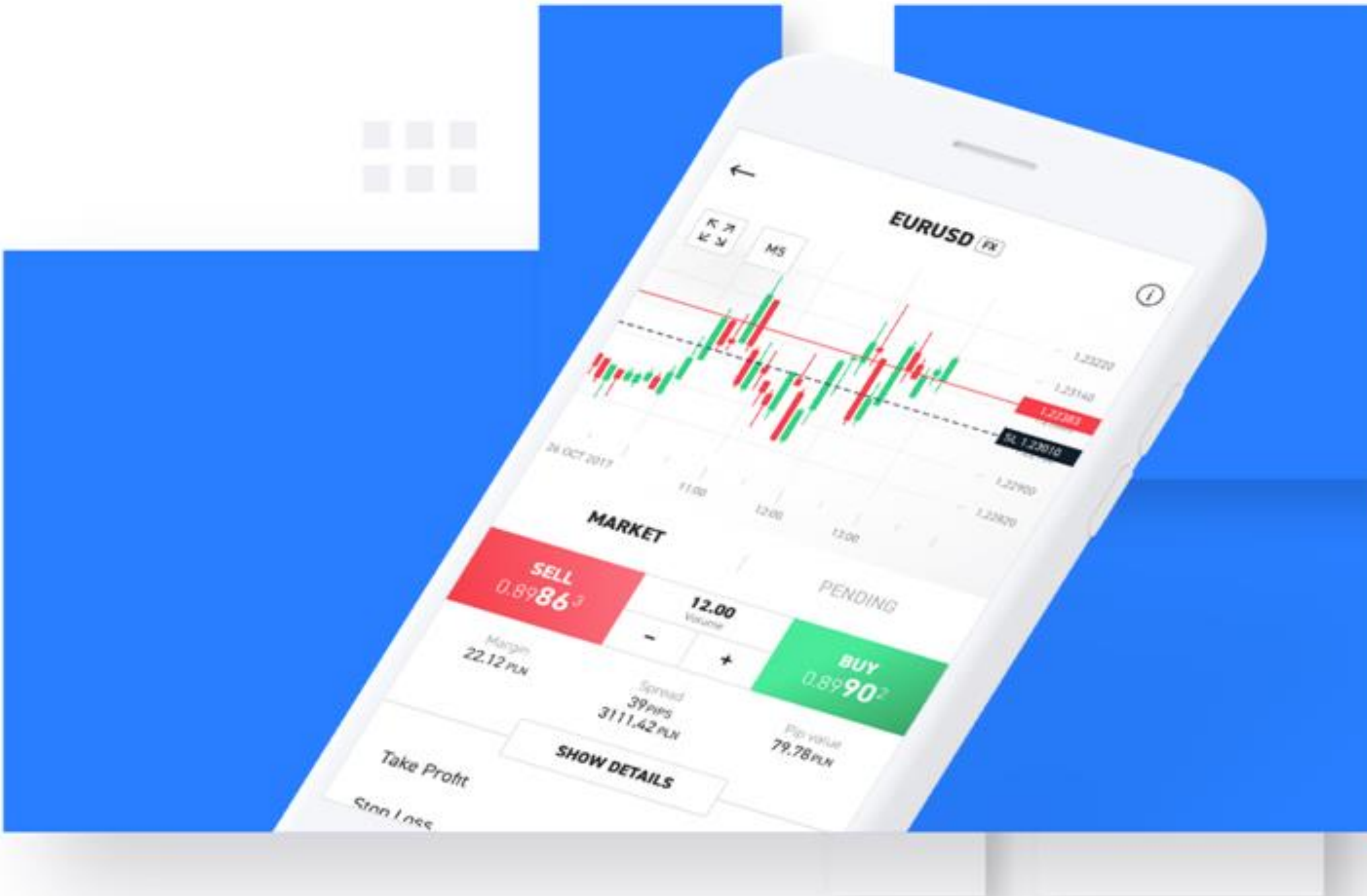

REPORT FOR THE 3RD QUARTER 2018

X-TRADE BROKERS DM S.A.

