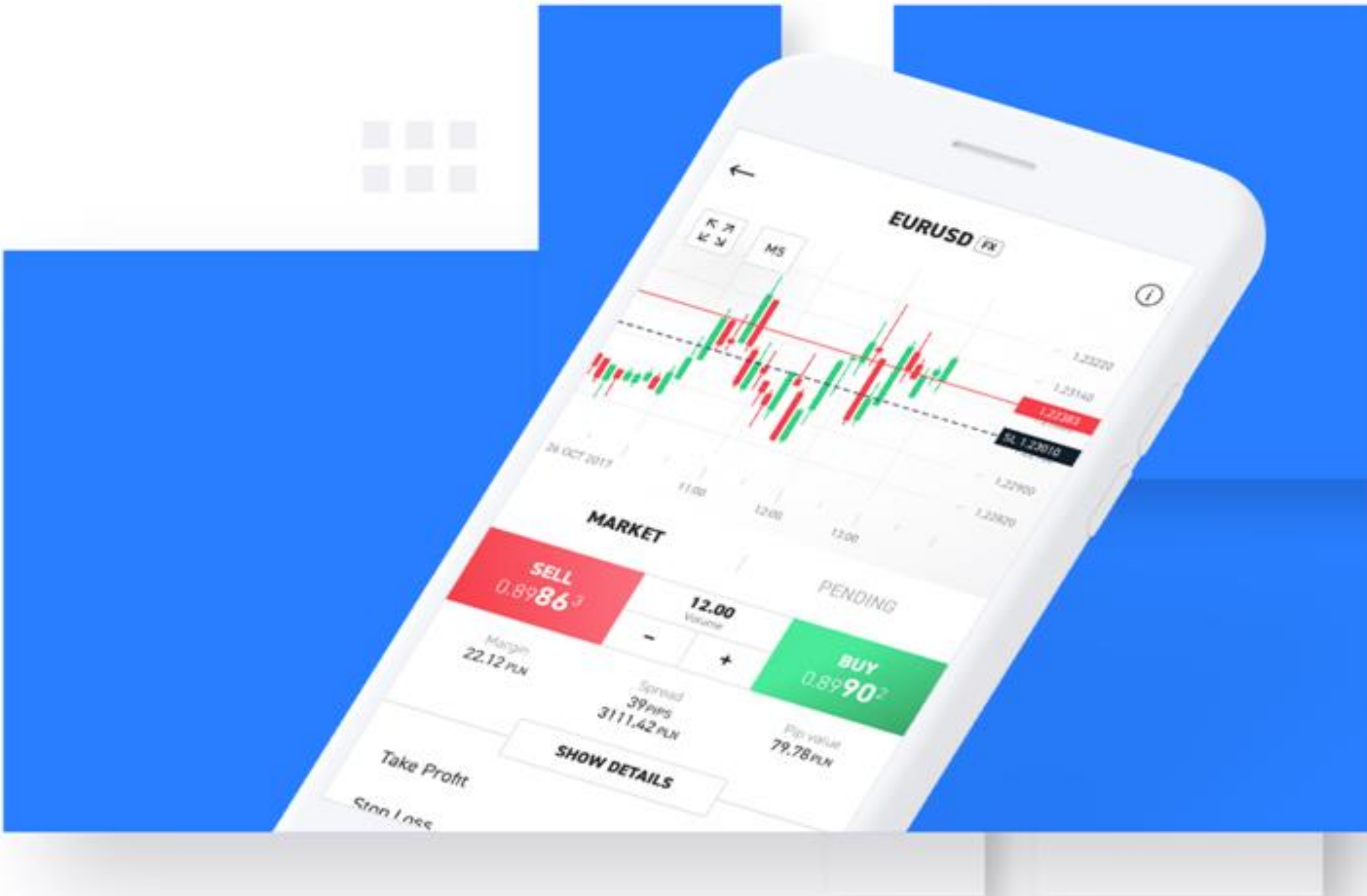

REPORT FOR THE 1ST QUARTER 2019

X-TRADE BROKERS DM S.A.

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FINANCIAL CONSOLIDATED HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 THREE-MONTH ENDED		IN EUR'000 THREE-MONTH ENDED	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Consolidated comprehensive income statement:				
Total operating income	40 890	113 737	9 514	27 220
Profit (loss) on operating activities	(208)	72 694	(48)	17 398
Profit before tax	1 071	73 743	249	17 649
Net profit	763	59 487	178	14 237
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,01	0,51	0,00	0,12
Consolidated cash flow statement:				
Net cash from operating activities	(7 235)	87 457	(1 683)	20 931
Net cash from investing activities	(1 019)	(68)	(237)	(16)
Net cash from financing activities	(1 359)	(27)	(316)	(6)
Increase/(Decrease) in net cash and cash equivalents	(9 613)	87 362	(2 237)	20 908

	IN PLN'000		IN EUR'000	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Consolidated statement of financial position:				
Total assets	1 022 614	919 848	237 745	218 569
Total liabilities	567 114	461 511	131 847	109 662
Share capital	5 869	5 869	1 364	1 395
Equity	455 500	458 337	105 898	108 907
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	3,88	3,90	0,90	0,93

The above data was translated into EUR as follows:

- items in the consolidated comprehensive income statement and consolidated cash flow statement – by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,2978;
  - for the comparative period: 4,1784;
- items of consolidated statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
  - for the current period: 4,3013;
  - for the comparative period: 4,2085.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)
Result of operations on financial instruments	6.1	39 253	112 551
Income from fees and charges	6.2	1 631	1 175
Other income		6	11
Total operating income	6	40 890	113 737
Salaries and employee benefits	7	(19 737)	(19 452)
Marketing expense	8	(9 178)	(7 799)
Other external services	9	(5 815)	(6 838)
Costs associated with maintenance and lease of buildings		(742)	(1 939)
Amortization and depreciation	16,17	(1 788)	(1 479)
Taxes and statutory fees		(708)	(367)
Commission expense	10	(2 032)	(2 335)
Other expense		(1 098)	(834)
Total operating expenses		(41 098)	(41 043)
Profit (Loss) On Operating Activities		(208)	72 694
Finance income	11	1 617	4 258
Finance costs	11	(338)	(3 209)
Profit Before Tax		1 071	73 743
Income tax	26	(308)	(14 256)
Net Profit		763	59 487
OTHER COMPREHENSIVE INCOME		(419)	(1 492)
Items which will be reclassified to profit (loss) after meeting specific conditions		(419)	(1 492)
- foreign exchange differences on translation of foreign operations		*(334)*	*(1 773)*
- foreign exchange differences on valuation of separated equity		*(105)*	*347*
- deferred income tax		*20*	*(66)*
TOTAL COMPREHENSIVE INCOME		344	57 995
Net profit attributable to shareholders of the Parent Company		763	59 487
Total comprehensive income attributable to shareholders of the Parent Company		344	57 995
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	0,01	0,51
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,01	0,51
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	0,01	0,51
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,01	0,51

The interim condensed consolidated financial statements should be read in conjunction with the supplementary notes to the interim condensed consolidated financial statements, which are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	13	457 590	467 987	452 041
Clients' cash and cash equivalents	13	416 699	363 908	326 372
Financial assets at fair value through P&L	14	107 881	114 279	114 643
Income tax receivables		2 924	3 068	318
Financial assets at amortized cost	15	5 173	5 005	5 829
Prepayments and deferred costs		5 072	3 049	5 613
Intangible assets	16	679	716	1 775
Property, plant and equipment	17	17 151	2 517	2 760
Deferred income tax assets	26.2	9 445	9 545	10 497
Total assets		1 022 614	970 074	919 848
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	18	500 688	447 841	402 622
Financial liabilities held for trading	19	15 938	28 227	19 657
Income tax liabilities		440	232	2 867
Liabilities due to lease	20	14 525	37	101
Other liabilities	21	20 386	23 744	22 332
Provisions for liabilities	22	2 502	1 980	1 759
Deferred income tax provision	26.2	12 635	12 857	12 173
Total liabilities		567 114	514 918	461 511
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	334 898	334 898	247 992
Foreign exchange differences on translation	23	(21 898)	(21 479)	(17 398)
Retained earnings		65 023	64 260	150 266
Equity attributable to the owners of the Parent Company		455 500	455 156	458 337
Total equity		455 500	455 156	458 337
Total equity and liabilities		1 022 614	970 074	919 848

The interim condensed consolidated statement of financial position should be read in conjunction with the supplementary notes to the interim condensed consolidated financial statements, which are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Interim condensed consolidated statement of changes in equity for the period from 1 January 2019 to 31 March 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	23	23	23	23	23	23	
As at 1 January 2019	5 869	71 608	334 898	(21 479)	64 260	455 156	455 156
Total comprehensive income for the financial year							
Net profit	–	–	–	–	763	763	763
Other comprehensive income	–	–	–	(419)	–	(419)	(419)
Total comprehensive income for the financial year	–	–	–	(419)	763	344	344
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	–	–	–	–	–
- dividend advance payment	–	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–	–
As at 31 March 2019 (unaudited)	5 869	71 608	334 898	(21 898)	65 023	455 500	455 500

The interim condensed consolidated statement of changes in equity should be read in conjunction with the supplementary notes to the interim condensed consolidated financial statements, which are an integral part of these interim condensed consolidated financial statements.

Consolidated statement of changes in equity for the period from 1 January 2018 to 31 December 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	23	23	23,24	23	24	23,24	
As at 1 January 2018	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342
Total comprehensive income for the financial year							
Net profit	–	–	–	–	101 471	101 471	101 471
Other comprehensive income	–	–	–	(5 573)	–	(5 573)	(5 573)
Total comprehensive income for the financial year	–	–	–	(5 573)	101 471	95 898	95 898
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	86 906	–	(127 990)	(41 084)	(41 084)
- dividend advance payment	–	–	–	–	(41 084)	(41 084)	(41 084)
- transfer to other reserves	–	–	87 396	–	(87 396)	–	–
- covering losses from previous years	–	–	(490)	–	490	–	–
As at 31 December 2018 (audited)	5 869	71 608	334 898	(21 479)	64 260	455 156	455 156

The consolidated statement of changes in equity should be read in conjunction with the supplementary notes to the interim condensed consolidated financial statements, which are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity for the period from 1 January 2018 to 31 March 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	23	23	23	23	23	23	
As at 1 January 2018	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342
Total comprehensive income for the financial year							
Net profit	–	–	–	–	59 487	59 487	59 487
Other comprehensive income	–	–	–	(1 492)	–	(1 492)	(1 492)
Total comprehensive income for the financial year	–	–	–	(1 492)	59 487	57 995	57 995
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	–	–	–	–	–
- dividend advance payment	–	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–	–
As at 31 March 2018 (unaudited)	5 869	71 608	247 992	(17 398)	150 266	458 337	458 337

The interim condensed consolidated statement of changes in equity should be read in conjunction with the supplementary notes to the interim condensed consolidated financial statements, which are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		1 071	73 743
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		(4)	–
Amortization and depreciation	16,17	1 788	1 479
Foreign exchange (gains) losses from translation of own cash		786	2 417
Other adjustments	28.2	(421)	(1 480)
Changes			
Change in provisions		522	93
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(5 891)	(7 809)
Change in balance of restricted cash		(52 791)	52 099
Change in financial assets at amortized cost		(168)	(1 820)
Change in balance of prepayments and accruals		(2 023)	(2 397)
Change in balance of amounts due to clients		52 847	(18 778)
Change in balance of other liabilities	28.1	(2 995)	547
Cash from operating activities		(7 279)	98 094
Income tax paid		(78)	(10 637)
Interests		122	–
Net cash from operating activities		(7 235)	87 457
Cash flow from investing activities			
Expenses relating to payments for property, plant and equipment	17	(984)	(68)
Expenses relating to payments for intangible assets	16	(35)	–
Net cash from investing activities		(1 019)	(68)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(1 237)	(27)
Interest paid under lease		(122)	–
Net cash from financing activities		(1 359)	(27)
Increase (Decrease) in net cash and cash equivalents		(9 613)	87 362
Cash and cash equivalents – opening balance		467 987	367 096
Effect of FX rate fluctuations on balance of cash in foreign currencies		(784)	(2 417)
Cash and cash equivalents – closing balance	13	457 590	452 041

The interim condensed consolidated cash flow statement should be read in conjunction with the supplementary notes to the interim condensed consolidated financial statements, which are an integral part of these interim condensed consolidated financial statements.

ADDITIONAL EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Information about the Parent Company and composition of the Group

The Parent Company in the X–Trade Brokers Dom Maklerski S.A. Group (the "Group") is X–Trade Brokers Dom Maklerski S.A. (hereinafter: the "Parent Entity", "Company", "Parent Company", "Brokerage") with its headquarters located in Warsaw, at Ogrodowa street 58, 00–876 Warsaw.

X–Trade Brokers Dom Maklerski S.A. is registered in the Commercial Register of the National Court Register by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under No. KRS 0000217580. The Parent Company was granted a statistical REGON number and a tax identification (NIP) number 5272443955.

The Parent Company's operations consist of conducting brokerage activities on the stock exchange and OTC markets (currency derivatives, commodities, indices, stocks and bonds). The Parent Company is supervised by the Polish Financial Supervision Authority and conducts regulated activities pursuant to a permit dated 8 November 2005, No. DDM–M–4021–57–1/2005.

1.1 Information on the reporting entities in the Parent Company's organizational structure

The interim condensed consolidated financial statements cover the following foreign branches which form the Parent Company:

- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: RO27187343.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: DE266307947.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689 and was granted the following tax identification number FR61522758689.
- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register and as tax identification number under No. PT980436613.

1.2 Composition of the Group

The X–Trade Brokers Dom Maklerski S.A. Group is composed of X–Trade Brokers Dom Maklerski S.A. as the Parent Company and the following subsidiaries:

NAZWA JEDNOSTKI	CONSOLIDATION METHOD	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
			31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
XTB Limited (UK)	Full	Great Britain	100%	100%	100%
X Open Hub Sp. z o.o.	Full	Poland	100%	100%	100%
XTB Limited (CY)	Full	Cyprus	100%	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	Full	Turkey	100%	100%	100%
XTB International Limited	Full	Belize	100%	100%	100%
XTB Chile SpA	Full	Chile	100%	100%	100%
XTB Services Limited	Full	Cyprus	100%	100%	100%
XTB Technologies Sp. z o.o. in liquidation	Full	Poland	100%	100%	100%
XTB Africa (PTY) Ltd.	Full	South Africa	100%	100%	–

XTB Limited was formed on 19 April 2010 under the name Tyrolese (691) Limited. The company started its operating activities in November 2010 under a changed name – XTB UK Ltd. In 2012 it changed its name to X Financial Solutions Ltd, in 2013 to X Open Hub Limited, and on 8 January 2015 to XTB Limited. The company's results are consolidated under the full method from the date of its establishment.

On 6 March 2013, the Parent Company acquired 100% of the shares in xStore Sp. z o.o. with its registered office in Poland. In 2014, the company changed its name to X Open Hub Sp. z o.o. The company's results are consolidated under the full method from the date of its establishment.

On 15 October 2013 the Parent Company acquired 100% shares in DUB Investments Limited, with its registered office in Cyprus. The company's results are consolidated under the acquisition method as of the date of its acquisition. The fair value of the consideration paid was PLN 1 292 thousand.

As a result of the acquisition of DUB Investments Ltd, the Parent Company identified goodwill of PLN 783 thousand as the difference between the acquisition price and the fair value of the acquired assets. As at the acquisition date, the subsidiary was tested for impairment; as a result of the test the full value of goodwill was charged to costs as at that date.

On 3 May 2018 DUB Investments Limited changed its name to XTB Limited . On 6 June 2018 the Parent Company acquired 1 165 new shares in the capital increase of its subsidiary. As a result of the above transaction the Parent Company kept 100% share in subsidiary's capital.

On 17 April and on 16 May 2014 the Parent Company acquired 100% shares in X Trade Brokers Menkul Değerler A.Ş. with its registered office in Turkey, as a result of which on 30 April 2014 it took control over the company. The acquisition of 100% of the shares led to taking up control by the Parent Company. 12 999 996 shares were taken up against the loan granted to Jakub Zabłocki for the purchase of the entity; as at the moment of settlement, the loan was PLN 27 591 thousand. The remaining four shares were purchased with cash. The value of shares taken up by way of settlement against the loan amounted to PLN 28 081 thousand, the shares purchased with cash amounted to PLN 8,88. The fair value of the consideration paid was PLN 28 081 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method, in accordance with the accounting policy adopted for transactions under joint control. As at the acquisition date particular net assets of the acquired company X Trade Brokers Menkul Değerler A.Ş. were measured at fair value. As a result of the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Turkish market of PLN 8 017 thousand. The estimated amortization period for this isolated intangible asset was established over a period of 10 years.

On 19 April 2018 the Management Board of Parent Company decided to resume an action to terminate the activities on the Turkish market and to liquidate the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Parent Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB).

In reference to closing down the activity on the Turkish market, which from the accounting point of view means the liquidation of assets (abandonment of license) the Group will be obliged to take action, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates, therefore as at the date of these consolidated financial statements the Group is not able to precisely estimate the amount of financial exchange which will be recognized in the future.

On 17 February 2017 the Parent Company established XTB Chile SpA. The Parent Company owns 100% of shares in subsidiary. XTB Chile SpA provides services involving the acquisition of clients from the territory of Chile.

On the 23 February 2017 the Parent Company acquired 100% of shares in CFDs Prime with its seat in Belize. On the 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. The company provides brokerage services based on the obtained permission issued by the Financial Service Commission. As a result of the acquisition of 100% of shares the Parent Company took up control over the subsidiary. The fair value of the consideration paid was PLN 837 thousand and this was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method. As at the acquisition date particular net assets of the acquired company XTB International Limited were measured at fair value. As a result of this accounting treatment an intangible asset was isolated in the form of a licence for brokerage activities on the Belize market with a value of PLN 261 thousand. The estimated amortization period for this isolated intangible asset was established for a period of 10 years.

Fair value of main categories of assets of XTB International Limited on the date of acquisition:

	FAIR VALUE (IN USD'000)	**EXCHANGE RATE**	**FAIR VALUE (IN PLN'000)**
Cash and cash equivalents	237	4,0840	968
Receivables – liabilities	(96)	4,0840	(392)
Separated intangible asset	64	4,0840	261
Total fair value	205		837

On 27 July 2017 the Parent Company acquired 100% shares in Jupette Limited with its registered office in Cyprus for EUR 1 000. The fair value of purchased net assets, which in full constituted cash, amounted to EUR 1 000. The company's results are consolidated under the acquisition method as of the date of its acquisition. On 8 August 2017 the Parent Company took up 29 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 5 September 2017 the subsidiary changed its name to XTB Services Limited. On 15 January 2018 the Parent Company took up 50 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary.

In January 2018 the Parent Company established X Trading Technologies Sp. z o.o. with its seat in Poland. The Parent Company owns 100% of shares in subsidiary. X Trading Technologies Sp. z o.o. provides activity concerning software. The company's results are consolidated under the full method from the date of its establishment. On 30 January 2018 the Parent Company took up 3 900 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 14 May 2018 an extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company. The liquidation of this subsidiary will make no material impact to the Group's consolidated financial statements.

On 10 July 2018 the Parent Company established XTB Africa (PTY) Ltd. with its seat in South Africa. The Parent Company owns 100% of shares in subsidiary. As at the date of publication of this report the company did not conduct any operating activities.

1.3 Composition of the Management Board

In the period covered by the interim condensed consolidated financial statements and in the comparative period, the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Paweł Frańczak	Board Member	31.08.2012	from the 29 June appointed for the 3-years term of office ending 29 June 2019; resigned from office on 25 April 2018
Paweł Szejko	Board Member	28.01.2015	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Filip Kaczmarzyk	Board Member	10.01.2017	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Jakub Kubacki	Board Member	10.07.2018	from the 29 June appointed for the 3-years term of office ending 29 June 2019

2. Basis for drafting the financial statements

2.1 Compliance statement

These interim condensed consolidated financial statements have been prepared according to the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Group's operations or their impact would be immaterial.

The International Financial Reporting Standards accepted by the European Union ("IFRS") comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The interim condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2019 to 31 March 2019 with comparative data for the period from 1 January 2018 to 31 March 2018 and as at 31 December 2018 cover the Parent Company's financial data and financial data of the subsidiaries comprising the "Group".

These interim condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities held for trading and financial instruments held for sale which are measured at fair value. The Group's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The Group companies maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The interim condensed consolidated financial statements include adjustments not recognised in the Group companies' accounting records, made in order to reconcile their financial statements with IFRS.

The interim condensed consolidated financial statements do not cover all information and disclosures required to be presented in annual consolidated financial statements and they should be read jointly with the consolidated financial statements of the X-Trade Brokers Dom Maklerski S.A. Group for the year 2018.

The interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 9 May 2019. Drafting these interim condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

2.2 Functional currency and reporting currency

The functional currency and the presentation currency of these interim condensed consolidated financial statements is the Polish zloty ("PLN"), and unless stated otherwise, all amounts are shown in thousands of zloty (PLN'000).

2.3 Going concern

The interim condensed consolidated financial statements were prepared based on the assumption that the Group would continue as a going concern in the foreseeable future. At the date of preparation of these consolidated financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the Group companies' continued operations with the exception of subsidiaries X Trade Brokers Menkul Değerler A.Ş in Turkey and X Trading Technologies Sp. z o.o. in liquidation in Poland described in note 1.2.

2.4 Comparability of data and consistency of the policies applied

Data presented in the interim condensed consolidated financial statements is comparable and prepared under the same principles for all periods covered by the interim condensed consolidated financial statements.

2.5 Changes in the accounting policies

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2019.

For the first time the Group applied IFRS 16 Leases ("IFRS 16") effective from 1 January 2019.

Other new or amended standards and interpretations that apply for the first time in 2019 have no material impact on Group's interim condensed consolidated financial statements.

- IFRS 16 Leases

  International Financial Reporting Standard 16 Leases ("IFRS 16") was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure.

  IFRS 16 introduces a unitary model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. At the commencement date, the lessee recognizes an asset representing the right to use the underlying asset and a liability to make lease payments.

  As of the effective date of the new standard, i.e. on 1 January 2019, the Group recognized the right to use underlying assets and liabilities due to lease in the amount of PLN 15 724 thousand.

  Identifying a lease

  At new contract inception, the Group assesses whether the contract is a lease or whether it contains a lease. An agreement is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in exchange for remuneration. In order to assess if an agreement transfers the right to control the use of an identified asset for a given period, the Group shall determine whether throughout the entire period of use the customer enjoys the following rights:

  a) the right to obtain substantially all economic benefits from the use of the identified asset and

  b) the right to manage the use of the identified asset.

