 624	8 060	7 178	6 438

The management expects that in 2018 operating expenses to be at a level comparable to that observed in the 2017. The final level will depend on the variable remuneration components paid to employees and the level of marketing expenditure. The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditure will depend on the impact of the group on the results and profitability of the Group and on responsiveness of the customers to the actions taken.



Market environment and prospects

Management plans for the forthcoming periods assume the development of the Group in particular by expanding the client base, further penetrating existing markets and expanding its geographical presence in Latin America. Management Board is determined to strive to build value for the shareholders. Due to the current underestimation of the Company, the Management Board withheld the work on consolidation of the market through mergers and acquisitions, focusing more on organic growth.