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FINANCIAL CONSOLIDATED HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 NINE-MONTH ENDED		IN EUR'000 NINE-MONTH ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Consolidated comprehensive income statement:				
Total operating income	245 515	198 446	57 721	46 621
Profit on operating activities	113 885	91 044	26 774	21 389
Profit before tax	120 419	77 103	28 311	18 114
Net profit	97 498	60 700	22 922	14 260
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,83	0,52	0,20	0,12
Consolidated cash flow statement:				
Net cash from operating activities	138 412	15 029	32 541	3 531
Net cash from investing activities	(796)	(3 730)	(187)	(876)
Net cash from financing activities	(69)	(37 667)	(16)	(8 849)
Increase/(Decrease) in net cash and cash equivalents	137 547	(26 368)	32 337	(6 195)

	IN PLN'000		IN EUR'000	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Consolidated statement of financial position:				
Total assets	972 007	897 704	227 562	215 230
Total liabilities	482 935	497 362	113 062	119 246
Share capital	5 869	5 869	1 374	1 407
Equity	489 072	400 342	114 499	95 985
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)	4,17	3,41	0,98	0,82

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: 4,2535;
  - for the comparative period: 4,2566;
- 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: 4,2714;
  - for the comparative period: 4,1709.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED)
Result of operations on financial instruments	6.1	46 014	72 048	240 330	195 095
Income from fees and charges	6.2	1 573	1 038	5 114	3 285
Other income		(9)	29	71	66
Total operating income	6	47 578	73 115	245 515	198 446
Salaries and employee benefits	7	(19 681)	(17 590)	(58 797)	(53 857)
Marketing	8	(8 669)	(5 615)	(25 444)	(19 422)
Other external services	9	(5 605)	(5 304)	(18 334)	(15 429)
Costs of maintenance and lease of buildings		(1 946)	(1 849)	(5 861)	(5 612)
Amortisation and depreciation	17,18	(883)	(1 551)	(3 137)	(4 572)
Taxes and fees		(912)	(363)	(1 835)	(1 709)
Commission expenses	10	(1 609)	(1 196)	(5 643)	(3 817)
Other costs	11	(9 532)	(1 309)	(12 579)	(2 984)
Total operating expenses		(48 837)	(34 777)	(131 630)	(107 402)
Profit (loss) on operating activities		(1 259)	38 338	113 885	91 044
Impairment of intangible assets		–	–	–	(5 612)
Finance income	12	(1 062)	1 364	9 257	3 785
Finance costs	12	733	602	(2 723)	(12 114)
Profit (loss) before tax		(1 588)	40 304	120 419	77 103
Income tax	26	(1 316)	(8 962)	(22 921)	(16 403)
Net profit (loss)		(2 904)	31 342	97 498	60 700
Other comprehensive income		(7 314)	115	(8 768)	(6 608)
Items which will be reclassified to profit (loss) after meeting specific conditions		(7 314)	115	(8 768)	(6 608)
- foreign exchange differences on translation of foreign operations		*(5 949)*	*(466)*	*(8 828)*	*(5 596)*
- foreign exchange differences on valuation of separated equity		*(1 685)*	*717*	*74*	*(1 249)*
- deferred income tax		*320*	*(136)*	*(14)*	*237*
Total comprehensive income		(10 218)	31 457	88 730	54 092
Net profit attributable to shareholders of the Parent Company		(2 904)	31 342	97 498	60 700
Total comprehensive income attributable to shareholders of the Parent Company		*(10 218)*	*31 457*	*88 730*	*54 092*
Earnings per share:					
- basic profit (loss) per year attributable to shareholders of the Parent Company (in PLN)	25	(0,03)	0,27	0,83	0,52
- basic profit (loss) from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	(0,03)	0,27	0,83	0,52
- diluted profit (loss) of the year attributable to shareholders of the Parent Company (in PLN)	25	(0,03)	0,27	0,83	0,52
- diluted profit (loss) from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	(0,03)	0,27	0,83	0,52