  Should the Group have the right to control the use of an identified asset for part of the duration of an agreement only, the agreement contains a lease in respect of this part of the period.

Rights resulting from lease, rental, hire or other agreements which meet the definition of a lease as per IFRS 16 are recognised as right of use underlying assets within the framework of non-current assets with a corresponding lease liabilities.

Initial recognition and measurement

The Group recognises the right of use asset as well as the lease liability on the date of commencement of the lease.

On the date of commencement the Group measured the right of use asset at cost.

The cost of the right of use asset is inclusive of the following:

a) the amount of the initial measurement of the lease liability,

b) all lease payments paid on or before the date of commencement, less any lease incentives received,

c) all initial costs directly incurred by the lessee, and

d) estimated costs to be incurred by the lessee in connection with the dismantling and removal of underlying assets, the refurbishment of premises within which they were located, or the refurbishment of underlying assets to the condition required by the terms and conditions of the lease.

Lease payments included in the evaluation of lease liability include:

- fixed lease payments;

- variable lease payments, which depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts that are expected to be paid by the lessee as part of the guaranteed residual value;

- the call exercise price, should it be assumed with reasonable certainty that the Group shall decide to exercise the call option;

- penalty payments for termination of a lease, unless it can be assumed with reasonable certainty that the Group shall not terminate the lease.

Variable payments, which do not depend on an index or a rate should not be taken into account when calculating lease liability. Such payments are recognised in the profit or loss in the period of the occurrence which renders them payable.

The lease liability on the commencement date shall be calculated on the basis of the current lease payments that are payable by that date and discounted by the marginal interest rates of the lessee.

The Group does not discount lease liabilities by the lease interest rate as the calculation of such rates requires information known only to the lessor (the non-guaranteed residual value of the leased asset as well as the direct costs incurred by the lessor).

Determining the lessee's marginal interest rate

Marginal interest rates were specified as the sum of:

a) the risk free rate, based on the Interest Rate Swap (IRS) in accordance with the maturity of the discount rate, and the relevant basic rate for the given currency, as well as

b) the Group's credit risk premium based on the credit margin calculated inclusive of the credit risk segmentation of all companies which have entered into lease agreements.

Subsequent measurement

After the commencement date, the lessee measures the right of use asset applying the cost model.

In applying the cost model, the lessee shall measure the cost of the right of use asset:

a) less any accumulated depreciation and accumulated impairment losses; and

b) adjusted in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

After the date of commencement the lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability,

b) decreasing the carrying amount to reflect the leasing payments made, and

c) remeasuring of the carrying amount to reflect any reassessment or lease modifications or to revise in-substance fixed lease payments.

The Group shall remeasure the lease liability in cases where there is a change in future lease payments as a result of a change in the index or rate used to determine lease payments (e.g. a change in payment associated with the right of perpetual use), in cases where there is a change in the amount expected by the Group to be payable under the residual amount guarantee, or if the Group reassesses the likelihood of the exercise of the call option, or the extension or termination of the lease.

Updated of the lease liability also adjusts the value of the right of use asset. In a situation where the carrying amount of the right of use asset has been reduced to zero, further reductions in the measurement of the lease liability shall be recognised by the Group as profit or loss.

<u>Depreciation</u>

The right of use asset is depreciated linearly over the shorter of the following two periods: the period of lease or the useful life of the underlying asset. However in cases where the Group can be reasonably sure that it will regain ownership of the asset prior to the end of the lease term, right of use shall be depreciated from the day of commencement of the lease until the end of the useful life of the asset.

<u>Impairment</u>

The Group applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

Simplifications and practical solutions in the application of IFRS 16

<u>Short-term lease</u>

The Group applies a practical solution to short-term lease contracts, which are characterised by maximum possible contract term to 12 months, including any options to extend.

Simplifications regarding these contracts involve the settlement of lease payments as costs:

- on a straight-line basis, for the duration of the lease agreement, or
- another systematic method, if it better reflects the way of spreading the benefits gained by the user in time.

<u>Leases of low-value assets</u>

The Group does not apply the rules concerning recognition, measurement and presentation outlined in IFRS 16 to lease agreements of low-value assets. Low-value assets are considered to be those which have a value when new not higher than PLN 43 thousand translated at the exchange rate of the first day of application, i.e. 1 January 2019 (representing EUR 10 thousand) or the equivalent value in another currency as per the average closing rate of exchange of the National Bank of Poland at the moment of initial recognition of a contract.

Simplifications in respect of such contracts are due to the settlement of costs on a straight-line basis for the term of the lease contract.

An asset covered by a lease must not be counted as a low-value asset if the asset would typically not be of low value when new. As low-value items, the Group includes for example: coffee machines, printers and small items of furniture.

The underlying asset may have a low-value only if:

a) the lessee may benefit from use of the underlying asset itself or with other resources which are readily available to him, and

b) the underlying asset is not highly dependent on or related to other assets.

- IFRIC 23 Uncertainty over Income Tax Treatments

  The interpretation explains how to apply the recognition and measurement requirements in IAS 12, income taxes, if there is uncertainty about how to account for income tax.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation

  The changes allow the entities to value individual financial assets from the so-called the right to early repayment with negative compensation at amortized cost or at fair value through other comprehensive income, if a specified condition is met - instead of at fair value through profit or loss.

The Group has not decided to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

2.6 New standards and interpretations which have been published but are not yet binding

The following standards and interpretations have been published by the International Accounting Standards Board but are not yet binding:

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these interim condensed financial statements - effective for financial years beginning on or after 1 January 2022.

3. Professional judgement

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made the following judgements that have the greatest impact on the reported carrying amounts of assets and liabilities.

Amortization periods of intangible assets

Amortization period of the isolated intangible asset in the form of the licence for conducting brokerage activities on the Turkish market is assessed based on the expected economic useful life of this asset. The amortization period was determined according to the expected useful life of the asset on the Turkish market no shorter than 10 years. Should the circumstances leading to a change in the expected useful life change, the amortization rates also would change, which will have an impact on the value of amortization charges and the net book value of intangible assets.

Disposal of subsidiaries or termination of their activities

The Group makes significant judgements in the scope of classification of investment in X Trade Brokers Menkul Degerler A.Ş. as capable of conducting operations or immediate reviving its operations. The assessment is based on the maintained operational and IT infrastructure as at 31 March 2019 as well as the identified indications of providing favourable reduced regulations for the investment companies by the Turkish regulator described in note 1.2.

Revenue recognition

Transaction price is determined at fair value. Variable remuneration, liabilities due to reimbursements and other in the case of the Group do not occur.

4. Adopted accounting principles

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with the accounting policies applied in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2018, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2019.

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result of operations in financial instruments

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Financial instruments (CFD)		
Index CFDs	35 363	65 534
Commodity CFDs	2 680	11 346
Stock CFDs	627	956
Currency CFDs	433	33 278
Bond CFDs	329	149
Total CFDs	39 432	111 263
Options		
Currency options	–	2 193
Index options	–	454
Commodity options	–	55
Total options	–	2 702
Stocks	178	8
Gross gain on transactions in financial instruments	39 610	113 973
Bonuses and discounts paid to clients	(71)	(932)
Commission paid to cooperating brokers	(286)	(490)
Net gain on transactions in financial instruments	39 253	112 551

Bonuses paid to clients are strictly related to trading in financial instruments by the customer with Group. Until 1 August 2018, i.e. until the date of temporary restriction on contracts for differences in the European Union retail clients received discounts and bonuses under bonus campaigns where the condition for awarding a bonus is the generation of a top-down determined trade volume in financial instruments in a specified period.

The Group concludes cooperation agreements with introducing brokers who receive commissions which depend on the trade generated under the cooperation agreements. The income generated and the costs incurred between the Group and particular brokers relate to the trade between the broker and clients that are not his clients.

6.2 Income from fees and charges

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Fees and charges from institutional clients	1 210	900
Fees and charges from retail clients	421	275
Total income from fees and charges	1 631	1 175

6.3 Geographical areas

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Central and Eastern Europe	24 997	53 792
- including Poland	*22 319*	*30 344*
Western Europe	12 926	54 138
- including Spain	*6 964*	*20 459*
Latin America	2 967	5 807
Total operating income	40 890	113 737

The countries from which the Group consistently derives 15% or more of its revenues are: Poland and Spain. The share of other countries in the structure of the Group's revenue by geographical area does not in any case exceed 15%. Due to the overall share in the Group's revenue, Poland and Spain were set apart for presentation purposes within the geographical area.

The Group breaks its revenue down into geographical area by country in which a given customer was acquired.

7. Salaries and employee benefits

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Salaries	(16 017)	(15 637)
Social insurance and other benefits	(2 991)	(2 819)
Employee benefits	(729)	(996)
Total salaries and employee benefits	(19 737)	(19 452)

8. Marketing expense

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Marketing online	(7 709)	(6 078)
Marketing offline	(1 466)	(1 615)
Advertising campaigns	–	(99)
Competitions for clients	(3)	(7)
Total marketing expense	(9 178)	(7 799)

Marketing activities carried out by the Group are mainly focused on Internet marketing, which is also supported by other marketing activities.

9. Other external services

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Support database systems	(1 809)	(1 444)
Market data delivery	(1 420)	(1 165)
Legal and advisory services	(791)	(1 315)
Internet and telecommunications	(577)	(630)
Accounting and audit services	(509)	(444)
IT support services	(307)	(949)
Recruitment	(70)	(104)
Postal and courier services	(46)	(33)
Other external services	(286)	(754)
Total other external services	(5 815)	(6 838)

10. Commission expenses

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Bank commissions	(1 132)	(1 185)
Stock exchange fees and charges	(808)	(1 050)
Commissions of foreign brokers	(92)	(100)
Total commission expenses	(2 032)	(2 335)

11. Finance income and costs

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Interest income		
Interest on own cash	1 446	1 576
Interest on clients' cash	162	130
Total interest income	1 608	1 706
Foreign exchange gains	–	2 550
Other finance income	9	2
Total finance income	1 617	4 258

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Interest expense		
Interest paid to clients	(24)	(51)
Interest paid under lease agreements	(122)	–
Other interest	(24)	(16)
Total interest expense	(170)	(67)
Foreign exchange losses	(167)	(3 088)
Other finance costs	(1)	(54)
Total finance costs	(338)	(3 209)

Foreign exchange differences relate to unrealised differences on the measurement of balance sheet items denominated in a currency other than the functional currency.

12. Segment information

For management reporting purposes, the Group's operations are divided into the following two business segments:

1. Retail operations, which include the provision of trading in financial instruments for individual clients.
2. Institutional activity, which includes the provision of trading in financial instruments and offering trade infrastructure to entities (institutions), which in turn provide services of trading in financial instruments for their own clients under their own brand.

These segments do not aggregate other lower-level segments. The management monitors the results of the operating segments separately, in order to decide on the implementation of strategies, allocation of resources and performance assessment. Operations in segment are assessed on the basis of segment profitability and its impact on the overall profitability reported in the financial statements.

Transfer prices between operating segments are based on market prices, according to the principles similar to those applied in settlements with unrelated parties.

The Group concludes transactions only with external clients. Transactions between operating segments are not concluded.

Valuation of assets and liabilities, incomes and expenses of segments is based on the accounting policies applied by the Company.

The Group does not allocate financial activity and corporate income tax burden on business segments.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	37 178	2 075	39 253	39 253
CFDs				
Index CFDs	30 933	4 430	35 363	35 363
Commodity CFDs	2 520	160	2 680	2 680
Stock CFDs	648	(21)	627	627
Currency CFDs	3 056	(2 623)	433	433
Bond CFDs	199	130	329	329
Shares and listed derivative instruments	178	–	178	178
Bonuses and discounts paid to clients	(70)	(1)	(71)	(71)
Commissions paid to cooperating brokers	(286)	–	(286)	(286)
Fee and commission income	421	1 210	1 631	1 631
Other income	6	–	6	6
Total operating income	37 605	3 285	40 890	40 890
Salaries and employee benefits	(19 232)	(505)	(19 737)	(19 737)
Marketing expense	(9 089)	(89)	(9 178)	(9 178)
Other external services	(5 430)	(385)	(5 815)	(5 815)
Cost of maintenance and lease of buildings	(734)	(8)	(742)	(742)
Amortization and depreciation	(1 762)	(26)	(1 788)	(1 788)
Taxes and fees	(704)	(4)	(708)	(708)
Commission expense	(2 012)	(20)	(2 032)	(2 032)
Other expenses	(995)	(103)	(1 098)	(1 098)
Total operating expenses	(39 958)	(1 140)	(41 098)	(41 098)
Operating profit (loss)	(2 353)	2 145	(208)	(208)
Finance income	–	–	–	1 617
Finance costs	–	–	–	(338)
Profit before tax	–	–	–	1 071
Income tax	–	–	–	(308)
Net profit	–	–	–	763

ASSETS AND LIABILITIES AS AT 31.03.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	374 478	42 221	416 699	416 699
Financial assets at fair value through P&L	99 185	8 696	107 881	107 881
Other assets	497 489	545	498 034	498 034
Total assets	971 152	51 462	1 022 614	1 022 614
Amounts due to clients	452 554	48 134	500 688	500 688
Financial liabilities held for trading	12 857	3 081	15 938	15 938
Other liabilities	50 488	–	50 488	50 488
Total liabilities	515 899	51 215	567 114	567 114

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	102 624	9 927	112 551	112 551
CFDs				
Index CFDs	57 672	7 862	65 534	65 534
Currency CFDs	32 152	1 126	33 278	33 278
Commodity CFDs	10 302	1 044	11 346	11 346
Stock CFDs	612	344	956	956
Bond CFDs	188	(39)	149	149
Options				
Currency options	2 193	–	2 193	2 193
Index options	454	–	454	454
Commodity options	55	–	55	55
Shares and listed derivative instruments	8	–	8	8
Bonuses and discounts paid to clients	(522)	(410)	(932)	(932)
Commissions paid to cooperating brokers	(490)	–	(490)	(490)
Fee and commission income	275	900	1 175	1 175
Other income	11	–	11	11
Total operating income	102 910	10 827	113 737	113 737
Salaries and employee benefits	(18 809)	(643)	(19 452)	(19 452)
Marketing expense	(7 205)	(594)	(7 799)	(7 799)
Other external services	(6 629)	(209)	(6 838)	(6 838)
Cost of maintenance and lease of buildings	(1 887)	(52)	(1 939)	(1 939)
Amortization and depreciation	(1 468)	(11)	(1 479)	(1 479)
Taxes and fees	(363)	(4)	(367)	(367)
Commission expense	(2 316)	(19)	(2 335)	(2 335)
Other expenses	(568)	(266)	(834)	(834)
Total operating expenses	(39 245)	(1 798)	(41 043)	(41 043)
Operating profit	63 665	9 029	72 694	72 694
Finance income	–	–	–	4 258
Finance costs	–	–	–	(3 209)
Profit before tax	–	–	–	73 743
Income tax	–	–	–	(14 256)
Net profit	–	–	–	59 487

ASSETS AND LIABILITIES AS AT 31.12.2018 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	321 955	41 953	363 908	363 908
Financial assets at fair value through P&L	107 817	6 462	114 279	114 279
Other assets	491 507	380	491 887	491 887
Total assets	921 279	48 795	970 074	970 074
Amounts due to clients	401 811	46 030	447 841	447 841
Financial liabilities held for trading	25 657	2 570	28 227	28 227
Other liabilities	38 850	–	38 850	38 850
Total liabilities	466 318	48 600	514 918	514 918

ASSETS AND LIABILITIES AS AT 31.03.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	286 305	40 067	326 372	326 372
Financial assets at fair value through P&L	108 673	5 832	114 505	114 505
Other assets	478 612	359	478 971	478 971
Total assets	873 590	46 258	919 848	919 848
Amounts due to clients	359 518	43 104	402 622	402 622
Financial liabilities held for trading	16 895	2 762	19 657	19 657
Other liabilities	39 228	4	39 232	39 232
Total liabilities	415 641	45 870	461 511	461 511

13. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (UNAUDITED)	31.03.2018 (UNAUDITED)
In hand	–	1	1
In current bank accounts	874 289	831 508	778 131
Short-term bank deposits	–	386	281
Cash and cash equivalents in total	874 289	831 895	778 413

Own cash and restricted cash – clients' cash:

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (UNAUDITED)	31.03.2018 (UNAUDITED)
Clients' cash and cash equivalents	416 699	363 908	326 372
Own cash and cash equivalents	457 590	467 987	452 041
Cash and cash equivalents in total	874 289	831 895	778 413

Clients' cash and cash equivalents include the value of clients' open transactions.

14. Financial assets at fair value through P&L

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Index CFDs	57 543	62 461	44 313
Commodity CFDs	18 870	16 916	18 316
Currency CFDs	18 666	20 598	23 670
Stock CFDs	7 530	8 599	7 928
Bond CFDs	386	298	186
Stocks	4 886	5 407	20 230
Total financial assets at fair value through P&L	107 881	114 279	114 643

Detailed information on the estimated fair value of the instrument is presented in note 33.1.1.

15. Financial assets at amortised cost

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Gross amounts due from clients	3 390	3 045	2 732
Impairment write-downs of receivables	(3 196)	(2 844)	(2 475)
Total amounts due from clients	194	201	257
Trade receivables	2 528	3 034	2 544
Deposits	1 751	1 739	1 827
Statutory receivables	1 463	811	1 712
Impairment write-downs of receivables	(763)	(780)	(511)
Total financial assets at amortised cost	5 173	5 005	5 829

Movements in impairment write-downs of receivables

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(3 624)	(3 022)	(3 022)
Write-downs recorded	(491)	(738)	(156)
Write-downs reversed	174	101	120
Write-downs utilized	(18)	35	72
Impairment write-downs of receivables – at the end of the reporting period	(3 959)	(3 624)	(2 986)

Write-downs of receivables in 2019 and 2018 resulted from the debit balances which arose in clients' accounts in those periods.

16. Intangible assets

Intangible assets in the period from 1 January 2019 to 31 March 2019 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1January 2019	5 568	10 792	4 814	–	21 174
Additions	35	–	–	–	35
Sale and scrapping	–	–	–	–	–
Net foreign exchange differences	(8)	–	–	–	(8)
Gross value as at 31 March 2019	5 595	10 792	4 814	–	21 201
Accumulated amortization as at 1 January 2019	(5 061)	(10 792)	(4 605)	–	(20 458)
Amortization for the current period	(66)	–	(6)	–	(72)
Sale and scrapping	–	–	–	–	–
Net foreign exchange differences	8	–	–	–	8
Accumulated amortization as at 31 March 2019	(5 119)	(10 792)	(4 611)	–	(20 522)
Net book value as at 1 January 2019	507	–	209	–	716
Net book value as at 31 March 2019	476	–	203	–	679

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2 and client base purchased by XTB International. Client base was purchased on 18 April 2017 from company in Chile for the amount of USD 540 thousand.

Intangible assets in the period from 1 January 2018 to 31 December 2018 (audited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2018	5 541	10 792	4 814	–	21 147
Additions	41	–	–	–	41
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	(12)	–	–	–	(12)
Gross value as at 31 December 2018	5 568	10 792	4 814	–	21 174
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(374)	(1 297)	(563)	–	(2 234)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	6	–	–	–	6
Accumulated amortization as at 31 December 2018	(5 061)	(10 792)	(4 605)	–	(20 458)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 31 December 2018	507	–	209	–	716

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2 and client base purchased by XTB International. Client base was purchased on 18 April 2017 from company in Chile for the amount of USD 540 thousand.

Intangible assets in the period from 1 January 2018 to 31 March 2018 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2018	5 541	10 792	4 814	–	21 147
Additions	–	–	–	–	–
Sale and scrapping	–	–	–	–	–
Net foreign exchange differences	3	–	–	–	3
Gross value as at 31 March 2018	5 544	10 792	4 814	–	21 150
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(112)	(482)	(544)	–	(1 138)
Sale and scrapping	–	–	–	–	–
Net foreign exchange differences	(5)	–	–	–	(5)
Accumulated amortization as at 31 March 2018	(4 812)	(9 977)	(4 586)	–	(19 375)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 31 March 2018	732	815	228	–	1 775

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2 and client base purchased by XTB International. Client base was purchased on 18 April 2017 from company in Chile for the amount of USD 540 thousand.

17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2019 to 31 March 2019 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
			OFFICES	VEHICLES			
Gross value as at 1 January 2019	10 140	6 200	–	–	19	–	16 359
Additions	928	3	–	–	53	–	984
Leases	–	–	15 091	269	–	–	15 360
Sale and scrapping	(259)	–	–	–	–	–	(259)
Net foreign exchange differences	(3)	11	–	–	–	–	8
Gross value as at 31 March 2019	10 806	6 214	15 091	269	72	–	32 452
Accumulated amortization as at 1 January 2019	(8 738)	(5 104)	–	–	–	–	(13 842)
Amortization for the current period	(440)	(70)	(1 180)	(26)	–	–	(1 716)
Sale and scrapping	259	4	–	–	–	–	263
Net foreign exchange differences	5	(11)	–	–	–	–	(6)
Accumulated amortization as at 31 March 2019	(8 914)	(5 181)	(1 180)	(26)	–	–	(15 301)
Net book value as at 1 January 2019	1 402	1 096	–	–	19	–	2 517
Net book value as at 31 March 2019	1 892	1 033	13 911	243	72	–	17 151

Property, plant and equipment in the period from 1 January 2018 to 31 December 2018 (audited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2018	9 131	6 100	100	–	15 331
Additions	1 109	203	(81)	–	1 231
Sale and scrapping	(53)	(172)	–	–	(225)
Net foreign exchange differences	(47)	69	–	–	22
Gross value as at 31 December 2018	10 140	6 200	19	–	16 359
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(1 326)	(371)	–	–	(1 697)
Sale and scrapping	37	146	–	–	183
Net foreign exchange differences	28	(59)	–	–	(31)
Accumulated amortization as at 31 December 2018	(8 738)	(5 104)	–	–	(13 842)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 31 December 2018	1 402	1 096	19	–	2 517

Property, plant and equipment in the period from 1 January 2018 to 31 March 2018 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2018	9 131	6 100	100	–	15 331
Additions	75	69	(76)	–	68
Sale and scrapping	(3)	–	–	–	(3)
Net foreign exchange differences	(9)	33	–	–	24
Gross value as at 31 March 2018	9 194	6 202	24	–	15 420
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(233)	(108)	–	–	(341)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	3	(27)	–	–	(24)
Accumulated amortization as at 31 March 2018	(7 705)	(4 955)	–	–	(12 660)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 31 March 2018	1 489	1 247	24	–	2 760

Non-current assets by geographical area

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	10 005	2 271	3 582
- including Poland	*8 402*	*1 980*	*3 282*
Western Europe	7 001	612	517
- including Spain	*831*	*139*	*135*
Latin America and Turkey	824	350	436
Total non-current assets	17 830	3 233	4 535

18. Amounts due to clients

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Amounts due to retail clients	452 554	401 811	359 518
Amounts due to institutional clients	48 134	46 030	43 104
Total amounts due to clients	500 688	447 841	402 622

Amounts due to clients are connected with transactions concluded by the clients (including cash deposited in the clients' accounts).

