



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. 15/2019

Warsaw, 31 July 2019

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

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”) hereby announces that on 31 July 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 half 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 half of 2019 will be submitted in the extended consolidated report of the Issuer’s Group for the I half of 2019, publication of which was planned for 22 August 2019.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report No. 15/2019 dated 31 July 2019



Selected consolidated financial data

(in PLN'000)	SIX-MONTH PERIOD ENDED		
	30.06.2019	31.12.2018	30.06.2018
Total operating income	88 781	90 364	197 937
Total operating expenses	(83 617)	(89 699)	(82 793)
Profit on operating activities (EBIT)	5 164	665	115 144
Finance income	3 232	(1 236)	10 319
Finance costs	(1 331)	3 235	(3 456)
Profit before tax	7 065	2 664	122 007
Income tax	(1 952)	(1 595)	(21 605)
Net profit	5 113	1 069	100 402

(in PLN'000)	AS AT		
	30.06.2019	31.12.2018	30.06.2018
Own cash	433 861	467 987	499 189
Equity	437 810	455 156	499 290
Standalone capital adequacy ratio (%)	14.7	20.0	14.0
Aggregated capital adequacy ratio (%)	13.9	19.1	13.5

Selected consolidated operating data (KPI)

	SIX-MONTH PERIOD ENDED		
	30.06.2019	31.12.2018	30.06.2018
New clients ¹	16 089	10 626	10 046
Average number of active clients ²	23 688	20 423	22 135
Clients in total	128 266	116 517	107 214
New accounts ³	38 458	25 688	24 052
Average number of active accounts ⁴	25 932	22 394	24 918
Accounts in total	274 867	238 980	215 237
Net deposits (in PLN'000) ⁵	194 884	154 321	178 586
Average operating income per active client (in PLN'000) ⁶	3.7	4.4	8.9
Average operating income per active account (in PLN'000) ⁷	3.4	4.0	7.9
Transaction volume in CFD instruments in lots ⁸	779 738	803 986	1 291 426
Profitability per lot (in PLN) ⁹	114	112	153
Transaction volume in CFD instruments in nominal value (in USD'000000)	268 965,6	291 768,4	482 130,6
Profitability per 1 million transaction volume in CFD instruments (in PLN)	88,4	82,4	109,7
Turnover of shares in nominal value (in USD'000000)	74.7	36.5	13.2

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.



1H 2019

NET PROFIT

5,1 MM PLN
+378,3% H/H ↑

EBIT

5,2 MM PLN
+676,5% H/H ↑

OPERATING INCOME

88,8 MM PLN
-1,8% H/H ↓

NEW CLIENTS

16 089
+51,4% H/H ↑

AVERAGE NUMBER OF
ACTIVE CLIENTS

23 688
+16,0% H/H ↑

CFD VOLUME

779 738
-3,0% H/H ↓

CFD PROFITABILITY PER LOT

114 PLN
+1,3% H/H ↑



Management Board's commentary on the preliminary results

In the first half of 2019 XTB reported a consolidated net profit of PLN 5.1 million compared to PLN 1.1 million in the second half of 2018. Consolidated revenue was PLN 88.8 million (2H 2018: PLN 90.4 million) and operating expenses reached PLN 83.6 million (2H 2018: PLN 89.7 million). In this period XTB noted a record number of new clients i.e. 16 089, which is an increase of 51.4% compared to second half of 2018 (h/h).

Revenues

The revenues in the first half of 2019 decreased by 1.8% h/h, i.e. PLN 1.6 million from PLN 90.4 to PLN 88.8 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. This had a direct impact on lower volume of transaction carried out by XTB clients. As a consequence the transaction volume in CFD instruments amounted to 779.7 thousand lots (1H 2018: 1 291.4 thousand lots 2H 2018: 804.0 thousand lots) and profitability per lot reached PLN 114 (1H 2018: PLN 153, 2H 2018: PLN 112).