The interim condensed consolidated comprehensive income statement should be read together with the supplementary notes which are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTA	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	14	504 660	367 096	262 402
Customers' cash and cash equivalents	14	340 127	378 471	462 868
Financial assets at fair value through P&L	15	101 519	N/A*	N/A*
Financial assets held for trading	15	N/A*	127 944	148 397
Financial assets available for sale		N/A*	147	164
Income tax receivables		1 467	375	670
Loans granted and other receivables	16	5 356	4 009	5 041
Prepayments and deferred costs		4 687	3 216	4 330
Intangible assets	17	1 042	2 915	4 040
Property, plant and equipment	18	2 561	3 034	3 181
Deferred income tax assets	26	10 588	10 497	10 805
Total assets		972 007	897 704	901 898
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	19	419 876	421 400	455 863
Financial liabilities held for trading	20	16 241	40 905	30 948
Income tax liabilities		281	1 268	4 444
Other liabilities	21	31 908	21 913	20 147
Provisions for liabilities	22	1 795	1 666	829
Deferred income tax provision	26	12 834	10 210	17 245
Total liabilities		482 935	497 362	529 476
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	334 898	247 992	247 992
Foreign exchange differences on translation	23	(24 674)	(15 906)	(11 553)
Retained earnings		101 371	90 779	58 506
Equity attributable to the owners of the Parent Company		489 072	400 342	372 422
Total equity		489 072	400 342	372 422
Total equity and liabilities		972 007	897 704	901 898

** N/A - not applicable – items which are not applicable due to the rules resulting from IFRS 9 from 1 January 2018*

The interim condensed consolidated statement of financial position should be read together 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 2018 to 30 September 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
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	–	–	–	–	97 498	97 498	97 498
Other comprehensive income	–	–	–	(8 768)	–	(8 768)	(8 768)
Total comprehensive income for the financial year	–	–	–	(8 768)	97 498	88 730	88 730
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 24)	–	–	86 906	–	(86 906)	–	–
- dividend payment	–	–	–	–	–	–	–
- transfer to other reserves	–	–	86 906	–	(86 906)	–	–
As at 30 September 2018 (unaudited)	5 869	71 608	334 898	(24 674)	101 371	489 072	489 072

The interim condensed consolidated statement of changes in equity should be read together 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 2017 to 31 December 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 554	(4 945)	70 807	355 893	355 893
Total comprehensive income for the financial year							
Net profit	–	–	–	–	92 973	92 973	92 973
Other comprehensive income	–	–	–	(10 961)	–	(10 961)	(10 961)
Total comprehensive income for the financial year	–	–	–	(10 961)	92 973	82 012	82 012
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 24)	–	–	35 438	–	(73 001)	(37 563)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–	–
As at 31 December 2017 (audited)	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342

The consolidated statement of changes in equity should be read together 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 2017 to 30 September 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 554	(4 945)	70 807	355 893	355 893
Total comprehensive income for the financial year							
Net profit	–	–	–	–	60 700	60 700	60 700
Other comprehensive income	–	–	–	(6 608)	–	(6 608)	(6 608)
Total comprehensive income for the financial year	–	–	–	(6 608)	60 700	54 092	54 092
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 24)	–	–	35 438	–	(73 001)	(37 563)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–	–
As at 30 September 2017 (unaudited)	5 869	71 608	247 992	(11 553)	58 506	372 422	340 965

The interim condensed consolidated statement of changes in equity should be read together 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	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		120 419	77 103
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		(28)	36
Amortization and depreciation		3 137	4 572
Foreign exchange (gains) losses from translation of own cash		(17)	1 969
Impairment of intangible assets		–	5 612
Other adjustments	28.2	(8 735)	(6 487)
Changes			
Change in provisions		129	(119)
Change in balance of financial assets and liabilities at fair value through P&L		1 908	(45 191)
Change in balance of restricted cash		38 344	(87 226)
Change in balance of loans granted and other receivables		(1 347)	203
Change in balance of prepayments and accruals		(1 471)	(740)
Change in balance of amounts due to customers		(1 524)	78 595
Change in balance of other liabilities	28.1	10 064	(2 446)
Cash from operating activities		160 879	25 881
Income tax paid		(22 467)	(10 856)
Interests		–	4
Net cash from operating activities		138 412	15 029
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		71	175
Expenses relating to payments for property, plant and equipment	18	(831)	(1 023)
Expenses relating to payments for intangible assets	17	(36)	(2 882)
Net cash from investing activities		(796)	(3 730)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(69)	(100)
Interest paid under lease		–	(4)
Dividend paid to owners		–	(37 563)
Net cash from financing activities		(69)	(37 667)
Increase (Decrease) in net cash and cash equivalents		137 547	(26 368)
Cash and cash equivalents – opening balance		367 096	290 739
Effect of FX rates fluctuations on balance of cash in foreign currencies		17	(1 969)
Cash and cash equivalents – closing balance	14	504 660	262 402

The interim condensed consolidated cash flow statement should be read together 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", "Parent Company", "Brokerage") with its headquarters located in Warsaw, at Ogrodowa street 58, 00–876 Warsaw.