19. Financial liabilities held for trading

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Index CFDs	8 714	17 800	8 924
Currency CFDs	2 857	4 148	4 292
Stock CFDs	2 418	2 475	2 968
Commodity CFDs	1 925	3 779	3 448
Bond CFDs	24	25	25
Total financial liabilities held for trading	15 938	28 227	19 657

20. Liabilities due to lease

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Short-term	4 839	37	86
Long-term	9 686	–	15
Total liabilities due to lease	14 525	37	101

Liabilities due to lease do not include short-term leasing contracts and lease of low-value assets. In the period from 1 January to 31 March 2019 the cost related to short-term leasing included in the interim condensed consolidated statement of comprehensive income amounted to PLN 32 thousand, the cost related to lease of low-value assets included in the interim condensed consolidated statement of comprehensive income amounted to PLN 7 thousand.

21. Other liabilities

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Trade liabilities	6 566	7 675	8 440
Provisions for other employee benefits	6 459	12 157	8 157
Statutory liabilities	4 454	3 247	4 794
Liabilities due to brokers	2 212	118	229
Liabilities due to employees	581	441	628
Amounts due to the Central Securities Depository of Poland	114	106	84
Total other liabilities	20 386	23 744	22 332

Liabilities under employee benefits include estimates, as at the balance sheet date, of bonuses for the reporting period, including from the Program of variable remuneration elements, as well as the provision for unused holiday leave, established in the amount of projected benefits, which the Group is obligated to pay in the event of payment of holiday equivalents.

Besides leasing liabilities, there are no other long-term liabilities.

Program of variable remuneration elements

Pursuant to the Variable Remuneration Elements policy applied by the Parent Company, the employees of the Parent Company in the top management positions receive variable remuneration paid in cash and in financial instruments.

The value of provisions for employee benefits includes variable remuneration granted in cash and based on financial instruments, deferred for payment in three consecutive years.

As at 31 March 2019, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 1 821 thousand (31 December 2018: PLN 1 805 thousand, 31 March 2018: PLN 603 thousand).

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Provisions for retirement benefits	1 134	1 055	933
Provisions for legal risk	1 368	925	826
Total provisions	2 502	1 980	1 759

Provisions for retirement benefits are established on the basis of an actuarial valuation carried out in accordance with the applicable regulations and agreements connected with obligatory retirement benefits to be covered by the employer.

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Group is a party. As at the date of preparation of these financial statements, the Company is not able to specify when the above liabilities will be repaid. The information on the significant court proceedings, arbitration authority or public administration authority was described in point 5.5 of the Additional information to the quarterly report. To the best of our knowledge and belief, the procedures described therein and the future resolution of these proceedings in the context of a possible impact on other clients of the Group do not have a material impact on these interim condensed consolidated financial statements.

Movements in provisions in the period from 1 January 2019 to 31 March 2019 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2019	INCREASES	DECREASES		VALUE AS AT 31.03.2019
			USE	REVERSAL	
Provisions for retirement benefits	1 055	79	–	–	1 134
Provisions for legal risk	925	443	–	–	1 368
Total provisions	1 980	522	–	–	2 502

Movements in provisions in the period from 1 January 2018 to 31 December 2018 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2018	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 31.12.2018
Provisions for retirement benefits	846	209	–	–	1 055
Provisions for legal risk	820	792	250	437	925
Total provisions	1 666	1 001	250	437	1 980

Movements in provisions in the period from 1 January 2018 to 31 March 2018 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2018	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 31.03.2018
Provisions for retirement benefits	846	87	–	–	933
Provisions for legal risk	820	6	–	–	826
Total provisions	1 666	93	–	–	1 759

22.2 Contingent liabilities

The Group is party to a number of court proceedings associated with the Group's operations. The proceedings in which the Group acts as defendant relate mainly to employees' and clients' claims. As at 31 March 2019 the total value of claims brought against the Group amounted to approx. PLN 1 452 thousand (as at 31 December 2018: PLN 954 thousand, as at 31 March 2018: PLN 7,12 million). Company has not created provisions for the above proceedings. In the assessment of the Group there is low probability of loss in these proceedings.

On May 9, 2014, the Parent Company issued a guarantee in the amount of PLN 58 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Parent Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 813 thousand.

On the 30 June 2016 the Parent Company concluded the agreement with K3 System Sp. z o.o. for lease of computer hardware which is secured with a bill of exchange with the bill declaration for the maximum amount of PLN 200 thousand. The lease agreement ends in 2019.

On 7 July 2017 the Parent Company issued a guarantee in the amount of PLN 5 496 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension.

23. Equity

Share capital structure as at 31 March 2019, 31 December 2018 and 31 March 2018

SERIES/ISSUE	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN)	NOMINAL VALUE OF ISSUE (IN PLN'000)
Series A	117 383 635	0,05	5 869

All shares in the Company have the same nominal value, are fully paid for, and carry the same voting and profit-sharing rights. No preference is attached to any share series. The shares are A-series ordinary registered shares.

Shareholding structure of the Parent Company

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 31 March 2019 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100,00%

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 31 December 2018 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100,00%

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 31 March 2018 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	6 243 759	312	5,32%
Other shareholders	10 229 875	511	8,71%
Total	117 383 635	5 869	100,00%

Other capitals

Other capitals consist of:

- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital in the amount of PLN 334 898 thousand, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN (21 898) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	396	419	374
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	381	379	269
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	282	280	290
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	69	67	(25)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	22	21	(6)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	13	13	(3)
XTB Services Limited	9	9	–
X-Trade Brokers Dom Maklerski Spółka Akcyjna	5	(12)	59
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(2)	(3)	(82)
XTB International	(7)	(88)	(362)
XTB Africa	(12)	(21)	–
XTB Limited CY	(22)	(24)	(120)
XTB Chile SpA	(40)	(82)	(26)
XTB Limited UK	(337)	(785)	(765)
X Trade Brokers Menkul Değerler A.Ş.	(22 655)	(21 652)	(17 001)
Total foreign exchange differences on translation	(21 898)	(21 479)	(17 398)

24. Profit distribution and dividend

On 26 October 2018 the Management Board of the Mother Company adopted conditional resolution regarding the advance payment of dividend to Parent Company's shareholders for 2018 financial year. On 18 December 2018 after meeting the statutory conditions the Parent Company made the advance payment of dividend in the amount of PLN 41 084 thousand, i.e. PLN 0,35 per share. The advance payment of dividend concerned all shares of the Parent Company.

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2017 in the amount of PLN 87 396 thousand was transferred to reserve capital in full and the loss from previous years in the amount of PLN 490 thousand was covered with reserve capital.

25. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. When calculating both basic and diluted earnings per share, the Group uses the amount of net profit attributable to shareholders of the Parent Company as the numerator, i.e., there is no dilutive effect influencing the amount of profit (loss). The calculation of basic and diluted earnings per share, together with a reconciliation of the weighted average diluted number of shares is presented below.

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Parent Company	763	59 487
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	–
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,01	0,51
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,01	0,51

26. Current income tax and deferred income tax

26.1 Current income tax

Income tax disclosed in the current period's profit and loss

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(410)	(12 359)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	102	(1 897)
Income tax disclosed in profit and loss	(308)	(14 256)

Reconciliation of the actual tax burden

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)
Profit before tax	1 071	73 743
Income tax based in the applicable tax rate of 19%	(203)	(14 011)
Difference resulting from application of tax rates applicable in other countries	11	49
Non-taxable revenue	69	6
Non-deductible expenses	(101)	(135)
Tax loss for the reporting period not disclosed in the deferred tax	10	9
Writing off tax losses activated in previous years	(103)	–
Other items affecting the tax burden amount	9	(174)
Income tax disclosed in profit or loss	(308)	(14 256)

26.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 31 March 2019 (unaudited)

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.03.2019
Deferred income tax assets:			
Property, plant and equipment	83	7	90
Financial assets at amortised cost	5 001	(2 235)	2 766
Provisions for liabilities	506	(33)	473
Prepayments and deferred costs	1 412	(371)	1 041
Other liabilities	20	–	20
Tax losses of previous periods to be settled in future periods	9 271	1 691	10 962
Total deferred income tax assets	16 293	(941)	15 352

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.03.2019
Deferred income tax provision:			
Cash and cash equivalents	–	1	1
Financial assets at fair value through P&L	19 235	(1 033)	18 202
Other liabilities	–	147	147
Financial assets at amortised cost	142	(142)	–
Prepayments and deferred costs	16	(16)	–
Total deferred income tax provision	19 393	(1 043)	18 350
Deferred tax disclosed in profit or (loss)	–	102	–

(IN PLN'000)	AS AT 01.01.2019	INCLUDED IN EQUITY	AS AT 31.03.2019
Deferred income tax provision included directly in the equity:			
Separate equity of branches	212	(20)	192
Total deferred income tax provision included directly in the equity	212	(20)	192

Change in the balance of deferred tax for the period from 1 January to 31 December 2018 (audited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.12.2018
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	(8)	83
Financial assets at amortised cost	45	(45)	–
Financial liabilities held for trading	6 670	(1 669)	5 001
Provisions for liabilities	245	261	506
Prepayments and deferred costs	1 436	(24)	1 412
Other liabilities	19	1	20
Tax losses of previous periods to be settled in future periods	10 145	(874)	9 271
Total deferred income tax assets	18 652	(2 359)	16 293

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.12.2018
Deferred income tax assets included directly in the equity:			
Separate equity of branches	14	(14)	–
Total deferred income tax assets included directly in the equity	14	(14)	–

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.12.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	1 127	19 235
Other liabilities	8	(8)	–
Financial assets at amortised cost	–	142	142
Prepayments and deferred costs	16	–	16
Property, plant and equipment	247	(247)	–
Total deferred income tax provision	18 379	1 014	19 393
Deferred tax disclosed in profit or (loss)	–	(3 373)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.12.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	212	212
Total deferred income tax provision included directly in the equity	–	212	212

Change in the balance of deferred tax for the period from 1 January to 31 March 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.03.2018
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	–	91
Financial assets at amortised cost	45	(45)	–
Financial liabilities held for trading	6 670	(3 681)	2 989
Provisions for liabilities	245	(197)	48
Prepayments and deferred costs	1 436	(60)	1 376
Other liabilities	19	(4)	15
Tax losses of previous periods to be settled in future periods	10 145	26	10 171
Total deferred income tax assets	18 652	(3 962)	14 690

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.03.2018
Deferred income tax assets included directly in the equity:			
Separate equity of branches	14	(14)	–
Total deferred income tax assets included directly in the equity	14	(14)	–

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.03.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	(1 988)	16 120
Other liabilities	8	7	15
Financial assets at amortised cost	–		
Prepayments and deferred costs	16	7	23
Property, plant and equipment	247	(91)	156
Total deferred income tax provision	18 379	(2 065)	16 314
Deferred tax disclosed in profit or (loss)	–	(1 897)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.03.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	52	52
Total deferred income tax provision included directly in the equity	–	52	52

Geographical division of deferred income tax assets

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Central and Eastern Europe	77	98	53
- including Poland	–	–	–
Western Europe	9 200	9 289	10 196
- including Spain	–	–	–
Latin America and Turkey	168	158	248
Total deferred income tax assets	9 445	9 545	10 497

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 March 2019 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	5 759	18 394	–	12 635
Czech Republic	39	–	39	–
Slovakia	38	1	37	–
Germany	2 779	–	2 779	–
France	4 570	–	4 570	–
Great Britain	1 852	–	1 852	–
Turkey	42	–	42	–
Chile	273	147	126	–
Total	15 352	18 542	9 445	12 635

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2018 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	6 607	19 464	–	12 857
Czech Republic	52	–	52	–
Slovakia	46	–	46	–
Germany	2 808	–	2 808	–
France	4 591	–	4 591	–
Great Britain	1 890	–	1 890	–
Turkey	39	–	39	–
Chile	260	141	119	–
Total	16 293	19 605	9 545	12 857

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 March 2018 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	4 178	16 351	–	12 173
Czech Republic	35	15	20	–
Slovakia	33	–	33	–
Germany	2 811	–	2 811	–
France	5 405	–	5 405	–
Great Britain	1 980	–	1 980	–
Turkey	24	–	24	–
Chile	224	–	224	–
Total	14 690	16 366	10 497	12 173

27. Related party transactions

27.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 31 December 2018 it holds 66,99% of shares and votes in the General Meeting as per Company's best knowledge. XXZW Investment Group S.A. prepares consolidated financial statements.

Mr. Jakub Zabłocki is the majority stakeholder of the Company and XXZW Investment Group S.A.

27.2 Figures concerning related party transactions

As at 31 March 2019 the Group has liabilities to Mr Jakub Zabłocki in the amount of PLN 0,7 thousand due to his investment account (as at 31 December 2018: PLN 0,4 thousand, as at 31 March 2018: PLN 38 thousand). In the period from 1 January to 31 March 2019 the Group did not note profit or loss resulting from transactions with Mr Jakub Zabłocki. Moreover Mr. Jakub Zabłocki is employed on the basis of an employment contract in subsidiary in Great Britain. In the period from 1 January to 31 March 2019 the paid gross salary and bonuses amounted to PLN 746 thousand and in the analogical period of 2018 amounted to PLN 780 thousand.

27.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Benefits to Management Board members	(474)	(506)
Benefits to Supervisory Board members	(64)	(30)
Total benefits to the Management Board and Supervisory Board	(538)	(536)

These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

Members of the Management Board of the Parent Company are included in the scheme of variable remuneration elements specified in note 21 of the interim condensed consolidated financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 420 thousand.

27.4 Loans granted to the Management and Supervisory Board Members

As at 31 March 2019, 31 December 2018 and 31 March 2018 there are no loans granted to the Management and Supervisory Board members.

28. Supplementary information and explanations to the cash flow statement

28.1 Change in the balance of other liabilities

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Change in other liabilities	(3 358)	547
Rent free period settlement	363	–
Change in the balance of other liabilities	(2 995)	547

28.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(419)	(1 492)
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(2)	3
Change in other adjustments	(421)	(1 489)

Foreign exchange differences on translation of movements in tangible and intangible assets include the difference between the rates as at the opening balance and as at the closing balance adopted for valuation of the gross value of tangible and intangible assets in the Group's foreign entities and the difference between the rate applied to value amortization and depreciation cost of fixed assets and intangible assets in the Group's foreign entities and the rate of translation of amortization and depreciation amounts on such assets. This value results from the chart of movements in tangible and intangible assets.

29. Post balance sheet events

On 9 April 2019 the Polish Financial Supervision Authority, in accordance with the Communication of the 14th meeting, agreed unanimously to the appointment of Mr. Andrzej Przybylski as a Member of the Management Board, who will be responsible for supervising the risk management system in XTB.

On 15 April 2019 the Ordinary General Shareholders' Meeting of the Parent Company took a resolution on approval and distribution of the 2018 Parent Company's profit in the amount of PLN 90 898 thousand. It was decided that the amount of PLN 61 039 thousand (PLN 0,52 per share) will be paid as dividends, including the advance payment of dividends paid in December 2018 in the amount of PLN 41 084 thousand (PLN 0,35 per share). The remaining amount of the net profit in the amount of PLN 29 859 thousand will be retained by the Company as reserve capital.

The dividend declaration date was set for 25 April 2019 and the day of payment of the dividend was set for 10 May 2019.

On 18 April 2019 the Supervisory Board of the Company adopted a resolution regarding the appointment the Management Board of the Company for the common three year term of office, i.e. from 30 June 2019 till the end of 30 June 2022.

The following persons were appointed to the Company's Management Board:

– Mr. Omar Arnaout to the position of President of the Management Board,

– Mr. Paweł Szejko to the position of Member of the Management Board,

– Mr. Filip Kaczmarzyk to the position of Member of the Management Board,

– Mr. Jakub Kubacki to the position of Member of the Management Board,

– Mr. Andrzej Przybylski to the position of Member of the Management Board.

30. Off-balance sheet items

30.1 Nominal value of financial instruments

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Currency CFDs	1 597 043	1 132 137	1 238 457
Index CFDs	1 528 193	1 190 515	1 506 456
Commodity CFDs	364 878	276 772	519 596
Stock CFDs	102 187	65 232	107 611
Bond CFDs	14 219	15 814	23 212
Stock	4 778	5 292	20 224
Total financial instruments	3 611 298	2 685 762	3 415 556

The nominal value of instruments presented in the chart above includes transactions with clients and brokers. As at 31 March 2019 transactions with brokers represent 8% of the total nominal value of instruments (as at 31 December 2018: 2% of the total nominal value of instruments, as at 31 March 2018: 2% of the total nominal value of instruments).

30.2 Clients' financial instruments

Presented below is a list of clients' instruments deposited in the accounts of the brokerage house:

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Listed stocks and rights to stocks registered in clients' securities accounts	62 141	36 872	1 579
Other securities registered in clients' securities accounts	207	207	311
Total clients' financial instruments	62 348	37 079	1 890

30.3 Transaction limits

Unused transaction limits granted:

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Institutional clients	6 906	6 665	1 966
Other	2	2	3
Total unused transaction limits granted	6 908	6 667	1 969

31. Items regarding the compensation scheme

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	3 987	3 285	3 285
- increases	*172*	*702*	*177*
b) closing balance	4 159	3 987	3 462
2. XTB's share in the profits from the compensation scheme	269	260	223

32. Capital management

The Group's principles of capital management are established in the "Capital management policy at X–Trade Brokers Dom Maklerski S.A.". The document is approved by the Parent Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the Parent Company's capital strategy. It specifies, in particular, long-term capital objectives, the current and preferred capital structure, contingency plans and basic elements of the internal capital estimation process. The policy is updated as appropriate so as to reflect the development in the Group and its business environment.

The objective of the capital management policy is to ensure balanced long-term growth for the shareholders and to maintain sufficient capital to enable the Group to operate in a prudent and efficient manner. This objective is attained by maintaining an appropriate capital base, taking into account the Group's risk profile and prudential regulations, as well as risk-based capital management in view of the operating goals.

Determination of capital-related goals is essential for equity management and serves as a basic reference in the context of capital planning, allocation and contingency plans. The Group establishes capital-related objectives which ensure a stable capital base, achievement of its capital strategy goals (in accordance with its general principles), and also match the Group's risk appetite. To establish its capital-related goals, the Group takes into consideration its strategic plans and expected growth of operations as well as external conditions, including the macroeconomic situation and other business environment factors. The capital-related goals are set for a horizon similar to that of the business strategy and are approved by the Management Board. Capital planning is focused on an assessment of the Group's current and future capital requirements (both regulatory and internal), and on comparing them with the current and projected levels of available capital. The Group has prepared contingency plans to be launched in the event of a capital liquidity shortage, described in detail in the "Capital management policy at X–Trade Brokers Dom Maklerski S.A." and in the "Recovery Plan" approved by the Polish Financial Supervision Authority.

As part of ICAAP, the Group assesses its internal capital in order to define the overall capital requirement to cover all significant risks in the Group's operations and evaluates its quality. The Group estimates internal capital necessary to cover identified significant risks in compliance with procedures adopted by the Group and taking into account stress test results.

The Parent Company is obligated to maintain the capitals (equity) to cover the higher of the following values:

- capital requirements calculated in accordance with the Regulation (EU) of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and
- internal capital estimated in compliance with the Ordinance of the Minister of Finance of 25 April 2017 on internal capital, risk management system, supervisory assessment program and supervisory examination and evaluation as well as remuneration policy in a brokerage house (Journal of Laws 2017, item 856).

The principles of calculation of own funds are established in the CRR resolution, "The procedure for calculating risk adequacy ratios in X–Trade Brokers Dom Maklerski S.A." and are not regulated by IFRS. The Parent Company calculated equity in accordance with part two of the Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 ("CRR"). At present, the total equity of the Group belongs to the highest category – Tier 1.

Prudential consolidation according to the CRR applies to subsidiaries in excess of the threshold referred to in Article 19 of the CRR. As regards the Group, the Parent Company includes its subsidiary X-Trade Brokers Menkul Değerler A.Ş. in prudential consolidation, from 31 October 2015 includes its subsidiary XTB Limited in Great Britain, from 30 April 2017 includes its subsidiary XTB International and from 31 July 2018 includes its subsidiary XTB Limited in Cyprus.

In accordance with the Act on macroprudential supervision of the financial system and crisis management in the financial system of 5 August 2015, since 1 January 2016 the Group is obliged to maintain capital buffers. In the period covered by the interim condensed consolidated financial statements the Company was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management:

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
The Group's own funds	**376 250**	**378 393**	**318 916**
Tier I Capital	376 250	378 393	318 916
Common Equity Tier I capital	376 250	378 393	318 916
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total Group's risk exposure	**2 196 054**	**1 800 363**	**2 173 939**
Capital conservation buffer	54 902	33 757	40 761
Countercyclical capital buffer	3 998	1 180	1 867
Combined buffer requirement	**58 900**	**34 937**	**42 628**
Total capital ratio	**17,1%**	**21,0%**	**14,7%**
Total capital ratio including buffers	**14,5%**	**19,1%**	**12,7%**

The mandatory capital adequacy was not breached in the periods covered by the interim condensed consolidated financial statements.

The table below presents data on the level of capitals and on the total capital requirement divided into requirements due to specific types of risks calculated in accordance with separate regulations together with average monthly values. Average monthly values were calculated as an estimation of the average values calculated based on statuses at the end of specific days.

In the table below, in order to ensure comparability of the presentation, the total capital requirement was presented as 8% of the total risk exposure, calculated in accordance with the CRR.

(IN PLN'000)	AS AT 31.03.2019 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2018 (AUDITED)	AS AT 31.03.2018 (UNAUDITED)
1. Capital/Own funds	376 250	375 925	378 393	318 916
1.1. Base capital/Common Equity Tier I without deductions	411 774	388 882	411 774	324 868
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(35 524)	(12 957)	(33 381)	(5 952)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–	–	–	–
I. Level of capitals subject to monitoring/Own funds	376 250	375 925	378 393	318 916
1. Market risk	107 350	95 502	78 012	104 121
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	4 276	3 892	3 828	7 887
3. Credit risk	24 129	22 491	22 260	21 734
4. Operating risk	39 929	39 971	39 929	40 172
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	175 684	161 856	144 029	173 914
IIb. Total risk exposure	2 196 054	2 023 206	1 800 363	2 173 939
Capital conservation buffer	54 902	50 580	33 757	40 761
Countercyclical capital buffer	3 998	3 276	1 180	1 867
Combined buffer requirement	58 900	53 856	34 937	42 628

Pursuant to CRR the duty to calculate the capital requirement in respect of fixed costs arises only in the event that the entity does not calculate the capital requirement in respect of operating risk.

33. Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken, as well as to establish appropriate limits to mitigate such risk on a regular basis.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Parent Company has appointed a Risk Management Committee. Its key tasks include performing supervisory, consultative and advisory functions for the Company's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Company's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Company and creating a catalogue of risks, approves policies and procedures of risk and ICAAP management, reviews and approves analyses carried out by owners of specific risks and the Risk Control Department as part of the risk and ICAAP management system within the Company.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of the occurrence of new types of risk, significant changes in strategy and operating plans. The Department also monitors the appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls the market risk of the Company's own investments, defines the overall capital requirement and estimates internal capital. The Risk Control Department reports directly to the Management Board performing joint supervision over the risk management system.

The Parent Company's Supervisory Board approves risk management system.

33.1 Fair value

33.1.1 Carrying amount and fair value

The fair value of cash and cash equivalents is estimated as being close to their carrying amount.

The fair value of loans granted and other receivables, amounts due to clients and other liabilities is estimated as being close to their carrying amount in view of the short-term maturities of these balance sheet items.

33.1.2 Fair value hierarchy

The Group discloses fair value measurement of financial instruments carried at fair value, applying the following fair value hierarchy which reflects the significance of input data used to establish the fair value:

- Level 1: quoted prices (unadjusted) in active markets for the assets or liabilities;
- Level 2: input data other than quoted prices classified in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices). This category includes financial assets and liabilities measured using prices quoted in active markets for identical assets, prices quoted in active markets for identical assets considered less active or other valuation methods where all significant inputs originate directly or indirectly from the markets;
- Level 3: input data for valuation of a given asset or liability is not based on observable market data (unobservable inputs).

(IN PLN'000)	31.03.2019 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	4 778	103 103	–	107 881
Total financial assets	4 778	103 103	–	107 881
Financial liabilities				
Financial liabilities held for trading	–	15 938	–	15 938
Total financial liabilities	–	15 938	–	15 938

(IN PLN'000)	31.12.2018 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	5 293	108 986	–	114 279
Total financial assets	5 293	108 986	–	114 279
Financial liabilities				
Financial liabilities held for trading	–	28 227	–	28 227
Total financial liabilities	–	28 227	–	28 227

(IN PLN'000)	31.03.2018 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	20 230	94 413	–	114 643
Total financial assets	20 230	94 413	–	114 643
Financial liabilities				
Financial liabilities held for trading	–	19 657	–	19 657
Total financial liabilities	–	19 657	–	19 657

In the periods covered by the interim condensed consolidated financial statements, there were no transfers of items between the levels of the fair value hierarchy.

The fair value of contracts for differences (CFDs) is determined based on the market prices of underlying instruments, derived from independent sources, ie. from reliable liquidity suppliers and reputable news, adjusted for the spread specified by the Group. The valuation is performed using closing prices or the last bid and ask prices. CFDs are measured as the difference between the current price and the opening price, taking account of accrued commissions and swap points.

The impact of adjustments due to credit risk of the contractor, estimated by the Group, was insignificant from the point of view of the general estimation of derivative transactions concluded by the Group. Therefore, the Group does not recognise the impact of unobservable input data used for the estimation of derivative transactions as significant and, pursuant to IFRS 13.73, does not classify such transactions as level 3 of the fair value hierarchy.

33.2 Market risk

In the period covered by these interim condensed consolidated financial statements, the Group entered into OTC contracts for differences (CFDs). The Group may also acquire securities and enter into forward contracts on its own account on regulated stock markets.

The following risks are specified, depending on the risk factor:

- Currency risk connected with fluctuations of exchange rates
- Interest rate risk
- Commodity price risk
- Equity investment price risk

The Group's key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Company's practice in this area is consistent with the following principles.

As part of the internal procedures, the Group applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, maximum value of a single instruction. The Trading Department monitors open positions subject to limits on a current basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Department reviews the limit usage on a regular basis, and controls the hedges entered into.

33.2.1 Currency risk

The Group enters into transactions principally in instruments bearing currency risk. Aside from transactions where the FX rate is an underlying instrument, the Group also offers instruments which price is denominated in foreign currencies. Also, the Group has assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations.

The carrying amount of the Group's assets and liabilities in foreign currencies as at the balance sheet date is presented below. The values for all base currencies are expressed in PLN'000:

Assets and liabilities denominated in foreign currencies as at 31 March 2019 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	CARRYING AMOUNT
Assets									
Own cash and cash equivalents	23 640	97 332	5 427	19 032	4 156	2 789	25 647	178 023	457 590
Clients' cash and cash equivalents	39 051	209 705	7 155	36 946	3 580	6 215	9 596	312 248	416 699
Financial assets at fair value through P&L	11 220	48 540	1 079	7 685	1 297	2 911	3 111	75 843	107 881
Income tax receivables	–	7	–	93	–	–	28	128	2 924
Financial assets at amortised cost	610	2 497	45	160	–	184	643	4 139	5 173
Prepayments and deferred costs	148	699	505	178	–	70	234	1 834	5 072
Intangible assets	–	11	–	19	–	–	9	39	679
Property, plant and equipment	–	6 733	523	1 299	–	16	611	9 182	17 151
Deferred income tax assets	–	7 387	1 852	39	–	–	167	9 445	9 445
Total assets	74 669	372 911	16 586	65 451	9 033	12 185	40 046	590 881	1 022 614
Liabilities									
Amounts due to Clients	40 801	248 543	7 613	43 752	4 636	8 908	12 159	366 412	500 688
Financial liabilities held for trading	4 661	6 405	326	1 001	331	256	576	13 556	15 938
Income tax liabilities	–	185	–	–	–	–	254	439	440
Liabilities due to lease	–	13 447	577	15	–	–	441	14 480	14 525
Other liabilities	1 515	6 686	1 155	1 077	25	203	1 041	11 702	20 386
Provisions for liabilities	–	–	–	–	–	–	1 452	1 452	2 502
Deferred income tax provision	–	–	–	–	–	–	–	–	12 635
Total liabilities	46 977	275 266	9 671	45 845	4 992	9 367	15 923	408 041	567 114

Assets and liabilities denominated in foreign currencies as at 31 December 2018 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	33 182	97 246	6 464	18 860	3 320	3 099	25 696	187 867	467 987
Clients' cash and cash equivalents	27 339	191 230	5 873	33 242	3 245	5 195	5 947	272 071	363 908
Financial assets at fair value through P&L	11 840	55 252	1 531	10 295	1 018	2 541	2 608	85 085	114 279
Income tax receivables	–	–	–	60	–	–	213	273	3 068
Financial assets at amortised cost	525	2 846	31	128	7	191	256	3 984	5 005
Prepayments and deferred costs	295	212	363	133	–	73	20	1 096	3 049
Intangible assets	–	11	–	26	–	–	11	48	716
Property, plant and equipment	–	581	63	202	–	20	129	995	2 517
Deferred income tax assets	–	7 445	1 890	52	–	–	158	9 545	9 545
Total assets	73 181	354 823	16 215	62 998	7 590	11 119	35 038	560 964	970 074
Liabilities									
Amounts due to clients	34 143	229 258	6 925	42 293	3 996	7 732	7 766	332 113	447 841
Financial liabilities held for trading	4 769	14 904	445	1 566	198	80	708	22 670	28 227
Income tax liabilities	59	138	–	–	–	–	34	231	232
Liabilities due to lease	–	–	–	37	–	–	–	37	37
Other liabilities	1 246	6 499	2 811	1 305	–	398	1 586	13 845	23 744
Provisions for liabilities	–	–	–	–	–	–	931	931	1 980
Deferred income tax provision	–	–	–	–	–	–	–	–	12 857
Total liabilities	40 217	250 799	10 181	45 201	4 194	8 210	11 025	369 827	514 918

Assets and liabilities denominated in foreign currencies as at 31 March 2018 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	39 150	87 956	5 508	23 949	2 062	1 435	30 263	190 323	452 041
Clients' cash and cash equivalents	22 951	173 187	4 736	33 832	3 147	6 569	5 649	250 071	326 372
Financial assets at fair value through P&L	17 808	55 889	1 298	10 500	1 971	955	1 245	89 666	114 643
Income tax receivables	–	106	–	90	–	–	–	196	318
Financial assets at amortised cost	515	3 063	168	157	10	136	740	4 789	5 829
Prepayments and deferred costs	104	272	200	181	–	22	108	887	5 613
Intangible assets	–	12	–	11	–	–	25	48	1 775
Property, plant and equipment	–	497	39	228	–	29	182	975	2 760
Deferred income tax assets	–	8 234	1 980	35	–	–	248	10 497	10 497
Total assets	80 528	329 216	13 929	68 983	7 190	9 146	38 460	547 452	919 848
Liabilities									
Amounts due to clients	32 817	206 168	5 583	42 826	4 957	6 475	6 368	305 194	402 622
Financial liabilities held for trading	5 468	7 657	341	1 459	204	181	414	15 724	19 657
Income tax liabilities	–	148	–	–	–	–	24	172	2 867
Liabilities due to lease	–	–	–	101	–	–	–	101	101
Other liabilities	1 008	8 725	960	903	–	176	1 321	13 093	22 332
Provisions for liabilities	–	–	–	–	–	428	833	1 261	1 759
Deferred income tax provision	–	–	–	–	–	–	–	–	12 173
Total liabilities	39 293	222 698	6 884	45 289	5 161	7 260	8 960	335 545	461 511

A change in exchange rates, in particular, the PLN exchange rate, affects the balance sheet valuation of the Group's financial instruments and the result on translation of foreign currency balances of other balance sheet items. Sensitivity to exchange rate fluctuations was calculated with the assumption that all foreign currency rates change by ±5% to PLN. The carrying amount of financial instruments was revalued.

The sensitivity of the Group's equity and profit before tax to a 5% increase or decrease of the PLN exchange rate is presented below:

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2019 (UNAUDITED)		31.03.2018 (UNAUDITED)	
	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%
Income (expenses) of the period	14 001	(14 001)	9 546	(9 546)
Equity, of which:	3 427	(3 427)	3 269	(3 269)
Foreign exchange differences on translation	3 427	(3 427)	3 269	(3 269)

The sensitivity of equity is connected with foreign exchange differences in the translation of value in functional currencies of the foreign operations.

33.2.2 Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Group to the adverse impact of exchange rate fluctuations. Such risk may result from the contracts entered into by the Group, where receivables or liabilities are dependent upon exchange rates as well as from holding assets or liabilities dependent on exchange rates.

The basic interest rate risk for the Group is the mismatch of interest rates paid to clients in connection with funds deposited in cash accounts in the Group, and of the bank account and bank deposits where the Group's clients' funds are invested.

In addition, the source of the Group's profit variability associated with the level of market interest rates, are amounts paid and received in connection with the occurrence of the difference in interest rates for different currencies (swap points) as well as potential debt instruments. As a rule, the change in bank interest rates does not significantly affect the Group's financial position, since the Group determines interest rates for funds deposited in clients' cash accounts based on a variable formula, in an amount not higher than the interest rate received by the Group from the bank maintaining the bank account in which clients' funds are deposited.

Interest rates applicable to cash accounts are floating, and related to WIBID/WIBOR/LIBOR/EURIBOR rates. Therefore, the risk of interest rate mismatch adverse to the brokerage house is very low.

Since the Group maintains a low duration of assets and liabilities and minimises the duration gap, sensitivity of the market value of assets and liabilities to calculations of market interest rates is very low. As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Group's operations.

Sensitivity analysis of financial assets and liabilities where cash flows are exposed to interest rate risk

The structure of financial assets and liabilities where cash flows are exposed to interest rate risk is as follows:

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Financial assets			
Cash and cash equivalents	874 289	831 895	778 413
Total financial assets	874 289	831 895	778 413
Financial liabilities			
Amounts due to clients	17 137	36 430	60 386
Other liabilities	14 525	37	282
Total financial liabilities	31 662	36 467	60 668

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in 2018 and 2017, using the average 1M interest rate in a given market.

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2019 (UNAUDITED)		31.03.2018 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	4 305	(4 305)	3 815	(3 815)

Sensitivity analysis of financial assets and liabilities whose fair value is exposed to interest rate risk

In the period covered by these interim condensed consolidated financial statements and in the comparative period, the Group did not hold any financial assets or liabilities whose fair value would be exposed to the risk of changes in interest rates.

33.2.3 Other price risk

Other price risk is exposure of the Group's financial position to unfavourable changes in the prices of commodities, equity investments (equity, indices) and debt instruments (in a scope not resulting from interest rates).

The carrying amount of financial instruments exposed to other price risk is presented below:

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Financial assets at fair value through P&L			
Commodity			
Precious metals	3 216	3 758	1 898
Base metals	285	371	308
Other	14 978	12 562	15 631
Total commodity	18 479	16 691	17 837
Equity instruments			
Stocks	11 961	13 461	27 532
Indicies	57 022	62 244	43 844
Total equity instruments	68 983	75 705	71 376
Debt instruments	385	295	181
Total financial assets at fair value through P&L	87 847	92 691	89 394
Financial liabilities held for trading			
Commodity			
Precious metals	456	1 737	186
Base metals	33	67	45
Other	1 045	1 750	2 738
Total commodity	1 534	3 554	2 969
Equity instruments			
Stocks	2 071	2 044	2 481
Indicies	8 194	17 582	8 458
Total equity instruments	10 265	19 626	10 939
Debt instruments	23	22	19
Total financial liabilities held for trading	11 822	23 202	13 927

The Group's sensitivity to fluctuations in the prices of specific commodities and equity investments by ±5 per cent with regard to equity and profit before tax is presented below.

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2019 (UNAUDITED)		31.03.2018 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	(1 806)	1 806	(2 414)	2 414
Base metals	25	(25)	(44)	44
Other	(6 556)	6 556	(5 701)	5 701
Total commodity	(8 337)	8 337	(8 159)	8 159
Equity instruments				
Stocks	19	(19)	(183)	183
Indicies	27 055	(27 055)	(8 573)	8 573
Total equity instruments	27 074	(27 074)	(8 756)	8 756
Debt instruments	561	(561)	608	(608)
Total income/(expenses) for the period	19 298	(19 298)	(16 307)	16 307

33.3 Liquidity risk

For the Group, liquidity risk is the risk of losing its payment liquidity, i.e. the risk of losing capacity to finance its assets and to perform its obligations in a timely manner in the course of normal operations or in other predictable circumstances with no risk of loss. In its liquidity analysis, the Group takes into consideration current possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

The objective of liquidity management at X–Trade Brokers is to maintain the amount of cash on the appropriate bank accounts that will cover all the operations necessary to be carried on such accounts. In order to manage liquidity in relation to certain bank accounts associated with the operations of financial instruments, the Group uses the liquidity model of which the essence is to determine the safe area of the state of free cash flow that does not require corrective action. Where the upper limit is achieved, the Group makes a transfer to the appropriate current account corresponding to the surplus above the optimum level. Similarly, if the cash in the account falls to the lower limit, the Group makes a transfer of funds from the current account to the appropriate account in order to bring cash to the optimum level.

Tasks relating to the maintenance and updating of the rules of the liquidity model are performed by the Parent Company's Risk Control Department. Risk Control Department employees are required to analyse liquidity at least once a week, as well as to transfer the relevant information to the Parent Company's Accounting Department in order to make certain operations in the accounts.

The subsidiaries manage liquidity by analysing the anticipated cash flows and by matching the maturities of assets with the maturities of liabilities. The subsidiaries do not use any models for managing liquidity. Liquidity management based on the liquidity gap analysis is effective and sufficient – in subsidiaries, there were no incidents related to lack of liquidity or the lack of possibility of meeting financial obligations. In extraordinary cases, the subsidiaries' liquidity may be provided by the Parent Company.

The procedure also provides for the possibility of deviating from its application, and such procedure requires the consent of at least two members of the Parent Company's Management. Information on deviations is transmitted to the Risk Control Department of the Parent Company.

The Parent Company has also implemented liquidity contingency plans, which were not used in the period covered by the financial statements and in the comparative period, due to the fact that the amount of the most liquid assets (own cash and cash equivalents) greatly exceeds the amount of liabilities.

As part of ongoing business and the tasks related to liquidity risk management, the managers of appropriate organisational units of the Parent Company monitor the balance of funds deposited in the account in the context of planned liquidity needs related to the Parent Company's operating activities. In its liquidity analysis, the existing possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans are taken into consideration.

The contractual payment periods of financial assets and liabilities are presented below. The marginal and cumulative contractual liquidity gap, calculated as the difference between total assets and total liabilities for each maturity bucket, is presented for specific payment periods.

Contractual payment periods of financial assets and liabilities as at 31 March 2019 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	874 289	874 289	874 289	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	4 778	4 778	4 778	–	–	–	–
CFDs	103 103	103 103	103 103	–	–	–	–
Total financial assets at fair value through P&L	107 881	107 881	107 881	–	–	–	–
Financial assets at amortised cost	5 173	5 173	3 422	–	1 751	–	–
Total financial assets	987 343	987 343	985 592	–	1 751	–	–
Financial liabilities							
Amounts due to clients	500 688	500 688	500 688	–	–	–	–
Financial liabilities held for trading							
CFDs	15 938	15 938	15 938	–	–	–	–
Total financial liabilities held for trading	15 938	15 938	15 938	–	–	–	–
Liabilities due to lease	14 525	14 525	1 072	3 767	8 453	1 233	–
Other liabilities	20 386	20 386	13 814	4 656	–	–	1 916
Total financial liabilities	551 537	551 537	531 512	8 423	8 453	1 233	1 916
Contractual liquidity gap in maturities (payment dates)			454 080	(8 423)	(6 702)	(1 233)	(1 916)
Contractual cumulative liquidity gap			454 080	445 657	438 955	437 722	435 806

Contractual payment periods of financial assets and liabilities as at 31 December 2018 (audited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	831 895	831 895	831 895	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	5 293	5 293	5 293	–	–	–	–
CFDs	108 986	108 986	108 986	–	–	–	–
Total financial assets at fair value through P&L	114 279	114 279	114 279	–	–	–	–
Financial assets at amortised cost	5 005	5 005	3 266	–	1 739	–	–
Total financial assets	951 179	951 179	949 440	–	1 739	–	–
Financial liabilities							
Amounts due to clients	447 841	447 841	447 841	–	–	–	–
Financial liabilities held for trading							
CFDs	28 227	28 227	28 227	–	–	–	–
Total financial liabilities held for trading	28 227	28 227	28 227	–	–	–	–
Liabilities due to lease	37	37	22	15			
Other liabilities	23 744	23 744	11 484	10 303	–	–	1 957
Total financial liabilities	499 849	499 849	487 574	10 318	–	–	1 957
Contractual liquidity gap in maturities (payment dates)			461 866	(10 318)	1 739	–	(1 957)
Contractual cumulative liquidity gap			461 866	451 548	453 287	453 287	451 330

Contractual payment periods of financial assets and liabilities as at 31 March 2018 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	778 413	778 413	778 413	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	20 368	20 368	20 230	–	–	–	138
CFDs	94 275	94 275	94 275	–	–	–	–
Total financial assets at fair value through P&L	114 652	114 652	114 505	–	–	–	138
Financial assets at amortised cost	5 829	5 829	3 852	150	1 827	–	–
Total financial assets	898 885	898 885	896 770	150	1 827	–	138
Financial liabilities							
Amounts due to clients	402 622	402 622	402 622	–	–	–	–
Financial liabilities held for trading							
CFDs	19 657	19 657	19 657	–	–	–	–
Total financial liabilities held for trading	19 657	19 657	19 657	–	–	–	–
Liabilities due to lease	101	101	21	65	15		
Other liabilities	22 332	22 332	13 178	7 413	–	–	1 741
Total financial liabilities	444 712	444 712	435 478	7 478	15	–	1 741
Contractual liquidity gap in maturities (payment dates)			461 292	(7 328)	1 812	–	(1 603)
Contractual cumulative liquidity gap			461 292	453 964	455 776	455 776	454 173

The Group does not expect the cash flows presented in the maturity analysis to occur significantly earlier or in significantly different amounts.

33.4 Credit risk

The chart below shows the carrying amounts of financial assets corresponding to the Group's exposure to credit risk:

(IN PLN'000)	31.03.2019 (UNAUDITED) CARRYING AMOUNT	31.03.2019 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	31.12.2018 (AUDITED) CARRYING AMOUNT	31.12.2018 (AUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	31.03.2018 (UNAUDITED) CARRYING AMOUNT	31.03.2018 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	874 289	874 289	831 895	831 895	778 413	778 413
Financial assets at fair value through P&L *	107 881	5 644	114 279	10 652	114 643	5 953
Financial assets at amortised cost	5 173	5 173	5 005	5 005	5 829	5 829
Total financial assets	987 343	885 106	951 179	847 552	898 885	790 195

** As at 31 March 2019 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 103 103 thousand (31 December 2018: PLN 108 875 thousand, 31 March 2018: PLN 114 505 thousand). This exposure was collateralised with clients' cash, which, as at 31 March 2019, covered the amount of PLN 95 126 thousand (31 December 2018: PLN 87 087 thousand, 31 March 2018: PLN 84 938 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

The credit quality of the Group's financial assets is assessed based on external credit quality assessments, risk weights assigned based on the CRR, taking account of the mechanisms used to mitigate credit risk, the number of days past due, and the probability of counterparty insolvency.

The Group's assets fall within the following credit rating brackets:

- Fitch Ratings - from F1+ to B
- Standard & Poor's Ratings Services - from A-1+ to B
- Moody's – from P-1 to N/A

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and clients' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 31 March 2019, the Group had deposit accounts in 43 banks and institutions (31 December 2018: in 43 banks and institutions, 31 March 2018: in 40 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	31.03.2019 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2018 (AUDITED) (IN PLN'000)	ENTITY	31.03.2018 (UNAUDITED) (IN PLN'000)
Bank 1	244 860	Bank 1	229 570	Bank 1	231 988
Bank 2	154 028	Bank 2	153 960	Bank 2	116 178
Bank 3	108 600	Bank 3	104 553	Bank 3	95 645
Bank 4	70 285	Bank 4	65 552	Bank 4	80 657
Bank 5	41 794	Bank 5	41 704	Bank 5	41 277
Bank 6	37 032	Bank 6	33 141	Bank 6	23 678
Bank 7	31 403	Bank 7	29 944	Bank 7	23 089
Bank 8	31 058	Bank 8	27 615	Bank 8	21 844
Bank 9	23 661	Bank 9	21 661	Bank 9	19 576
Bank 10	17 689	Bank 10	17 029	Bank 10	14 161
Other	113 879	Other	107 166	Other	110 320
Total	874 289	Total	831 895	Total	778 413

The table below presents a short-term assessment of the credit quality of the Group's cash and cash equivalents according to credit quality steps determined based on external credit quality assessments (where step 1 means the best credit quality and step 6 – the worst) and the risk weights assigned based on the CRR. Long-term assessment of the credit quality were used in case of exposures without short-term assessment of the credit quality or maturity longer than 3 months.