	THREE-MONTH PERIOD ENDED							
	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Total operating income (in PLN'000)	47 891	40 890	42 786	47 578	84 200	113 737	76 145	73 115
Transaction volume in CFD instruments in lots ¹	385 317	394 421	458 869	345 118	616 082	675 344	618 893	523 769
Profitability per lot (in PLN) ²	124	104	93	138	137	168	123	140

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. The Group reported a record number of new clients amounting to 16 089 compared to 10 626 in the second half of 2018 (1H 2018: 10 046). In the second quarter of 2019 number of new clients increase by 2 403 q/q, i.e. 35.1% q/q. 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, ETFs, indexes of technology companies FANG + and other sector indexes. The average number of active clients was higher by 3 265 h/h, i.e. 16.0% h/h.

	PERIOD ENDED							
	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
New clients ¹	9 246	6 843	5 742	4 884	4 734	5 312	6 582	4 201
Average number of active clients ²	23 688	22 245	21 279	21 515	22 135	22 317	18 667	17 920
New accounts ³	22 215	16 243	13 930	11 758	11 321	12 731	16 530	11 278
Average number of active accounts ⁴	25 932	24 386	23 656	24 032	24 918	25 279	21 088	20 194

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

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

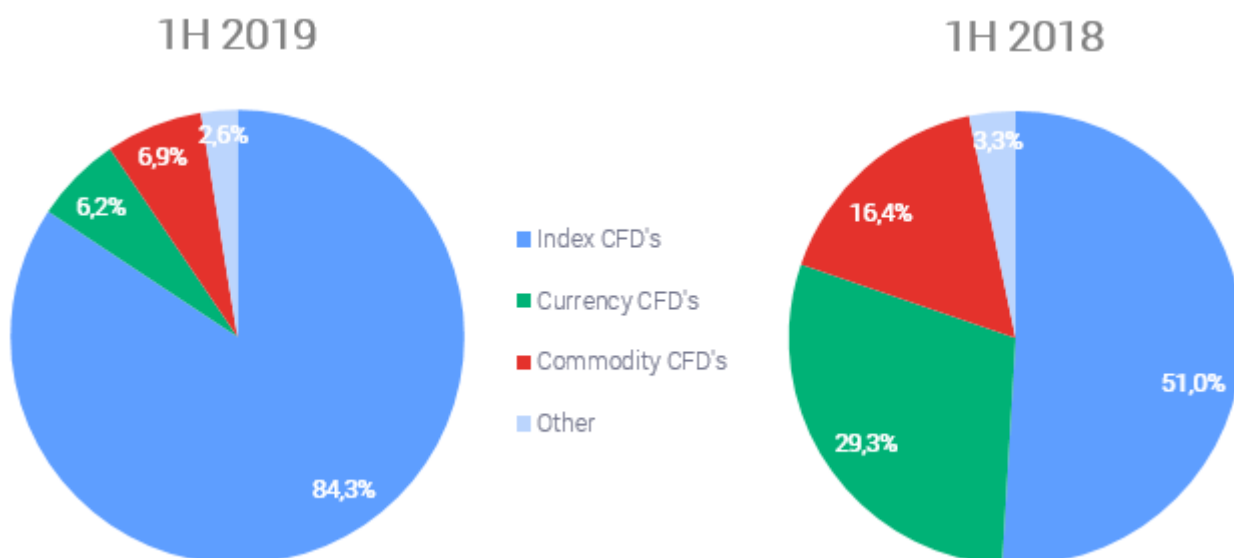


XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyzes other possibilities of expanding the product offer, which could cause the introduction of new products in 2019 and following years.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that similar as in the first half of 2018, CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in the first half of 2019 reached 84.3% against 51.0% 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 half of 2019 reached 6.9% (1H 2018: 16.4%). The most lucrative instrument among clients was CFD based on quotations of the contract for natural gas and gold. Revenues on CFD instruments based on currency pairs amounted to 6.2% of total revenues against 29.3% 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 clients.