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000) 31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
Cash and cash equivalent			
Step 1	779 331	743 485	690 477
Step 2	2 739	2 603	1 771
Step 3	67 089	60 530	57 231
Step 4	23 195	23 380	27 211
Step 5	1 935	1 897	1 723
Total	874 289	831 895	778 413

Financial assets held for trading

Financial assets held for trading result from transactions in financial instruments entered into with the Group's clients and the related hedging transactions.

Credit risk involving financial assets held for trading is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with clients, the Group's policy is to mitigate the counterparty credit risk through the so-called "stop out" mechanism. Customer funds deposited in the brokerage serve as a security. If a customer's current balance is 50 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the clients. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected clients, in particular, requirements regarding minimum balances in cash accounts.

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets held for trading is high and does not show significant diversity.

The Group's top 10 exposures to counterparty credit risk taking into account collateral (net exposure) are presented in the table below (numbering of counterparties determined individually for each period:

31.03.2019 (UNAUDITED)		31.12.2018 (AUDITED)		31.03.2018 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	2 028	Entity 1	2 595	Entity 1	919
Entity 2	912	Entity 2	654	Entity 2	487
Entity 3	606	Entity 3	595	Entity 3	288
Entity 4	339	Entity 4	537	Entity 4	191
Entity 5	202	Entity 5	504	Entity 5	177
Entity 6	176	Entity 6	444	Entity 6	155
Entity 7	172	Entity 7	356	Entity 7	147
Entity 8	102	Entity 8	320	Entity 8	136
Entity 9	83	Entity 9	281	Entity 9	112
Entity 10	68	Entity 10	212	Entity 10	111
Total	4 688	Total	6 498	Total	2 723

Other receivables

Other receivables do not show a significant concentration, and they arose in the normal course of the Group's business. Non-overdue other receivables are collected on a regular basis and, from the perspective of credit quality, they do not pose a material risk to the Group.

NOTES TO THE QUARTERLY REPORT

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1. Information about the Group's activities

The Parent Company in the X–Trade Brokers Dom Maklerski S.A. Group (the "Group") is X–Trade Brokers Dom Maklerski S.A. (hereinafter: the "Company", "Parent Company", "Parent Entity", "Brokerage", "XTB") with its headquarters located in Warsaw, ul. Ogrodowa 58, 00-876 Warszawa.

The Group is an international provider of trading and investment products, services and solutions, specializing in OTC markets with a particular focus on CFDs, which are investment products with returns linked to the changes in the prices and values of underlying instruments and assets. The Group also offers investments in shares and ETF instruments within the same trading platform. The Group conducts its operations through two business segments: retail and institutional operations. The Group's retail business is focused on providing online trading in various instruments based on assets and underlying instruments from the financial and commodities markets to individual clients. For its institutional clients, the Group offers technologies that allow clients to set up their own trading environment under their own brands and acts as a liquidity provider to its institutional clients.

The Group operates on the basis of licences granted by regulators in Poland, the UK, Cyprus, Turkey and Belize. The Group's business is regulated and supervised by competent authorities on the markets on which the Group operates, including EU countries, where it operates on the basis of a single European passport. Currently, the Group is focusing on growing its business in 12 key countries, including Poland, Spain, the Czech Republic, Portugal, France and Germany and has prioritised Latin America as a region for future development.

On 10 February of 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on the Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision by the Company was made after analyzing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate.

In the first three months of 2019, the Group continued the process of expanding the product offer mainly in terms of equity and ETF products. This is to meet the needs of clients who expect the widest coverage of the market product and instruments that give them exposure to various investment sectors. In the first quarter of 2019 over 100 cash market instruments (shares and ETF) and about 50 CFD shares have been introduced. The Management Board is of the opinion that the xStation platform is currently one of the most developed transaction platforms on the CFD and equity market. Thus, in the first quarter, the Group did not focus on continuing the development of the platform. The company has also decided to introduce a CFD instrument based on the FANG + index. This instrument gives direct exposure to the largest technology companies, listed in the USA, such as Google, Amazon and Facebook.

The Management Board is of the opinion that the Group has built solid foundations that ensure its good position to generate growth in the future.

2. Summary and analysis of the results of the Group

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. This is an increase of 19,2% q/q. The 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.

2.1 Factors affecting operating and financial results

The Group's operating and financial results are primarily influenced by:

- number of active clients, transaction volume and amount of deposits;
- volatility in financial and commodity markets;
- general market, geopolitical and economic conditions;
- competition in the FX/CFD market; and
- regulatory environment.

The key factors influencing the Group's financial and operating results for the 3 months ended 31 March 2019 are discussed below. According to the Management Board, these factors have and may have an impact on the Group's operations, operational and financial results, financial situation and prospects in the future.

2.2 Discussion of the Group's results for the first quarter of 2019

The table below presents selected items of the consolidated statement of comprehensive income in the given periods.

(in PLN'000)	THREE-MONTH PERIOD ENDED				
	31.03.2019	31.12.2018	CHANGE IN VALUE	CHANGE %	31.03.2018
Result of operations on financial instruments	39 253	41 143	(1 890)	(4,6)	112 551
Income from fees and charges	1 631	1 537	94	6,1	1 175
Other income	6	106	(100)	(94,3)	11
Total operating income	**40 890**	**42 786**	**(1 896)**	**(4,4)**	**113 737**
Salaries and employee benefits	(19 737)	(19 681)	56	0,3	(19 452)
Marketing	(9 178)	(7 878)	1 300	16,5	(7 799)
Other external services	(5 815)	(6 575)	(760)	(11,6)	(6 838)
Costs of maintenance and lease of buildings	(742)	(1 954)	(1 212)	(62,0)	(1 939)
Amortisation and depreciation	(1 788)	(794)	994	125,2	(1 479)
Taxes and Statutory Fees	(708)	(505)	203	40,2	(367)
Commission expenses	(2 032)	(1 984)	48	2,4	(2 335)
Other expenses	(1 098)	(1 491)	(393)	(26,4)	(834)
Total operating expenses	**(41 098)**	**(40 862)**	**236**	**0,6**	**(41 043)**
Profit (loss) on operating activities (EBIT)	**(208)**	**1 924**	**(2 132)**	**(110,8)**	**72 694**
Finance income	1 617	(174)	1 791	(1 029,3)	4 258
Finance costs	(338)	2 502	(2 840)	(113,5)	(3 209)
Profit (loss) before tax	**1 071**	**4 252**	**(3 181)**	**(74,8)**	**73 743**
Income tax	(308)	(279)	(29)	10,4	(14 256)
Net profit (loss)	**763**	**3 973**	**(3 210)**	**(80,8)**	**59 487**

Revenues

The revenues in the QI 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 (QIV 2018: 458,9 thousand lots) and profitability per lot reached PLN 104 (QIV 2018: PLN 93).

	PERIOD 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[1]	394 421	458 869	345 118	616 082	675 344	618 893	523 769	513 814
Profitability per lot (in PLN)[2]	104	93	138	137	168	123	140	130

[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 a constantly growing clients 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 (QI 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.

	PERIOD 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[1]	6 843	5 742	4 884	4 734	5 312	6 582	4 201	3 860
Average number of active clients[2]	22 245	21 279	21 515	22 135	22 317	18 667	17 920	17 748
New accounts[3]	16 243	13 930	11 758	11 321	12 731	16 530	11 278	9 635
Average number of active accounts[4]	24 386	22 528	24 032	24 918	25 279	21 088	20 194	20 016

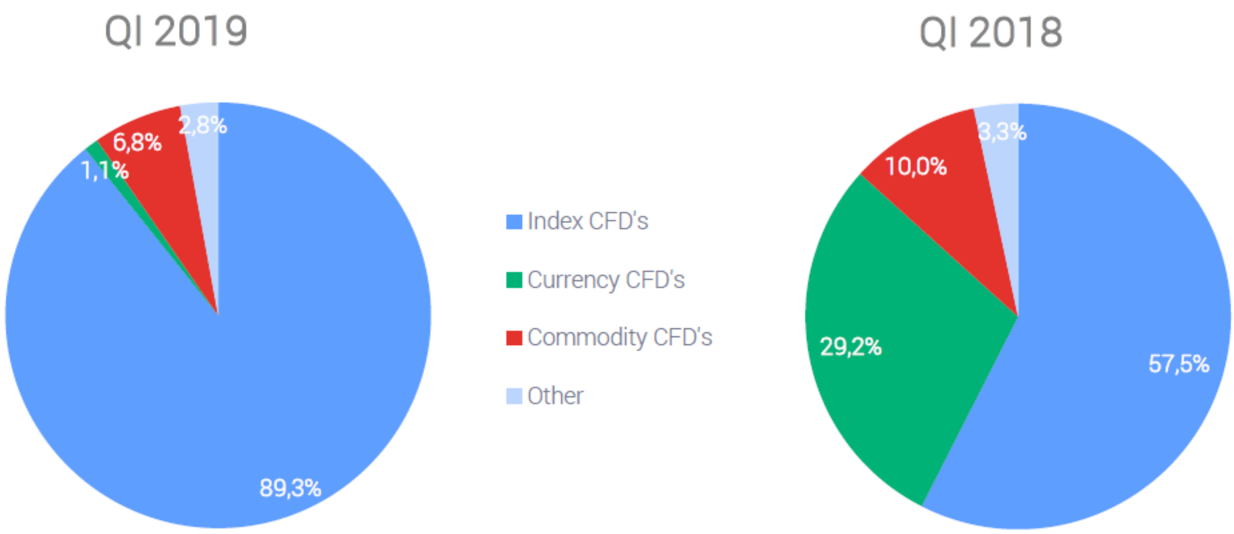
[1]) The number of new Group's clients in the individual periods.
[2]) The average quarterly number of clients respectively for 3 months of 2019 and 12, 9, 6 months of 2017 and 12, 9, 6 months of 2017.
[3]) The number of accounts opened by the Group's clients in the individual periods.
[4]) The average quarterly number of accounts respectively for 3 months of 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 analyses 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 QI 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% a 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% (QI 2018: 10,0%). The most lucrative instrument among clients 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 favourable 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)	THREE-MONTH PERIOD ENDED			
	31.03.2019	31.12.2018	CHANGE %	31.03.2018
Index CFDs	35 363	32 910	7,5	65 534
Commodity CFDs	2 680	9 316	(71,2)	11 346
Stock CFDs	627	423	48,2	956
Currency CFDs	433	(874)	(149,5)	33 278
Bond CFDs	329	272	21,0	149
Total CFDs	39 432	42 047	(6,2)	111 263
Options	-	-	-	2 702
Shares and listed derivative instruments	178	87	104,6	8
Gross gain on transactions in financial instruments	39 610	42 134	(6,0)	113 973
Bonuses and discounts paid to costumers	(71)	(732)	(90,3)	(932)
Commission paid to cooperating brokers	(286)	(259)	10,4	(490)
Net gain on transaction in financial instruments	39 253	41 143	(4,6)	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% (QI 2018: 26.7%) and 17.0% (QI 2018: 18.0%) respectively. 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			
	31.03.2019	31.12.2018	CHANGE %	31.03.2018
Central and Eastern Europe	24 997	7 800	220,5	53 792
- including Poland	*22 319*	*(9 739)*	*(329,2)*	*30 344*
Western Europe	12 926	27 060	(52,2)	54 138
- including Spain	*6 964*	*6 689*	*4,1*	*20 459*
Latin America	2 967	7 926	(62,6)	5 807
Total operating income	40 890	42 786	(4,4)	113 737

XTB also puts a 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			
	31.03.2019	31.12.2018	CHANGE %	31.03.2018
Retail segment	37 605	39 355	(4,4)	102 910
Institutional segment (X Open Hub)	3 285	3 431	(4,3)	10 827
Total operating income	40 890	42 786	(4,4)	113 737

It should be noted that, similar to the 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 clients. However, the Management Board cannot exclude that there will been increase in volatility of institutional clients in the future.

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 (QIV 2018: PLN 40,9 million and QI 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 PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2019	31.12.2018	CHANGE %	31.03.2018
Salaries and employee benefits	19 737	19 681	0,3	19 452
Marketing	9 178	7 878	16,5	7 799
Other external services	5 815	6 575	(11,6)	6 838
Costs of maintenance and lease of buildings	742	1 954	(62,0)	1 939
Amortization and depreciation	1 788	794	125,2	1 479
Taxes and Statutory Fees	708	505	40,2	367
Commission expenses	2 032	1 984	2,4	2 335
Other expenses	1 098	1 491	(26,4)	834
Total operating expenses	41 098	40 862	0,6	41 043

In QI of 2019 operating expenses slightly increased, i.e. by PLN 0,2 million, mainly due to higher marketing expenditures by PLN 1,3 million.

	PERIOD 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 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.

2.3 Group's selected financial ratios

The financial ratios presented in the following table are not a measure of the financial results in accordance with the IFRS nor should they be treated as a measure of the financial results or cash flows from operating activities, or considered an alternative to a profit. These indicators are not uniformly defined and may not be comparable to ratios presented by other companies, including companies operating in the same sector as the Group.

	THREE-MONTH PERIOD ENDED		
	31.03.2019	**31.12.2018**	**31.03.2018**
EBITDA (in PLN'000)[1]	1 580	2 718	74 173
EBITDA margin (%)[2]	3,9	6,4	65,2
Net profit margin (%)[3]	1,9	9,3	52,3
Return on equity –ROE (%)[4]	0,7	3,4	55,4
Return on assets – ROA (%)[5]	0,3	1,6	26,2
Standalone capital adequacy ratio, including buffers [6]	15,3	20,0	13,0
Aggregate capital adequacy ratio of the Group including buffers (%)[7]	14,5	19,1	12,7

1) EBITDA calculated as operating profit (loss), including amortisation and depreciation.
2) Calculated as the quotient of operating profit (loss), including amortisation and depreciation, and operating income.
3) Calculated as the quotient of net profit (loss) and operating income.
4) Calculated as the quotient of net profit (loss) and average balance of equity (calculated as the arithmetic mean of the total equity as at the end of the prior period and as at the end of the current reporting period; ratios for 3-months periods were annualized).
5) Calculated as the quotient of net profit (loss) and average balance of total assets (calculated as the arithmetic mean of the total assets as at the end of the prior period and as at the end of the current reporting period; ratios for 3-months periods were annualized).
6) Calculated as the quotient of equity and total risk exposure of Company, including buffers.
7) Calculated as the quotient of equity and total risk exposure of Group, including buffers.

2.4 Selected operating data

The table below shows data on the Group's transaction volumes (in lots) by geographical area for the periods indicated.

	THREE-MONTH PERIOD ENDED		
	31.03.2019	**31.12.2018**	**31.03.2018**
Retail operations segment	346 203	386 127	611 156
Central and Eastern Europe	183 507	197 455	339 252
Western Europe	137 656	150 451	242 525
Latin America	25 040	38 221	29 379
Institutional operations segment	48 218	72 742	64 189
Total	394 421	458 869	675 344

The table below presents:

- the number of new clients in individual periods;
- the number of active clients;
- the aggregate number of clients;
- the number of new accounts opened by the Group's clients in individual periods;
- the number of active accounts;

- the aggregate number of accounts;
- the amount of net deposits in the individual periods;
- average operating income per one active client;
- average operating income per one active account;
- the transaction volume in lots;
- profitability per lot;
- the volume of CFD transactions at nominal value;
- profitability per 1 million turnover;
- the volume of share transactions in nominal value.

The information presented in the table below is related to the aggregate operations in the retail and institutional operations segments

	THREE-MONTH PERIOD ENDED		
	31.03.2019	**31.12.2018**	**31.03.2018**
New clients[1]	6 843	5 742	5 312
Average number of active clients[2]	22 245	20 568	22 317
Clients in total	122 645	116 517	103 907
New accounts[3]	16 243	13 930	12 731
Average number of active accounts[4]	24 386	22 528	25 279
Accounts in total	253 978	238 980	205 997
Net deposits (in PLN'000)[5]	92 320	78 702	86 969
Average operating income per active client (in PLN'000)[6]	1,8	2,1	5,1
Average operating income per active account (in PLN'000)[7]	1,7	1,9	4,5
Transaction volume in CFD instruments in lots[8]	394 421	458 869	675 344
Profitability per lot (in PLN)[9]	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

[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.

Retail operations segment

The table below presents key operational data in the retail operations segment of the Group for the respective periods indicated.

	THREE-MONTH PERIOD ENDED		
	31.03.2019	31.12.2018	31.03.2018
New clients[1]	6 842	5 738	5 312
Average number of active clients[2]	22 215	20 543	22 298
Clients in total	122 597	116 470	103 870
New accounts[3]	16 242	13 919	12 729
Average number of active accounts[4]	24 352	22 495	25 251
Accounts in total	253 880	238 890	205 923
Number of transactions[5]	6 022 042	6 800 693	9 387 317
Transaction volume in CFD instruments in lots[6]	346 203	386 127	611 156
Net deposits (in PLN'000)[7]	90 739	77 043	79 666
Average operating income per active client (in PLN'000)[8]	1,7	1,9	4,6
Average operating income per active account (in PLN'000)[9]	1,5	1,7	4,1
Average cost of obtaining an client (in PLN'000)[10]	1,3	1,4	1,5
Average cost of obtaining an account (in PLN'000)[11]	0,6	0,6	0,6
Profitability per lot (in PLN)[12]	109	102	168
Transaction volume in CFD instruments in nominal value (in USD'000000)	114 929,4	134 952,3	230 573,3
Profitability per 1 million transaction volume in CFD instruments (in PLN)[13]	85,3	77,6	130,7
Turnover of shares in nominal value (in USD'000000)	33,5	20,2	0,7

[1]) The number of new clients in the individual periods.
[2]) The average quarterly number of clients via which 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]) Total number of open and closed transactions in a given period.
[6]) 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.
[7]) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
[8]) The Group's operating income in a given period divided by the average quarterly number of clients via which at least one transaction has been concluded over the last three months.
[9]) 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.
[10]) Average cost of obtaining a client comprise total marketing costs of the Group divided by the number of new clients in given period.
[11]) Average cost of obtaining an account comprise total marketing costs of the Group divided by the number of new accounts in given period.
[12]) Total operating income in retail segment divided by the transaction volume in CFDs in lots.
[13]) Total operating income in retail segment divided by the transaction volume in CFDs in nominal value in PLN.

The table below presents the average quarterly number of retail clients maintained by the Group on which at least one trade was executed in the last three months, by geographical location. The locations of active clients have been determined based on the location of the Group's office (that maintains the client) except for clients maintained by XTB Limited and XTB International Limited. The clients maintained by XTB Limited and XTB International Limited have been classified based on the client's country of residence rather than the location of the Group's office.

	THREE-MONTH PERIOD ENDED					
	31.03.2019		31.12.2018		31.03.2018	
Central and Eastern Europe	11 667	53%	10 619	52%	12 749	57%
Western Europe	8 963	40%	8 278	40%	8 209	37%
Latin America	1 585	7%	1 646	8%	1 340	6%
Average number of active clients	22 215	100%	20 543	100%	22 298	100%

Institutional operations segment

Since 2013, the Group has provided its services to institutional clients, including brokerage houses and other financial institutions.

The table below presents information regarding the number of clients and number of accounts in the Group's institutional operations segment in the periods indicated.

	THREE-MONTH PERIOD ENDED		
	31.03.2019	31.12.2018	31.03.2018
Average number of active clients	30	25	19
Clients in total	48	47	37
Average number of active accounts	34	33	28
Accounts in total	98	90	74

The table below presents the Group's turnover (in lots) in the institutional operations segment in the periods indicated.

	THREE-MONTH PERIOD ENDED		
	31.03.2019	31.12.20198	31.03.2018
Transaction volume in CFD instruments in lots	48 218	72 742	64 188

XTB has a stable market position, growing client base and over PLN 500 million of own cash on the balance sheet. The Group plans further development by expanding the client 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.

2.5 Factors which in the Management's Board belief may impact the Group's operations and perspectives

The Management Board believes that the following trends have impact and will maintain and continue to impact the Group's operations until the end of 2019 and in some cases also longer:

- The Group's revenue depends directly on the volume of transactions concluded by the Group's clients and profitability per lot which in turn is correlated with the general level of transaction activity on the FX/CFD market.

  As a rule, the Group's revenues are positively affected by higher activity of financial markets due to the fact that in such periods, a higher level of turnover is realized by the Group's clients and higher profitability per lot. The periods of clear and long market trends are favourable for the Company and it is at such times that it achieves the highest revenues. Therefore, high activity of financial markets and commodities generally leads to an increased volume of trading on the Group's trading platforms. On the other hand, the decrease in this activity and the related decrease in the transaction activity of the Group's clients leads, as a rule, to a decrease in the Group's operating income. Due to the above, operating income and the Group's profitability may decrease in periods of low activity of financial and commodity markets. In addition, there may be a more predictable trend in which the market moves within a limited price range. This leads to market trends that can be predicted with a higher probability than in the case of larger directional movements on the markets, which creates favourable conditions for transactions concluded in a narrow range of the market (range trading). In this case, a greater number of transactions that bring profits to clients is observed, which leads to a decrease in the Group's result on market making.

  The volatility and activity of markets results from a number of external factors, some of which are characteristic for the market, and some may be related to general macroeconomic conditions. It can significantly affect the revenues generated by the Group in the subsequent quarters. This is characteristic of the Group's business model. To illustrate this impact, the table below presents the historical financial results of the Group on a quarterly basis.

								PERIOD 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[1]	394 421	458 869	345 118	616 082	675 344	618 893	523 769	513 814
Profitability per lot (in PLN)[2]	104	93	138	137	168	123	140	130

[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.

- The Group provides services for institutional clients, including brokerage houses, start-ups and other financial institutions within the institutional activity segment (X Open Hub). The products and services offered by the Group as part of the X Open Hub differ from those offered as part of the retail segment, which entails different risks and challenges. As a result, the Group's revenues from this segment are exposed to large fluctuations from period to period, just like in the retail segment, which is typical of the business model adopted by the Group. The table below illustrates the percentage share of the institutional business segment in total operating income.

	31.03.2019	**2018**	**2017**	**2016**	**2015**	**2014**
% share of operating income from institutional operations in total operating income	8,0%	6,5%	15,2%	7,8%	4,7%	14,1%

The Management Board anticipates that the level of activity in financial and commodity markets in 2019, regulatory changes as well as other factors (if they occur) may affect the condition of XTB's institutional partners and thus to the volume of trading in lots in the coming period, as well as and XTB revenues from these clients. On the other hand, the Management Board of XTB can't exclude a higher turnover of clients in the institutional segment.