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)	SIX-MONTH PERIOD ENDED		
	30.06.2019	31.12.2018	30.06.2018
Index CFDs	72 595	41 696	100 228
Commodity CFDs	5 950	37 181	32 318
Currency CFDs	5 336	9 571	57 621
Stock CFDs	1 162	610	2 268
Bond CFDs	663	267	322
Total CFDs	85 706	89 325	192 757
Options	-	-	3 947
Shares and listed derivative instruments	400	133	(34)
Gross gain on transactions in financial instruments	86 106	89 458	196 670
Bonuses and discounts paid to costumers	(89)	(1 781)	(1 582)
Commission paid to cooperating brokers	(580)	(520)	(772)
Net gain on transaction in financial instruments	85 437	87 157	194 316

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 40.8% (1H 2018: 32.3%) and 23.9% (1H 2018: 15.0%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%.

(in PLN'000)	SIX-MONTH PERIOD ENDED		
	30.06.2019	31.12.2018	30.06.2018
Central and Eastern Europe	44 703	35 776	104 718
- including Poland	36 212	8 526	63 999
Western Europe	36 936	41 355	83 133
- including Spain	21 187	12 635	29 725
Latin America	7 142	13 233	10 086
Total operating income	88 781	90 364	197 937

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)	SIX-MONTH PERIOD ENDED		
	30.06.2019	31.12.2018	30.06.2018
Retail segment	78 151	82 543	186 943
Institutional segment (X Open Hub)	10 630	7 821	10 994
Total operating income	88 781	90 364	197 937



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 half of 2019 amounted to PLN 83.6 million and were higher by PLN 0.8 million to comparative period year earlier. The most important changes y/y occurred in:

- marketing costs, an increase of PLN 2.0 million due to higher expenditures on marketing online campaigns;
- costs of maintenance and lease of buildings, a decrease of PLN 2.4 million and consequently an increase in depreciation costs by PLN 1.3 million, mainly due to a change in the recognition of lease rent costs since 2019 due to entry into force IFRS 16 Leasing;
- Salaries and employee benefits costs, an increase by PLN 1.4 million due to new employment and employee severance payments;
- other external services , a decrease of PLN 1.4 million as a result of lower expenditure on other external services (decrease of PLN 1.3 million y/y).

(in PLN'000)	SIX-MONTH PERIOD ENDED		
	30.06.2019	31.12.2018	30.06.2018
Salaries and employee benefits	40 526	39 362	39 116
Marketing	18 759	16 547	16 775
Other external services	11 361	12 180	12 729
Costs of maintenance and lease of buildings	1 531	3 900	3 915
Amortization and depreciation	3 552	1 677	2 254
Taxes and fees	1 301	1 417	923
Commission expenses	3 904	3 593	4 034
Other expenses	2 683	11 023*	3 047
Total operating expenses	83 617	89 699	82 793

* administrative fine imposed by PFSA (one- off event)

In the first half of 2019 operating expenses increased by PLN 1.4 million q/q, mainly due to higher by PLN 1.0 million salaries and employee benefits costs and marketing expenditures by PLN 0.4 million.

	THREE-MONTH PERIOD ENDED							
	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Total operating income including: (in PLN'000)	42 519	41 098	40 218	48 837	41 750	41 043	38 919	34 777
- Marketing	9 581	9 178	7 878	8 669	8 976	7 799	6 243	5 615
New clients	9 246	6 843	5 742	4 884	4 734	5 312	6 582	4 201
Average number of active clients	23 688	22 245	20 568	20 277	21 952	22 317	20 909	18 263



The Management Board expects in the second half of 2019 operating expenses to be at a level comparable to that observed in the first half of 2019. 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 clients 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 client base. The Group plans further development by expanding the client base and product offer, penetrating existing markets and expanding geographically to new markets to build global brand.