- The Management Board expects that in I quarter of 2019 operating expenses should be at a level comparable (slightly higher) to that observed in the 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 elements 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 quarters of 2019.
- On 10 February 2017, the Turkish regulatory body, the Capital Markets Board of Turkey (CMB), introduced changes to the regulations regarding the operation of investment services, investment activities and additional services. This contributed to a significant decrease in the number of clients and, consequently, to a significant reduction in the Group's operations in Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate.

  In case of termination of activity on the Turkish market, which from the point of view of accounting in accounting books should be understood by repaying share capital/liquidation of assets held (abandonment of license). The Group, in accordance with the applicable accounting principles, will be required to take actions in reclassification of exchange differences resulting from the conversion of the Turkish company's capital from the position Exchange differences from conversion included in equity to the income statement. This operation will not affect the total amount of the Group's equity as at the date of its execution. Nevertheless, the Company will be required to demonstrate the effects of the abovementioned conversion as part of the result on financial activities, however, in the case of negative exchange differences, the effects of these conversions will be considered financial costs. The company explains that the amount of exchange differences related to investments in Turkey is derived from the rate of Turkish lira, which is subject to fluctuations, hence the Group is not able to precisely estimate the value of the financial cost incurred in this respect as it will be recognized in the future later than the date of this report.
- Current regulatory changes in the industry at the national and international level may change its face in the long term.

On 27 March, 2018 ESMA agreed on measures on the provision of contracts for differences (CFD) and binary options to retail investors in EU.

Agreed measures regarding CFDs include:

- leverage limits on the opening of a position by a retail clients between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument:
  - 30:1 for major currency pairs;
  - 20:1 for non-majors currency pairs, gold and major equity indices;
  - 10:1 for commodities other than gold and non-major equity indices;
  - 5:1 for individual equities and other reference values;
  - 2:1 for cryptocurrencies;
- a margin close out rule on a per account basis;
- negative balance protection on a per account basis;
- a restriction on the incentives offered to trade CFDs;
- a standardised risk warning.

When it comes to binary options, the agreed measures include:

- a prohibition on the marketing, distribution or sale of those instruments to retail clients.

Decisions taken on 22 May 2018 in accordance with art. 40 of Regulation on markets in financial instruments regulation (EU) 600/215 by ESMA on product intervention were finally published in the Official Journal of the European Union.

The temporary prohibition on the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July, 2018 and is motivated by significant investor protection concerns due to the complexity of the product and the negative expected rate of return.

In relation to CFDs temporary aforementioned restrictions on trade, distribution and sale entered into force on 1 August, 2018.

The entry into force of product intervention by ESMA creates both opportunities and threats for XTB. On the one hand, there was 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. It seems likely that clients gradually adjust their trading strategies to a lower level of financial leverage. Maintaining the ESMA decision in time should lead to a wave of consolidation in the market and allow XTB to consolidate its strong position on the European market.

On 22 June, 2017 another draft act on amendment of the act on supervision over the financial market and certain other acts was presented.

The main assumptions introduced by the draft include, among others:

- increased requirements regarding security deposits for Polish residents with regard to transactions on the market of financial derivative instruments from 1% to 2% and, consequently, reduction of financial leverage to 1:50 for retail clients. As far a retail clients who, during 24 months preceding submission of the order, concluded at least 40 transactions and expressed this intention, the draft will allow application of financial leverage of up to 1:100;
- authorising the Polish Financial Supervision Authority to maintain a register of internet domains and block internet domains of investment companies, used for provision of financial services in a manner non-compliant with regulatory requirements;
- introduction of stricter penal liability for unauthorised operation with regard to trading in financial instruments if the unlawful act results in unfavourable disposition of property by the harmed party.

The purpose of the draft law is to introduce solutions aiming at increasing a level of security of financial market participants using financial services provided through various types of so-called internet platforms. These solutions are intended to prevent fraud on financial market conducted with the use of internet by entities unauthorised to provide financial services.

It can’t be ruled out that regulatory changes at the national and international levels can have a significant impact on the way the Group offers and promotes financial products, clients' investment strategies, the volume of trading in lots, and profitability per lot, and what's next goes on the Group's financial results.

Due to the uncertainty regarding future economic conditions, expectations and forecasts of the Management Board are subject to a particularly high degree of uncertainty.

3. Company's authorities

3.1 Management Board

As at 31 March 2019, the composition of the Management Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout	Chairman of the Management Board	10.01.2017*	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019
Filip Kaczmarzyk	Board Member	10.01.2017	29.06.2019
Jakub Kubacki	Board Member	10.07.2018	29.06.2019

** Omar Arnaout on 10.01.2017 was appointed as a member of the Management Board for Sales in the rank of Vice Chairman of the Board. On 23.03.2017 he was appointed the Chairman of the Management Board*

In the period from the balance sheet date to the date of forwarding this periodic report, the following changes took place in the composition of the Management Board::

- On 9 April 2019, the Polish Financial Supervision Authority, in accordance with the Announcement of the 14th meeting, unanimously agreed to appoint Mr. Andrzej Przybylski as a Member of the Management Board of the Company, who will be responsible in XTB for overseeing the risk management system;
- on 18 April 2019, the Supervisory Board of the Company adopted a resolution regarding the appointment of the new term of office of the XTB, which will have five members, i.e.
  - Omar Arnaout - Chairman of the Management Board;
  - Paweł Szejko - Board Member;
  - Filip Kaczmarzyk - Board Member;
  - Jakub Kubacki - Board Member;
  - Andrzej Przybylski - Board Member;

  for a joint term of three years, i.e. from 30 June 2019 to the end of 30 June 2022.

As at the date of publication of this interim report, the composition of the Management Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout	Chairman of the Management Board	10.01.2017*	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019
Filip Kaczmarzyk	Board Member	10.01.2017	29.06.2019
Jakub Kubacki	Board Member	10.07.2018	29.06.2019
Andrzej Przybylski	Board Member	01.05.2019	29.06.2019

* Omar Arnaout on 10.01.2017 was appointed as a member of the Management Board for Sales in the rank of Vice Chairman of the Board. On 23.03.2017 he was appointed the Chairman of the Management Board

3.2 Supervisory Board

As at 31 March 2019 and as at the date of publication of this periodic report, the composition of the Supervisory Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Jakub Leonkiewicz	Chairman of the Supervisory Board	10.11.2018	10.11.2021
Łukasz Baszczyński	Member of the Supervisory Board	10.11.2018	10.11.2021
Jarosław Jasik	Member of the Supervisory Board	10.11.2018	10.11.2021
Bartosz Zabłocki	Member of the Supervisory Board	10.11.2018	10.11.2021
Grzegorz Grabowicz	Member of the Supervisory Board	10.11.2018	10.11.2021

In the reporting period and until the date of submission of this report, there were no changes in the composition of the Supervisory Board other than those described above.

4. Information about shares and shareholding

4.1 Equity

As at 31 March 2019 and as at the submission date of this periodic report, share capital of X-Trade Brokers Dom Maklerski S.A. comprised of 117 383 635 A-series ordinary shares. The nominal value of the shares is PLN 0,05 per share.

4.2 Share in the free float

On 4 May 2016, the WSE Management Board adopted a resolution to admit the Company's shares to trading on the regulated market with the same day. Subsequently, on 5 May 2016, the WSE Management Board adopted a resolution to introduce, as of 6 May 2016, all Company shares for stock exchange trading.

4.3 Shareholding structure

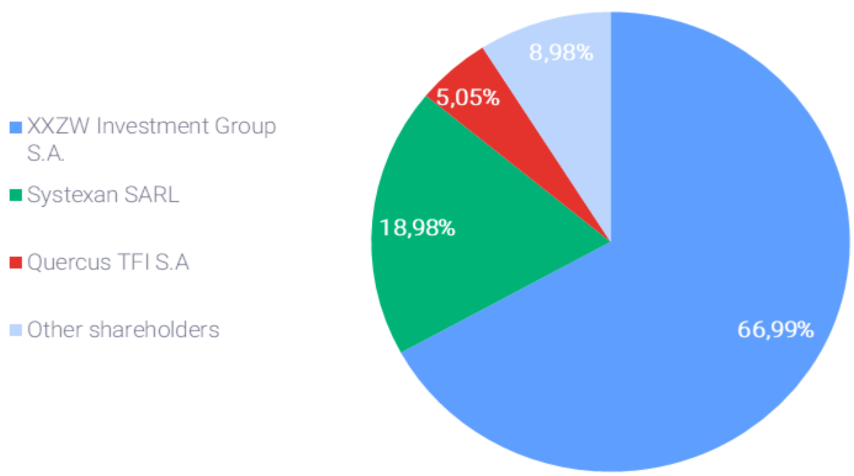
To the best knowledge of the Management Board of the Company as at 8 March 2019 i.e. as at the submission date of the previous periodic report (Annual report for the 2018), the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES (%)
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Systexan SARL[2]	22 280 207	1 114	18,98%
Quercus TFI S.A	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100,00%

[1]) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.
[2]) SYSTEXAN S.à r.l. with its registered office in Luxembourg is directly controlled by the Polish Enterprise Fund VI L.P., with its registered office in the Cayman Islands.

The percentage share in the share capital of the Parent Company of the abovementioned shareholders is in line with the percentage shares in the number of votes at the General Meeting.

The shareholding structure as at 8 March 2019 is presented in the following chart:



To the best knowledge of the Company's Management Board as at 31 March 2019 and as at the date of this periodic report (according to current report No. 10/2019 dated 15 April 2019), the condition of shareholders holding directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Entity did not change compared to 8 March 2019.

4.4 Shares and rights held by Members of the Management and Supervisory board

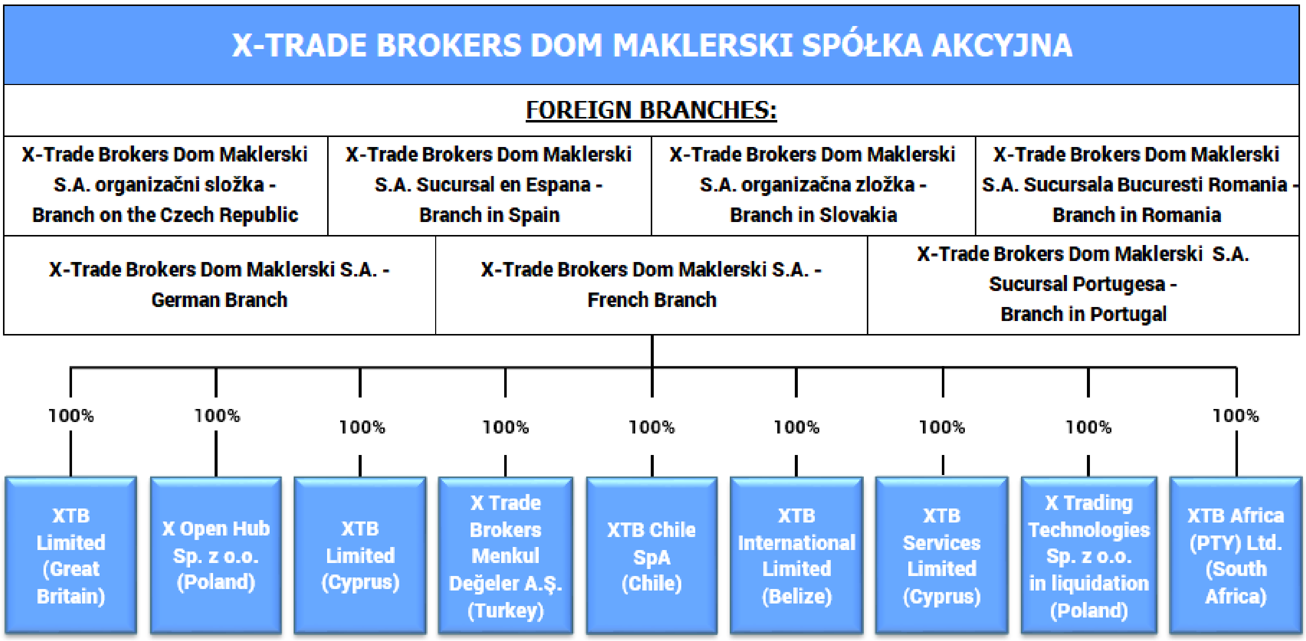
Management and supervisory personnel did not hold, at the end of the reporting period and at the date of this report, share the Company's shares and the entitlements to the Company's shares.

5. Other information

5.1 Description of the Group's organization

As at date of this report the Group comprised Parent Company and 9 subsidiaries. The Company has 7 foreign branches.

The chart below presents the Group's structure, including the Company's foreign branches, including its share in the share capital/number of votes at the general meeting or the shareholders meeting to which the shareholder or shareholder is entitled.



The results of all subsidiaries are fully consolidated from the date of their creation/acquisition.

Neither the Parent Company nor any Group company holds shares in other companies that may have a material impact on its assets and liabilities, financial position and profit or loss.

Subsidiaries

Basic information about the Group companies, which are directly or indirectly dependent on the Company, is provided below.

<u>XTB Limited, Great Britain</u>

XTB Limited business comprises, among other things, the following types of operations:

- making arrangements regarding investments for clients,
- dealing in investments as an agent,
- dealing in investments as the principal.

<u>X Open Hub Sp. z o.o., Poland</u>

Main scope of business of the company is offering electronic applications and trading technology.

XTB Limited (formerly: DUB Investments Ltd.), Cyprus

XTB Limited business comprises:

- accepting and forwarding orders relating to one or more financial instruments,
- managing share packages.

On 12 July 2016 Cypriot Securities and Exchange Commission, „CySEC" approved to expand the brokerage license of the company by the following investment services:

- execution of orders on behalf of clients,
- dealing on own account and following ancillary services:
  - safekeeping and administration of financial instruments on behalf of clients; including custodianship and related services such as cash/additional insurance,
  - granting investors credits or loans to one or more financial instruments, where the firm granting the credit or loans is involved in the transaction,
  - foreign exchange services where these are connected to the provision of investment services.

Expanding of brokerage license includes all financial instruments listed in Section C of Annex 1 of MiFiD Directive.

On 3 May 2018 DUB Investments Limited changed its name to XTB Limited . On 6 June 2018 the Parent Company acquired 1 165 new shares in the capital increase of its subsidiary. As a result of the above transaction the Parent Company kept 100% share in subsidiary's capital.

X Trade Brokers Menkul Değerler A.Ş., Turkey

X Trade Brokers Menkul Değerler A.Ş. business encompasses among other.:

- investment consulting,
- trading derivatives,
- leverage trading on the forex market,
- trading intermediation.

On 10 February 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on the Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate.

XTB Chile SpA, Chile

On 17 February 2017 the Parent Company established XTB Chile SpA. The Company owns 100% of the shares in the subsidiary. XTB Chile SpA will provide services involving the acquisition of clients from the territory of Chile.

XTB International Limited, Belize

On 23 February 2017 the Parent Company acquired 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 the company changed its name from CFDs prime Limited to XTB International Limited. The company provides brokerage services based on the obtained permission issued by the International Financial Service Commission.

XTB Services Limited, Cyprus

On 27 July 2017 the Parent Company acquired 100% shares in Jupette Limited with its registered office in Cyprus. On 5 August 2017 the subsidiary changed its name to XTB Services Limited. The company provides marketing and marketing-sales services.

XTB Technologies Sp. z o.o. in liquidation

In January 2018, the Parent Company established a subsidiary of X Trading Technologies Sp. z o.o. based in Poland. The company holds 100% shares in the subsidiary. X Trading Technologies Sp. z o.o. conducts software related activities. On 30 January 2018, the parent company acquired 3 900 shares in the increased share capital of the subsidiary, maintaining 100% share in its capital. On May 14 2018, the Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to dissolve the company and open its liquidation.

XTB Africa (PTY) Ltd., South Africa

On 10 July of 2018 the Parent Company established a subsidiary of XTB Africa (PTY) Ltd with its seat in RPA. The company hold 100% shares in the subsidiary. As at the date of publication of this report, the Company did not conduct any operating activities.

In the reporting period, i.e. from 1 January to 31 March of 2019 and until the date of submission of this report, there were no changes in the X-Trade Brokers Dom Maklerski S.A. Group's structure.

5.2 Information on transactions with related parties

In 3-month period ended 31 March 2019 and 31 March 2018 were no related transactions concluded on other than arm's length basis.

The table below shows the Group's transactions and balances of settlements with related parties:

(in PLN'000)	31.03.2019 REVENUES	31.03.2019 RECEIVABLES	31.03.2018 REVENUES	31.12.2018 RECEIVABLES	31.03.2018 RECEIVABLES
Related parties:					
XTB Limited (UK)	61	1 056	12 985	2 514	1 384
XTB Limited (CY)	493	14	38	468	13
X Open Hub Sp. z o.o. (Poland)	991	1 230	543	642	559
XTB International Limited (Belize)	3 226	1 823	6 050	4 464	1 521

(in PLN'000)	31.03.2019 COSTS	31.03.2019 LIABILITIES	31.03.2018 COSTS	31.12.2018 LIABILITIES	31.03.2018 LIABILITIES
Related parties:					
XTB Limited (UK)	(3 792)	5 465	(3 127)	2 075	2 233
XTB Limited (CY)	(745)	345	(534)	359	142
X Open Hub Sp. z o.o. (Poland)	(182)	74	(132)	158	121
XTB International Limited (Belize)	(4 362)	2 842	(3 368)	1 199	1 519
XTB Services Limited (CY)	(3 049)	312	(1 356)	387	434

As at 31 March 2019, the Group presents a balance of commitments to Mr. Jakub Zabłocki in the amount of PLN 738.62 due to the investment account held (as at 31 December 2018 PLN 426,99, as at 31 March 2018 PLN 38 000).

In the period from January 1 to March 31 2019, the Group did not record a gain or loss on transactions in financial instruments concluded by Mr. Jakub Zabłocki. In addition, Mr. Jakub Zabłocki receives remuneration under a contract of employment in a subsidiary in the United Kingdom. Gross remuneration paid with bonuses from 1 January to March 31 2019 amounted to PLN 746 000 and in the analogous period of 2018 amounted to PLN 780 000.

5.3 Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 31 March 2019 and in the reporting period, i.e. from 1 January 2019 to 31 March 2019, neither the Parent Company nor any of its subsidiaries granted any warranties in respect of loans or advances or any guarantees to any third party or its subsidiary, whose combined value is significant.

5.4 The Management Board's position concerning the realization of previous published forecast of the results for the current

The Management Board of X-Trade Brokers Dom Maklerski S.A. did not publish any forecasts of the results for 2019.

5.5 The information on the significant court proceedings, arbitration authority or public administration authority

As at 31 March 2019 and as at the submission date of this report the Parent company and its subsidiaries were not a party to any significant proceedings pending before court, arbitration authority or public administration authority. The most important of the ongoing proceedings were indicated below.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report, the total value of the claims brought against the Company and/or the Group Companies amounted to approximately PLN 7,3 million, of which suits brought by the employees pending before court consist of the three proceedings where the total value of claims was approximately PLN 5,9 million and ten brought by clients with the total value of claims of approximately PLN 1,41 million. Below are presented the most significant, in the Company's view:

- as at the submission date of this report, the Company is party to proceedings initiated by a former employee of the Company's branch in France. The matter was brought to court on 21 December 2012. Under the Court judgement of 4 November 2014 the sum adjudicated in favour of the former employee is the equivalent of PLN 100 000. On 14 December 2014, the plaintiff submitted an appeal. According to the last opinion of law firm conducting the case, there is a high risk that the Company will lose the dispute.
  In view of the complex nature of the dispute and the claim, as at the submission date of this report it is difficult to reliably assess the risks involved in the case. The original value of the claim was set at PLN 2,2 million. However, based on the representation of the law firm that is conducting the case, it should be theoretically assumed that the value of the claim may increase until it is finally settled by approximately EUR 20 000 per month. In view of the above, in previous periodic reports the Company used to apply assumption that total value of claims should be at the level taking into account this increase of value of the claim. Taking into consideration last opinion of law firm that is conducting the case, bearing in mind current facts of the case, the value of the claim should be reduced to the amount constituting equivalent of EUR 200 000 as the risk of order to pay higher amount in this case is residual. At the submission date of this report, the adjusted value of the claim was accounted for at the total value of the claims demanded against the Company of approximately PLN 0,87 million;
- since May 2016 in relation to Turkish subsidiary, X Trade Brokers Menkul Degerler A.Ş., there is an action pending brought by a client, who contests the merit of cancellation by the company of transactions concluded at incorrect prices. At the submission date of this report total value of the claims is the equivalent of PLN 568 000;
- one of the Company's clients threatened in 2014 to file a suit regarding its alleged illegal actions. The client accuses the Company of improper execution of the agreement concluded with Company for provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts, by allegedly delaying and interrupting execution of the transactions via the trading platforms provided. The client has not referred the matter to court in the last 4 years and at the same time has repeatedly demanded payment of PLN 3,5 million, PLN 7 million and then PLN 14 million. The management board finds the client's claims groundless. The only reason for the loss of the client was his wrong investment decisions. This has been clearly demonstrated, among others, during the audits of the Polish Financial Supervision Authority (PFSA) in 2016, in the subsequent correspondence of the company with the supervisor, and in the expertise of an independent consultancy company, Roland Berger, which analysed the client's transaction history. The analysis confirmed that the client's transactions were not delayed, and the timing of his orders was even faster than the average for other clients;
- on January 5 2018, the Financial Ombudsman received a request from the client to investigate the legitimacy of restoring by the Company of a client's margin in the amount of PLN 131 000, i.e. the amount resulting from the loss of transactions closed by the Company. Their closing took place as a result of the mechanism of closing the position after 365 days from the day of their opening. This mechanism has been described in the regulations on the provision of brokerage services. On February 19, 2019 a lawsuit in the case under consideration was filed with the District Court.

Proceedings against XFR Financial Ltd. (the company currently operating under the name XTRADE Europe Ltd.)

On 18 November 2016 the Company filed suit against XFR Financial Ltd., with its registered office in Cyprus ("XFR"), with a request to secure claims connected with breach of rights to registered union trademark of the Company. The Company requested the Regional Court in Warsaw to secure its claim against XFR by: (i) prohibiting XFR from using the verbal and figurative mark "XTRADE"; and (ii) prohibiting XFR from using the verbal mark "XTRADE" in internet domain names. XFR conducts competitive business with respect to the Company and abuses, in the opinion of the Company, the significant recognition of the Company's brand in European countries, thus misleading the Group's existing and potential clients. The Company was notified that the request for protection of this claim against the XFR was dismissed therefore the Company filed an appeal against this decision. The Warsaw Court of Appeals upheld the appeal and changed the challenged judgment by securing XTB's claim against XFR and has banned XFR from using (i) word marks and word-figurative marks "XTB", "X-Trade", "XTrade", "X" and (ii) the word mark xtrade.eu. Proceedings before the Regional Court in Warsaw are currently pending since 12 April 2017 based on the suit filed by the Company to prohibit XTRADE Europe Ltd. from violating the principles of fair competition, which involves unlawful use by the defendant of the verbal as well as verbal and graphical names "XTB", "X-Trade", "XTrade" and "X" to identify the enterprise or the financial, financial intermediation and advisory, brokerage and stockbroker activity. The following documents have been filed in the case: by XTRADE Europe Ltd. – reply to the suit, and by the Company – answer to the reply to the suit. As the legal representatives of XTRADE Europe Ltd. failed to prove being properly authorized to act in the case, the Court summoned them to furnish documents confirming that the persons granting the power of attorney to them were, on the date of granting thereof, authorised to act for and on behalf of XTRADE Europe Ltd. The reply of XTRADE Europe Ltd. has been filed. After correction of formal defects by XTRADE Europe Ltd., the Company submitted a response to the reply on 9 November 2017 and by letter of 28 May 2018 filed a new motion as to evidence. XTRADE Europe Ltd. responded in writing to both these letters of the Company. On 20 September 2018 , 4 December 2018, 20 March 2019 and 16 April 2019 hearings in this case were held. XTRADE Europe Ltd. closed its branch in Warsaw and stated that it stopped provided services to clients in Poland during the procedures held before the District Court. In this way it arguments that it does not use XTRADE's signs in Poland. The next hearing is planned on 4 July 2019. The court stated that in the beforementioned term closing of the hearing is planned. Based on this, it is possible that in July the court will give its judgement.

Moreover, on 19 June 2017 the Company applied to the District Court for Warsaw-Śródmieście in Warsaw for commencement of enforcement proceedings as XTRADE Europe Ltd. has not ceased to use identifications being the Company's property to identify its business or services provided, despite a respective ruling of the Court of Appeal in Warsaw dated 15 March 2017. On 12 January 2018, the District Court for Warsaw-Śródmieście in Warsaw issued a ruling ordering XTRADE Europe Ltd. to pay the amount of PLN 5 000 to the Company. The defendant was also threatened to be ordered to make a payment to the Company in case of determination of any subsequent violation by the debtor of the obligation to exercise the ruling of the Court of Appeal in Warsaw dated 15 March 2017. In connection with this on 19 April 2018 the Company applied to the District Court with a motion for awarding from XTRADE Europe Ltd. PLN 100 000 in connection with failure to perform a collateral established by the Court of Appeal. By virtue of a decision from 28 November 2018 District Court dismissed the Company's motion and determined that as of the date of issue of the decision the marks are no longer used in Poland by XTRADE Europe Ltd. By virtue of 27 March 2019 the District Court in Warsaw dismissed the complaint of the Company.

Furthermore, The Regional Court in Munich by decision from 25 July 2017 has prohibited using in Germany marks „XTRADE" and „XTRADE EUROPE Ltd" and confirmed that these marks are confusingly similar to the trademarks registered by the Company. In addition, XTRADE Europe Ltd. was also obliged to provide information indicating scope and number of use of those marks in the past and to pay damages, amount of which has not yet been specified. On 19 April 2018 the Court of Appeal rejected the appeal of the Cypriot company – the judgment which forbids usage of XTRADE symbol in Germany is final. As of the date of delivery of this report the proceedings aiming at award the Company reimbursement by XTRADE Europe Ltd. of representation costs and enforcement of the final judgement.

Administrative and control proceedings

The Company and the Group Companies are party to several administrative and control proceedings related to the Group's business. The Company believes that below are presented the most significant among them.

As part of exercising supervisory powers over the Company, the Polish Financial Supervision Authority (the "PFSA") has performed, basically for the period from 1 January 2014 to 11 June 2016, checks on compliance with legal regulations and internal regulations, (i) the provision of certain brokerage services, (ii) the mode and conditions of dealing with clients, (iii) the organization and operation of the internal control system, the system of compliance with law and the internal audit system, and (iv) technical and organizational conditions for conducting brokerage activities. The audit ended on 16 September 2016.

On 14 October 2016, the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. The PFSA did not take into account the Company's objections and therefore issued post-control recommendations, which required the Company to implement appropriate measures to remove the detected irregularities.

The Company applied due care in order to implement all the recommendations of the PFSA. As to the post-inspection objections, the Management Board submitted to the PFSA extensive substantive and legal objections as well as detailed analyses, pointing that remarks included in the control protocol are groundless.

On 27 September 2018 the Company received information about imposition onto the Company pursuant to art. 167 para. 2 point 1 in connection with art. 167 para. 1 point 1 of the act on Trading in Financial Instruments a fine of PLN 9.9 million in connection with the violation of the law, in particular in the area of providing brokerage services to the Company's clients. In the Company's opinion, the imposition of a fine for above-mentioned fraud is not justifiable and is not reflected by the facts. The Polish Financial Supervision Authority refused to take the evidence requested by the Company (including the expert's opinion) and did take into account independent expert's opinions submitted by the Company. Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board appealed the abovementioned decision by filing on 29 October 2018 complaint against the PFSA decision to Provincial Administrative Court.

On 20 November 2017 the inspection initiated by Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") started in the German branch of the Company. This inspection concerns the affiliation programme. Until the date of delivery of this report, the Company has not obtained any feedback from the supervisory authority regarding the results of this inspection.

Moreover, on 26 January 2018 the Company was served with the letter from the National Bank of the Czech Republic ("CNB"), notifying commencement of inspection at the Company's Czech branch. The inspection covers evaluation with regard to compliance of the branch and the Company's operations with the Czech act on the capital market in the area of (i) provision of investment services with due professional diligence, (ii) operating principles of the investment company in its contacts with clients, as well as (iii) daily reporting of clients' transactions to the supervisory authority.

On 15 June 2018 the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable in Czech Republic laws and regulations by the branch and the Company, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. As of the date of the submission of this report, the Company exercises due diligence in order to implement the post-audit recommendations of CNB. Nevertheless, no assurance may be given that the branch and Company's way of adjustment to the particular recommendation will not be considered as unlawful or non-compliant with CNB's attitude to the issue, therefore detected infringements in branch and Company's brokerage activity may constitute basis to, inter alia, initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of CNB or other authorities.

As of the date of delivery of this report the Company is in the process of obtaining the PFSA's permission to use the delta coefficient calculated on the basis of own option pricing model. At the Company's request on 27 September 2017 the PFSA issued a decision on the suspension of the proceedings for obtaining a permission to use the delta coefficient calculated on the basis of option pricing model. The Company received an expert opinion in which it was stated that the CRR Regulation is not applicable to the specificity of the binary options in respect of use of delta. At the beginning of January 2018 the Company asked the European Banking Authority for an interpretation of the CRR Regulation regarding the application of the option pricing model to financial instruments, such as binary options.

At first the proceeding was initiated by the Company in March 2014, then suspended and resumed by the Company on 5 March 2015. The Company introduced Up&Down options in 2012 on the basis of exceptions stemming from the provisions of the Polish Capital Requirements Regulation Offering Up&Down was not required by the PFSA. Due to the entry into force on 1 January 2014, the CRR Regulation abrogating the Polish Capital Requirement Regulation risks to say that the Group used to offer Up&Down options without the PFSA's consent, and that the Company may be subject to penalties or other sanctions by the PFSA.

Regulatory environment

The Group operates in a highly regulated environment imposing on it certain obligations regarding the respect of complying with many international and local regulatory and law provisions. The Group is subject to regulations concerning inter alia (i) sales practices, including client acquisition and marketing activities, (ii) maintaining the capital at a certain level, (iii) practices applied in the scope of preventing money laundering and terrorist financing and procedures for client identification (KYC), (iv) reporting duties to the regulatory authorities and reporting to the trade repository, (v) the obligations regarding the protection of personal data and professional secrecy, (vi) the obligations in the scope of investors protection and communicating of relevant information on the risks associated with the brokerage services, (vii) supervision over the Group's activity, (viii) inside information and insider dealing, preventing the unlawful disclosure of inside information, preventing market manipulation, and (ix) providing information to the public as the issuer.

The sections below describe the most relevant, from the Company's point of view, changes of regulatory obligations occurring during the last period covered by this report and the changes that will enter into force in the forthcoming period.

The so-called the MiFID II/MIFIR package implementation into national legislative system by introducing act amending the act on trading in financial instruments and some other acts and new regulations to this act

The MiFID II Directive and MIFIR Regulation (the "MiFID/MiFIR package") entered into force on 3 January, 2018. Transposition of the MiFID II Directive into the national law took place by introducing amendments to the act on trading in financial instruments. The amended act entered into force on 21 April, 2018, albeit a longer vacatio legis has been reserved for some of its provisions. The main purpose of this act is to increase the safety of financial market participants and ensure competitive conditions for investment companies. The starting point for covering clients of investment companies with greater protection is an obligation of entities providing services to act in a reliable and professional manner, in accordance with principles of fair trading and the best interest of their clients. The legislator distinguished two stages: (i) preceding and (ii) accompanying and following after providing brokerage services and for each of them indicated separate obligations towards clients of investment companies. The professionalism and reliability of investment companies have been strengthened by new rules regarding communication with clients and introducing system to register telephone conversation and electronic communication with them. During provision of services investment companies were obliged to provide clients with regular reports related to the performance of a contract for the provision of brokerage services. Novum, also ensuring greater transparency of the market for its participants is authorisation of a new category of trading system in the form of an organised trading facilities (OTF). Non-discriminatory access rules to OTF will contribute to make the market competitive. There also were introduced separate provisions dedicated to the new type of financial instruments trading system, alternative trading platform for small and medium-sized enterprises. The regulation is intended to increase transparency of cross-selling by entities providing retail services inter alia in the area of fees associated with this kind of selling. The regulation also reduced unnecessary costs that could be charged to the client. The charging of remuneration, commissions or any other benefits from third parties by companies proving independent investment advisory services and asset management shall henceforth subject to significant restrictions. Thanks to the changes, it should be clear for the client who uses investment advisory services, whether they are independent and he also should be familiarised with their costs and grounds. As a result of the amendment, the outsourcing of the processes, services or activities of an investment company was regulated, and the entities that deal with the algorithmic trading technique were subject to special surveillance. Following the amendment to the act on trading in financial instruments, a new regulation of the Minister of Finance of May 30, 2018 on the mode and conditions of conduct of investment firms and banks, which are referred to in Art. 70 (2) of the act on trading in financial Instruments, and custodian banks (hereinafter the "RMC Regulation") entered into force. The layout and content of the new RMC Regulation is based on the previous regulation, however the Ministry of Finance broadened the definition part and enriched the RMC Regulation with additional sections. From the perspective of financial entities, it is crucial to determine the conditions for providing clients with report related to the performance of a contract for the provision of brokerage services: its content, method and time limit for its transfer. It also settled according to which principles incentives may be received or paid. From the law arise, among others, prohibition on accepting or receiving incentives if the investment company would provide brokerage services in a way that is unreliable, unprofessional, inconsistent with the principles of fair trading or does not duly take into account the interests of clients or potential clients. The aforementioned prohibition corresponds to the obligation to disclose data concerning benefits to those persons and to collect and store documentation confirming that the purpose of any benefits provided is to improve the quality of services. The RMC Regulation sets out situations where such the benefit is considered as improving the quality of services. The law has been enriched with a catalogue of forms of benefits considered as minor cash benefits. In relation to the previous regulation, the provisions on the principles of categorisation clients as retail or professional were modified. There are also new provisions for practices related to cross-selling. In addition, the RMC Regulation sets out the terms and conditions for the conduct of investment firms recommending, offering or otherwise enabling the acquisition or subscription of a financial instrument. The act contains additional conditions for the activity of investment companies who are: issuers of financial instruments or entities providing advice on issuing financial instruments. In conclusion, RMC Regulation extends mechanisms for securing clients and limits the possibility of receiving incentives by investment firms. New provisions came into force on 23 June, 2018, whereby their implementation in investment companies was to take place until 21 October 2018.

Another element of the implementation of the MiFID II/ MIFIR package into the Polish system is the introduction of the regulation of the Minister of Finance of 29 May 2018 on detailed technical and organizational conditions for investment companies, banks referred to in art. 70 (2) of the act on trading in financial instruments, and custodian banks (hereinafter "RTOC Regulation"). It regulates in detail the storage, registration and safekeeping of financial instruments and keeping cash accounts. The provisions of the RTOC Regulation contain a description of the manner and detailed conditions for recording and depositing funds of clients as well as categories of entities in which these funds may be deposited. An innovation is necessity to appoint one person responsible for fulfilling duties in the area of safekeeping of financial instruments and clients' funds in order to prevent the fragmentation of responsibility between individual employees and to reduce the associated risks. The regulations indicate the necessity of introducing organizational solutions regarding the manner of remunerating persons offering or concluding agreements in the course of cross-selling, in order to remove any possibility of concluding cross-selling contracts with clients for whom it will be inappropriate. There also can occur organizational changes in investment companies as a result of changes in the functioning of the internal audit and specifying rules allowing serving on boards of investment companies and holding other key positions. In relation to previous internal audit regulation, more flexibility was given in the area of shaping the audit principles, because it was reduced to the obligation to introduce internal audit regulations. The requirements for the management personnel, also in the area of improvement of professional qualifications are indicated to strengthen the professionalism of activities of the investment companies. The RTOC Regulation develops the principles for keeping records of transactions, archiving documentation and other medium of information prepared in connection with running a business. The law issued on 29 May 2018 entered into force on 23 June 2018. Similarly to the RMC Regulation, the transitional provisions allowed investment companies to comply with the new requirements by 21 October 2018.

The Company exercised due diligence in order to comply with amendments to the act on trading in financial instruments and requirements of RMC Regulation and RTOC Regulation. However, it cannot be excluded that a given rule or requirement will be interpreted by Company in a manner inconsistent with the regulations which may be connected with supervisory activities and sanctions specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Project of amendments to act on trading in financial instruments and other acts aimed at reducing CFD's leverage in Poland

On 22 June, 2017 another draft act on amendment of the act on supervision over the financial market and certain other acts was presented. At present, draft is at the stage of advising. The main assumptions introduced by the draft include, among others: (i) increased requirements regarding security deposits for Polish residents with regard to transactions on the market of financial derivative instruments from 1% to 2% and, consequently, reduction of financial leverage to 1:50 for retail clients. As far a retail clients who, during 24 months preceding submission of the order, concluded at least 40 transactions and expressed this intention, the draft will allow application of financial leverage of up to 1:100, (ii) authorising the Polish Financial Supervision Authority to maintain a register of internet domains and block internet domains of investment companies, used for provision of financial services in a manner non-compliant with regulatory requirements, and (iii) introduction of stricter penal liability for unauthorised operation with regard to trading in financial instruments if the unlawful act results in unfavourable disposition of property by the harmed party.

It is not known yet the final shape of the bill. However, the entry into force of the leverage restriction in the projected shape will most likely increase the transaction costs for the Company's clients from Poland. The result of the amendment may be reduction of ability and interest in trading instruments offered by the Company, particularly when leverage limits in relation to retail clients resulting from ESMA temporary product intervention referred to below in section "Activity of the European Securities and Markets Authority" ("ESMA") will cease to apply and the clients will have access to foreign investment firms' offers not applying Polish regulations. This may have a negative impact on the volume of trading in instruments offered by the Company in Poland, and thus on the Company's business, financial situation and results.

Changes in the scope of protection of personal data and establishing a national cybersecurity system

A legislative package on a new EU legal framework for data protection consists of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation – "the GDPR Regulation") and the Directive (EU) 2016/680 of the European Parliament and of the Council of 27 April, 2016 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, and repealing Council Framework Decision 2008/977/JHA (the "RODO Directive"). Implementation of the RODO Directive by the Member States, with some exceptions, was supposed to take place by 6 May, 2018. The GDPR Regulation did not require implementation and is being used directly by all of the countries of the Community as of 25 May, 2018.

The outcome of working on the implementation of the above-mentioned regulations into the Polish legal order is entering into force the act on personal data protection on 25 May, 2018. This act includes: (i) constitution of a new body accurate for personal data protection – President of the Personal Data Protection Office; (ii) procedure of personal data protection inspector's notifications; (iii) principles of certification and manner of proceedings in such cases, (iv) manner of proceeding in cases related to violation of personal data protection provisions; and (v) issues related to civil responsibility for violation of the personal data protection provisions.

Since August 2017 in Ministry of Digital Affairs works on regulations implementing act on the protection of personal data were being conducted. After referring a draft act amending other acts in connection with ensuring implementation of the Regulation 2016/679 (the GDPR Regulation) of 8 May 2018 to public consultation, on 13 September 2018 new draft act was presented. The project of regulation contains provisions adapting certain acts to the requirements of the GDPR Regulation in areas such as, among others the insurance sector, sectors of justice, culture, health and public statistics. There are also included the principles of processing personal data by employers. The significant element of the project for financial market entities is the introduction of an amendment to the act on trading in financial instruments in the scope of personal data processing of natural persons. The bill was passed on February 21, 2019.

The Company has exercised due diligence in order to comply with its obligations under provisions for the protection of personal data. However, it cannot be excluded that a given rule or requirement were interpreted by the Group in a manner inconsistent with provisions for the protection of personal data which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

On 28 August 2018 the act of 5 July 2018 on national cybersecurity system which is implementation of Directive of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across Union (the "NIS Directive"). In the meaning of the act, the "cybersecurity" is understood as resilience of information systems to activities that violate confidentiality, integrity, availability and authenticity of the data processed or related services offered by these systems. The aim of the regulation is to detect, prevent and minimise the effects of incidents that violate cybersecurity. Institutionally, these objectives are to be pursued by the national cybersecurity system. They are belonging to him, among others authorities responsible for cybersecurity, digital service providers and so-called the operators of essential services. The last one are entities that have an organizational unit in Poland, whose potential sectors of activity have been specified in Appendix 1 to the act and in relation to which an administrative decision has been issued recognising the entity as the operator of the essential services. Such decisions are to be issued until 9 November 2018 by the authorities responsible for cybersecurity. The PFSA is the relevant authority for the banking sector and financial market infrastructure. Pursuant to the provisions of the act, each operator of essential services is obliged to assess the risk of incident and to manage the risk, to use technical and organizational measures appropriate to the risk, including building awareness of system users. In addition, these entities have the task of managing incidents, including reporting serious incidents, applying measures to prevent and minimise the impact of incidents on the security of the information system and enabling efficient communication within the national cybersecurity system. As at the submission date of this report, the Company has not received a decision on a possible recognition her as the operator of essential services and it cannot be ruled out that the provisions of the new act will apply to her. Their implementation may involve significant organizational changes or significant financial outlays.

Act amending the personal income tax act, the corporate income tax act, the act - Tax Ordinance and amendments to some other acts

On 25 September 2018 another draft act amending the personal income tax act (the "PIT Act"), the corporate income tax act ("CIT Act"), the act - Tax Ordinance and some other amendments to the act were published. According to statements of reasons concerning the draft, the purpose of the regulation is, inter alia, closing tax loopholes. It concerns, among others collection of withholding tax, i.e. the tax collected from non-residents. Up to the amount of PLN 2 million of receivable paid to a taxpayer who is non-resident in a given tax year, the current principles of payment (collection) of withholding tax will apply. Once it has been exceeded, a payer is allowed to apply the current withholding tax rules, i.e. favourable fiscal treatment concerning withholding tax if he submits to the tax authority relevant statements related to fulfilling formal requirements (eg. obtaining required documents from the taxpayer) and exercising due diligence in verification of prerequisites for a given tax preference in the form of a reduction or an exemption. The payer who fails to submit these statements will be required to collect, calculate and pay the tax using the rates specified in the CIT Act and the PIT Act. In this case, the payer does not apply the exemptions indicated in these laws and the provisions of agreements on avoidance of double taxation with countries with which Poland have signed the agreements. These restrictions will also apply to taxpayers who are domestic entities in relation to dividends and other income from participation in profits of legal persons. There is also a new mechanism of collecting the tax which requires collection and return of tax after the verification of preferential taxation entitlements. In the opinion of the project initiator, the primary purpose of the changes is to introduce solutions aiming at verification the conditions for the use of favourable fiscal treatment of significant receivables. Evidence collection should be easer as a result of introduction of the act as it allows under certain conditions to use copies of residency certificates that confirm the place of residence of the taxpayer.

The act came into force on 1 January 2019. The Company has exercised due diligence to adapt to changes in the Act amending the personal income tax act, the corporate income tax act, the act - Tax Ordinance Act and amendments to some other acts. It can not be ruled out, however, that a given rule or requirement was interpreted by the Company in a manner inconsistent with the regulations, which may result in the application of supervisory activities and sanctions provided for in the applicable regulations to the Company, and may cause the Company to incur further significant financial expenditures and implementation of significant organizational changes.

Act amending the Act on the exchange of tax information with other countries and certain other acts

On April 4, 2019 the act amending the Act on the exchange of tax information with other countries and certain other acts was passed. The purpose of implementing solutions planned in the project is to improve and supplement the national legislator. The most important assumptions of the Act: (i) in relation to documenting new accounts opened in the period from 1 January 2016 to 30 April 2017 - the need for account holders to submit a statement containing residences as at the opening date of the invoice, no use for filing a statement made by account holders for another moment in time, as well as the use of other methods of bill identification; (ii) introducing a criminal liability clause in the CRS and FATCA statements, and (iii) introducing an obligation to re-identify bills if it was previously made pursuant to Article 50 section 2 of the Act, and simultaneously with this identification, the financial institution did not take into account the tax residence of the account holder.

The draft Act on the liability of collective entities for acts prohibited under penalty

On 11 January 2019, the government bill on the liability of collective entities for acts prohibited under penalty was submitted to the Sejm. The purpose of the draft Act is to increase the effectiveness of a tool for administering sanctions to collective entities, especially in the case of combating serious economic and fiscal crimes. The most important assumptions: (i) broadening the foundations of collective entities' responsibility - the inclusion in the act of behaviours recognized as the own behavior of collective entities that characterizes the offense; (ii) the collective entity's liability for all acts prohibited under penalty as a crime or fiscal offense; (iii) resignation from the requirement to obtain a prior request, i.e. a conviction of a natural person; (iv) the company is also liable if the identity of the perpetrator has not been established; (v) unlimited, open catalog of crimes; (vi) the company has the burden of proving that due diligence has been exercised; (vii) extension of the catalog of penalties; (viii) compulsory management as a preventive measure; and (ix) whistle-blower protection. The project was directed to consultations.

Document including key information on Financial product („KID” – Key Information Document)

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November, 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) was supposed to enter in force on 31 December, 2016, however it finally entered into force on 1 January, 2018. The PRIIP Regulation imposes an obligation on specified financial institutions of preparing document which contains key information of given financial product and defines the manner of its presentation to individual investors. KID document should be prepared for each packaged retail and insurance-based investment product. These products also include derivatives, such as options and CFDs. PRIIP Regulation precisely defines the elements and the sequence in which they shall be included in KID, that is: (i) product name, (ii) data identifying product manufacturers, (iii) information concerning supervision authority of manufacturer, (iv) appropriate warning if product is difficult to understand, (v) main characteristics of product, (vi) description of risk and return, (vii) costs related with investment, (viii) determine the duration of the possession of the product, (ix) information on methods of claim submission, (x) and other relevant information. In cases of infringement of the obligations arising from PRIIP Regulation the supervisory authority may impose following administrative sanctions and measures: (i) prohibition of the product's being placed on the market, (ii) order to suspend placing the product's on the market, (iii) placing the person responsible for the infringement on the list of the public notices, indicating the nature of the breach, (iv) the prohibition of dissemination KID not satisfying the requirements available and publication of the new version, (v) in case of legal persons administrative sanctions up to EUR 5 000 000, or in member states, whose currency is not the euro the equivalent in national currency at 30 December 2014, or up to 3% the total annual turnover of this legal person in accordance with the most recent available financial statement or up to twice the amount of the profits gained or losses avoided because of the breach, in case where fair value can be determined, (vi) in case of natural persons administrative sanctions up to EUR 700 000, or in member states, whose currency is not the euro the equivalent in national currency at 30 December 2014, or up to twice the amount of the profits gained, or losses avoided because of the breach, in case where fair value can be determined. The Regulation becomes directly applicable in all member states.

The Company has exercised due diligence in order to comply with obligation under PRIIP Regulation. However, it cannot be excluded that a given rule or requirement was interpreted by the Group in a manner inconsistent with PRIIR Regulation which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

Preventing use of the financial system for money laundering or terrorist financing - the so-called IV AML Directive

The European Union is working on the adaptation of national legal systems to the Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (the Directive). The main changes resulting from the new legislation are among others: (i) highlight of the importance of a comprehensive approach to the analysis of the risk of money laundering and terrorist financing, at transnational, national and institutional levels, (ii) clarification of the methods of the real beneficiaries identification, (iii) extension of the definition of politically exposed persons (PEP) by adding domestic persons to that group, (iv) extension of the scope of the new regulations on entities receiving cash payments above EUR 10 000, instead present EUR 15 000.

The Polish legislator failed to complete transposition of provisions of the Directive within the required deadline which expired on 26 June, 2017. On 28 March, 2018 President signed the act on prevention of money laundering practices and financing of terrorism which implements provisions of the Directive into the Polish legal order. The act will come into force on 13 July 2018. Amendments in the new act include (i) introduction of a new category of institutions which are obliged to apply the act on the prevention of money laundering and terrorism financing, including entities conducting business activity involving provision of services related to exchange among virtual currencies and means of payment and exchange among virtual currencies, (ii) amendment of the definition of beneficial owner and politically exposed person, (iii) necessity to introduce a procedure for identification and assessment of the risk related to money laundering and terrorism financing in connection with the business activity conducted, (iv) obligation to have a single procedure on the prevention of money laundering for the whole capital group, (v) shortening of the deadline for reporting of transactions to the General Inspector for Financial Information to 7 days after execution thereof, (vi) reduction of the limit for transactions executed in cash to EUR 10 000, (vii) increase of penalties for violation of provisions of the act up to the equivalent of EUR 5 000 000 or up to 10% of the turnover declared in the most recent consolidated financial statements for the business year. That act entered into force on 13 July 2018.

On 13 October 2018 regulation of 4 October 2018 on the transfer of information about transactions and a form identifying the obligated institution came into force. The provisions establish the mode of preparing and transferring transactional information and a form identifying obliged institution and the mode of their transfer to General Inspector of Financial Information (the "GIIF").

The Company exercised due diligence in order to comply with obligation under act on prevention of money laundering practices and financing of terrorism and the regulation on the transfer of information about transactions and a form identifying the obligated institution. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

The draft Act amending Act on enforcement proceedings in administration and certain other acts

On 30 January 2019 a government draft of the Act amending the Act on enforcement proceeding in administration and some other acts was published. The project includes, among others: (i) initiating enforcement proceedings by electronic delivery of enforcement title to the enforcement authority and ensuring the automatic registration of this title in the system servicing the enforcement authority, (ii) new rules regarding the transfer of debts to the enforcement authority by the debtor of the seized receivables (remuneration, claims) from the bank account, other claims, other property rights, from financial instruments recorded on the securities account or other account) to the rules for determining the authorities competent to carry out the execution in the event of administrative and administrative execution convergence to the same thing or the right property; (iii) electronisation of receivables from rights from financial instruments recorded on securities accounts or other monetary accounts, in cases where the debtor of the seized receivables is a bank or a cooperative savings and credit union.

Activity of the European Securities and Markets Authority ("ESMA")

The group is witnessing continuous regulatory changes in the industry at an international level that may change over time. The European Securities and Markets Authority (ESMA) published on 29 June 2017 a statement regarding possible product interventions for CFDs, binary options and other highly speculative financial products that would take place under MIFIR.

On 5 February, 2018 the ESMA published its Guidelines on MiFID II product governance requirements. The document discusses obligations regarding compliance with the law and reporting, and it presents: (i) guidelines for manufacturers, including the manufacturer's obligation to identify the potential target market and the relationship between the manufacturer's distribution strategy and their target market definition; (ii) guidelines for distributors, which define – inter alia – the relationship between the product governance requirements and assessment of suitability or adequacy, as well as the distribution strategy, and (iii) guidelines regarding issues applicable to manufacturers and distributors, including principles of identification of the negative target market and sales outside the positive target market, as well as application of the requirements of the target market to firms operating on wholesale markets.

Moreover, on 27 March, 2018 ESMA agreed on measures on the provision of contracts for differences and binary options to retail investors in EU. Agreed measures regarding CFDs include: (i) leverage limits on the opening of a position by a retail clients between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument, 30:1 for major currency pairs, 20:1 for non-majors currency pairs, 10:1 for commodities other than gold and non-major equity indices, 5:1 for individual equities and other reference values, 2:1 for cryptocurrencies; (ii) a margin close out rule on a per account basis; (iii) negative balance protection on a per account basis; (iv) a restriction on the incentives offered to trade CFDs; (v) a standardised risk warning. When it comes to binary options, the agreed measures include a prohibition on the marketing, distribution or sale of those instruments to retail clients. Decisions taken on 22 May 2018 in accordance with art. 40 of Regulation on markets in financial instruments regulation (EU) 600/215 by ESMA on product intervention were finally published in the Official Journal of the European Union. The temporary prohibition on the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July, 2018 and is motivated by significant investor protection concerns due to the complexity of the product and the negative expected rate of return. In relation to CFDs temporary aforementioned restrictions on trade, distribution and sale entered into force on 1 August, 2018.

According to MiFIR Regulation, ESMA may introduce temporary intervention measures only for three months. Before the end of the three-month period, ESMA each time considers the need to extend the intervention measures for a further three months. In August 2018, ESMA reviewed the product intervention measure on binary options on the basis of a study carried out among the national competent authorities on the practical application and impact as well as on the basis of additional information provided by the competent national authorities and interested parties. On 24 August 2018 ESMA announced decision to extend its application from 2 October 2018 for following, three-months period. In September 2018 the review concerned the measures applied to CFDs after which, on 28 September 2018 ESMA decided on their extension from 1 November 2018 for a further three months. It also conditionally shortened risk information for CFDs as ESMA was notified that some investment firms had some technical problems with using standard risk warnings due to limitations on the number of marks imposed by external marketing service providers. Moreover, on 27 March 2019 ESMA announced the next decision regarding extension of the intervention for another three-months period, this is from 1 May 2019.

The measures which are still valid on the basis of decisions of ESMA have a significant impact on the way the Group offers and promotes financial products. Despite the Group acting with due diligence implemented organizational changes to comply with these requirements of conducting activity, it cannot be excluded that the manner of interpretation of prohibition and restrictions of ESMA by regulators may be different than solutions adopted by the Group. It may involve applying supervisory activities and sanctions provided for by applicable law and might require the Group to incur further significant financial outlays and implement significant organizational changes. In addition, it cannot be excluded that implementation of ESMA decisions may have a negative impact on the financial results of the Group.

Following the publication on 1 June 2018 of the decision of ESMA regarding product intervention concerning CFD contracts, on 18 July 2018 the Company received a letter from the PFSA with a questionnaire regarding operations on CFD market and the process of adaptation business activity to the aforementioned ESMA's decision. The Company informed about its implementation activities and detected inaccuracies in the interpretation of the abovementioned ESMA's decision. In the view of the prohibition of 22 May 2018 regarding the trading, distribution or sale of binary options issued by ESMA, on 19 October 2018 the PFSA asked the Company to provide information regarding the sale of binary options. The Company provided appropriate explanations, including information about the withdrawal of binary options from her offer. On 19 November 2018 the Company filled in the PFSA the answer for the questionnaire. As at the submission date of this report, the Company exercised due diligence in order to comply with the obligations arising from aforementioned ESMA decisions. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the PFSA expectations to its interpretation which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

France

In France the works on the introduction of restrictions on promoting the services in the scope of, inter alia, derivatives on the OTC market were completed. The act, passed by the French parliament on 8 November, 2016 entered into force on 11 December, 2016. As a consequence of the implementation of the act French supervisory authority – AMF adapted its own regulations applicable to investment firms providing services on French territory. The restrictions are one of the other underlying assumptions included in the French Monetary and Financial Code. The Act introduces, inter alia, ban on, indirect and direct transfer through electronic means of transmission promotional materials relating to financial services for non-professional clients and to prospective clients. The ban refers to the services for which a client is unable to estimate maximum exposure to risk at the time of the transaction, in respect of which the risk of financial losses may exceed the value of the initial margin or which the potential risk is not readily apparent due to the ability of the potential benefits.

The Company has exercised due diligence in order to comply with the amended requirements. However, it cannot be excluded that measures undertaken by the Company in order to implement above limitations and prohibitions will be interpreted by the Company in a manner inconsistent with the Act which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

Turkey

On 10 February 2017 the Communiqué on the changes in the III-37.1 Communiqué on principles regarding investment services, activities and ancillary services have been published in the Official Journal. Key assumptions include the reduction of used leverage to 1:10 and the introduction of minimum deposit of TRY 50 thousand. The changes referred to above entered into force with immediate effect for all clients and open positions from 10 February 2017, and in relation to the positions opened before that date was a deadline 45 days to adjust the current state to the new regulations. Consequently, on 18 May 2017 the Company decided to withdraw from operations on the Turkish market. Yet, the decision was suspended on 30 November 2017 by the Board of the Company until the end of the first half of 2018, because of the possibility that the Turkish regulatory authority CMB may mitigate changes in the regulations governing operations in the area of investment services, investment activity and auxiliary services.

After analysis of the subsidiary's situation and as a result of lack of assumed alleviation of limitation introduced by the Capital Markets Board of Turkey, on 19 April 2018 the Management Board took a decision on renewal of actions leading to shut down of business on Turkish market and liquidation of subsidiary, which remains valid at the date of submission of the report.

Germany

German supervisory authority – BaFin has declared that ESMA decisions on product intervention will be fully applied at the time specified explicitly by European authority. It should therefore be concluded that in the German legal order there has been a full adaptation of ESMA's recommendations from the day of 2 July 2018 regarding the prohibition on binary options and from 1 August 2018 regarding to CFDs.

The Company has made every effort to comply with the above decisions. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the BaFin approach, which may involve application to the Company of the supervisory activities and sanctions provided for in the applicable legislation and may require the Company to incur further significant financial expenses and Implementation of significant organizational changes.

Great Britain

On 6 December 2016 British supervisory authority – FCA submitted for consultation the document called Enhancing conduct of business rules for firms providing contract for difference products to retail clients. The main assumptions of legal changes include among others reduction of leverage offered depending on the client's investment in derivatives experience. Under the proposed assumptions for experienced retail clients i.e. those who have done at least 40 transactions in a continuous period of 12 months over the last 3 years, or at least 10 transactions per quarter in the four quarters over the last three years the maximum leverage level will be 1:50. For other clients leverage was set at the maximum level 1:25. Further proposals indicated in the document assume preventing offering of bonuses or rebates, which depend on the opening of an account or payment of deposit by the client. The document also envisages the introduction of obligation to publish standardized information on the risks of investing in derivative instruments and information on the percentage of accounts, on which gain or loss was reported in the preceding quarter and the preceding 12 months.

FCA suspended work on the document until discussions conducted within the European Securities and Markets Authority ("ESMA") about the possible use of its product intervention powers under article 40 of MiFIR will be concluded and after their completion it was decided not to resume the work.

Following ESMA's decision to introduce a temporary prohibition on the distribution of binary options and restrictions on CFDs distribution to retail clients, as announced by FCA on the British market the timely implementation of aforementioned measures in the mode of product intervention took place. ESMA decisions to extend the application of product intervention measures begun to be also valid in Great Britain for subsequent, quarterly periods. At the moment other FCA changes related to ESMA's product intervention are not expected.

At the moment of submission of the report, negotiations are ongoing between Prime Minister Theresa May and representatives of European Union regarding the terms of withdraw from European Union of Great Britain (so-called "Brexit"), in accordance with the procedure under art. 50 of the Treaty on European Union. The impact of Brexit on the financial industry sector hinges on whether a deal can be struck between Great Britain and European Union and on what kind of barriers in providing services by British entities will be included in it. In connection with the above, the Company is eagerly awaiting results of the conducted negotiations. It cannot be ruled out that the new operating conditions for entities in the Group may affect its future financial results.

Spain

On 17 March 2017 Spanish supervisory authority (Comisión Nacional del Mercado de Valores – CNMV) has required financial institutions offering CFD financial instruments and binary options which use leverage higher than 1:10, to include relevant information and warnings and to apply mechanisms which enforce client to acquaint with them and to accept the risks related with these products, inter alia, during the process of brokerage services agreement conclusion, before usage of such services and, as well, during usage of such services by client. Required by the CNMV warnings enforce clients of financial institutions to become acquainted with the risks related with products, and in case of willingness to use these products, to express unequivocal acceptation of this risk. Regulations are designed to protect individual investors.

On 9 October 2018 CNMV published a new regulation, circular 4/2018, whereby amendment to circular 1/2010 on information to be communicated to the CNMV by investment companies was made in line with Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU. New requirements are applicable to the information concerning activity of investment companies starting from 1 January 2019.

The Company has exercises due diligence in order to comply with the above regulations. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the regulations which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

Romania

On 26 June 2018 an amendment to the Capital Markets Act No. 24/2017 has been published in the Official Monitor of Romania. The main amendment which concerned art. 104 of the Act introduced a prohibition on the distribution of binary options to retail clients in Romania and restrictions in respect of CFDs distribution in Romania. The Act came into force in mid-July 2018, however works on appendix to it were still in progress. Romanian regulator, Autoritatea de Supraveghere Financiară ("ASF") had been considering if requirement of 50% margin close-out rule per position basis should be introduced and thereby additional restriction apart from intervention measures taken by ESMA will be in force. Finally, it was decided to implement product intervention measures without further restrictions. The ASF regulation of 25 September 2018 on this subject entered into force on 9 October 2018.

Financial transaction tax

As at the submission date of this report the only jurisdictions where the Group conducts its business and where financial transactions tax was payable were Italy (the tax applies from 1 September 2013) and France (the tax applies from 1 August 2012).

Notwithstanding the above, the work on the pan-European legislation imposing a financial transaction tax a portion of the proceeds of which would be contributed directly to the EU budget is in progress. The original proposal regarding the introduction of such tax provided that the minimum tax rates will be 0,1% on any trading in shares and bonds and 0,01% on any trading in derivative instruments. On 8 December 2015, a working draft of a summary of the meeting of the Economic and Financial Affairs Council, which was held on the same day, was published. It presented the principal assumptions for the future tax on financial trades regarding: (i) shares; and (ii) derivatives. According to that document, the tax should apply to all transactions involving shares, although a more precise definition of its territorial scope was left to the legislative initiative of the European Commission. The document states that the tax will also apply to transactions in derivative instruments executed within the scope of market making activities. As at the submission date of this report there is no official information about the possible date of the imposition of such a tax.

INTERIM CONDENSED FINANCIAL STATEMENTS

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)
Result of operations on financial instruments	31 594	106 828
Income from fees and charges	1 540	1 076
Other income	6	11
Total operating income	33 140	107 915
Salaries and employee benefits	(16 039)	(16 305)
Marketing expense	(5 382)	(6 056)
Other external services	(8 259)	(7 619)
Costs associated with maintenance and lease of buildings	(523)	(1 473)
Amortization and depreciation	(1 546)	(886)
Taxes and statutory fees	(538)	(327)
Commission expenses	(1 630)	(1 979)
Other costs	(556)	(502)
Total operating expenses	(34 473)	(35 147)
Profit (loss) on operating activities	(1 333)	72 768
Impairment of investments in subsidiaries	(338)	(1 568)
Finance income	791	2 608
Finance costs	(159)	(2 337)
Profit (loss) before tax	(1 039)	71 471
Income tax	75	(13 754)
Net profit (loss)	(964)	57 717
Other comprehensive income	(24)	214
Items which will be reclassified to profit (loss) after meeting specific conditions	(24)	214
- foreign exchange differences on translation of foreign operations	*61*	*(67)*
- foreign exchange differences on valuation of separated equity	*(105)*	*347*
- deferred income tax	*20*	*(66)*
Total comprehensive income	(988)	57 931
Earnings per share:		
- basic profit (loss) per year attributable to shareholders of the Parent Company (in PLN)	(0,01)	0,49
- basic profit (loss) from continued operations per year attributable to shareholders of the Parent Company (in PLN)	(0,01)	0,49
- diluted profit (loss) of the year attributable to shareholders of the Parent Company (in PLN)	(0,01)	0,49
- diluted profit (loss) from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	(0,01)	0,49

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	31.03.2019 (UNAUDITED)	31.12.2018 (AUDITED)	31.03.2018 (UNAUDITED)
ASSETS			
Own cash and cash equivalents	414 072	412 950	405 670
Clients' cash and cash equivalents	365 500	326 649	290 166
Financial assets at fair value through P&L	100 577	106 531	105 055
Investments in subsidiaries	54 526	54 864	56 001
Income tax receivables	2 881	2 841	196
Financial assets at amortised cost	7 016	11 532	6 795
Prepayments and deferred costs	4 138	2 351	5 195
Intangible assets	466	495	1 521
Property, plant and equipment	15 746	2 250	2 519
Deferred income tax assets	7 426	7 497	8 269
Total assets	972 348	927 960	881 387
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to clients	450 052	405 200	360 347
Financial liabilities held for trading	13 543	24 794	15 183
Income tax liabilities	186	139	2 843
Liabilities due to lease	13 316	37	101
Other liabilities	19 344	20 674	21 588
Provisions for liabilities	1 050	1 049	927
Deferred income tax provision	12 635	12 857	9 618
Total liabilities	510 126	464 750	410 607
Equity			
Share capital	5 869	5 869	5 869
Supplementary capital	71 608	71 608	71 608
Other reserves	334 760	334 760	247 854
Foreign exchange differences on translation	1 135	1 159	826
Retained earnings	48 850	49 814	144 623
Total equity	462 222	463 210	470 780
Total equity and liabilities	972 348	927 960	881 387

INTERIM CONDENDSED STATEMENT OF CHANGES IN EQUITY

Interim condensed statement of changes in equity for the period from 1 January 2019 to 31 March 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2019	5 869	71 608	334 760	1 159	49 814	463 210
Total comprehensive income for the financial year						
Net profit (loss)	–	–	–	–	(964)	(964)
Other comprehensive income	–	–	–	(24)	–	(24)
Total comprehensive income for the financial year	–	–	–	(24)	(964)	(988)
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	–	–	–	–
- dividend advance payment	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–
As at 31 March 2019 (unaudited)	5 869	71 608	334 760	1 135	48 850	462 222

Statement of changes in equity for the period from 1 January 2018 to 31 December 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2018	5 869	71 608	247 854	612	86 906	412 849
Total comprehensive income for the financial year						
Net profit	–	–	–	–	90 898	90 898
Other comprehensive income	–	–	–	547	–	547
Total comprehensive income for the financial year	–	–	–	547	90 898	91 445
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	86 906	–	(127 990)	(41 084)
- dividend advance payment	–	–	–	–	(41 084)	(41 084)
- transfer to other reserves	–	–	87 396	–	(87 396)	–
- covering losses from previous years	–	–	(490)	–	490	–
As at 31 December 2018 (audited)	5 869	71 608	334 760	1 159	49 814	463 210

Interim condensed statement of changes in equity for the period from 1 January 2018 to 31 March 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2018	5 869	71 608	247 854	612	86 906	412 849
Total comprehensive income for the financial year						
Net profit	–	–	–	–	57 717	57 717
Other comprehensive income	–	–	–	214	–	214
Total comprehensive income for the financial year	–	–	–	826	57 717	57 931
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	–	–	–	–
- dividend advance payment	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–
As at 31 March 2018 (unaudited)	5 869	71 608	247 854	826	144 623	470 780

INTERIM CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)	31.03.2018 (UNAUDITED)
Cash flows from operating activities		
Profit (loss) before tax	(1 039)	71 471
Adjustments:		
Amortization and depreciation	1 546	886
Foreign exchange (gains) losses from translation of own cash	784	2 416
(Gain) Loss on investment activity	338	1 568
Other adjustments	(23)	204
Changes		
Change in provisions	1	16
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading	(5 297)	(6 542)
Change in balance of restricted cash	(38 851)	43 934
Change in financial assets at amortised cost	4 516	(1 735)
Change in balance of prepayments and accruals	(1 787)	(2 534)
Change in balance of amounts due to clients	44 852	(14 583)
Change in balance of other liabilities	(1 124)	992
Cash from operating activities	3 916	96 093
Income tax paid	(69)	(10 484)
Interests	110	–
Net cash from operating activities	3 957	85 609
Cash flow from investing activities		
Expenses relating to payments for property, plant and equipment	(928)	(41)
Expenses relating to payments for intangible assets	(35)	–
Expenses relating to payments for investments in subsidiaries	–	(408)
Net cash from investing activities	(963)	(449)
Cash flow from financing activities		
Payments of liabilities under finance lease agreements	(978)	(27)
Interest paid under lease	(110)	–
Net cash from financing activities	(1 088)	(27)
Increase (Decrease) in net cash and cash equivalents	1 906	85 133
Cash and cash equivalents – opening balance	412 950	322 954
Effect of FX rates fluctuations on balance of cash in foreign currencies	(784)	(2 417)
Cash and cash equivalents – closing balance	414 072	405 670

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