X–Trade Brokers Dom Maklerski S.A. is entered 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 527–24–43–955.

The Parent Company's operations consist of conducting brokerage activities. 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 Comany's organisational 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:

COMPANY NAME	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL 30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
XTB Limited	Great Britain	100%	100%	100%
X Open Hub Sp. z o.o.	Poland	100%	100%	100%
XTB Limited	Cyprus	100%	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	Turkey	100%	100%	100%
Lirsar S.A.	Uruguay	–	–	100%
XTB International Limited	Belize	100%	100%	100%
XTB Chile SpA	Chile	100%	100%	100%
XTB Services Limited	Cyprus	100%	100%	–
X Trading Technologies Sp. z o.o.	Poland	100%	–	–
XTB Africa (PTY) Ltd.	South Africa	100%	–	–

XTB Limited was established 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 Company acquired 1 165 new shares in the capital increase of its subsidiary. As a result of the above transaction the 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 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).

In case of closing the activity on the Turkish market which from the accounting point of view means the repayment of the capital / liquidation of the assets (loss of licence) the Group, according to the applicable accounting rules, will be obliged to take action 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 effect of such translation will be recognized as financial expenses. The Group would like to explain that the amount of exchange rate differences concerning the investment in Turkey is derived among other the exchange rate of Turkish lira, which fluctuates therefore as at the date of these financial statements the Group is not able to precisely estimate the amount of financial exchange which will be recognized in the future.

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay, for PLN 16 thousand. The fair value of net assets acquired amounted to PLN 16 thousand. The Company's results are consolidated under the acquisition method as of the date of its acquisition. In December 2017 Lirsar with its seat in Uruguay was liquidated. Subsidiary's share capital and retained earnings were transferred to Parent Company on 14 December 2017.

On 17 February 2017 the Parent Company established XTB Chile SpA. The 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 acquisition of 100% of shares the Company took up control over the subsidiary. The fair value of the consideration paid was PLN 837 thousand and it 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 the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Belize market of PLN 261 thousand. The estimated amortization period for this isolated intangible asset was established over 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 of 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 August 2017 the subsidiary changed its name to XTB Services Limited.

In January 2018 the Parent Company established X Trading Technologies Sp. z o.o. with its seat in Poland. The 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 Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company.

On 10 July 2018 the Parent Company established XTB Africa (PTY) Ltd. with its seat in South Africa. The 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, the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Malý	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019; dismissed on the 10 January 2017
Jakub Zabłocki	Chairman of the Management Board	10.01.2017	delegated for the position for the period of 3 months from the 10 January to 10 April 2017; delegation cancelled on the 23 March 2017
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
Omar Arnaout	Vice-Chairman of the Management Board	10.01.2017	from the 10 January 2017 appointed for the new term of office; on the 23 March 2017 appointed for the position of the Chairman of the Management Board
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 10 January 2017 appointed for the new term of office which ends on 29 June 2019
Jakub Kubacki	Board Member	10.07.2018	from the 10 July 2018 appointed for the new term of office which ends on 29 June 2019

2. Professional judgement and uncertainty of estimates

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made judgements in the scope of classification of lease agreements, period of amortisation of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2017.

3. Basis for drafting the financial statements

3.1 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 2018 to 30 September 2018 with comparative data for the period from 1 January 2017 to 30 September 2017 and as at 31 December 2017 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 at fair value through P&L 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 the 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 2017.

The interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 7 November 2018. Drafting these interim condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

3.2 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).

3.3 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 interim condensed 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 subsidiary in Turkey and X Trading Technologies Sp. z o.o. described in note 1.2.

3.4 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.

3.5 Changes in the Accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2017, except application of new standards and interpretations effective for financial years beginning on or after 1 January 2018.

The Group applied for the first time IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments.

Other new or revised standards and interpretations which are effective for financial years beginning on or after 1 January 2018 do not have material impact on the Group's interim condensed financial statements.

- IFRS 15 Revenue from contracts with clients

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group adopted IFRS 15 using the modified retrospective method of adoption, i.e. with the cumulative effect of initially applying this Standard recognized at the date of initial application.

The Group operates in the area of delivering of products, services and technological solutions in the field of trading in financial instruments, specializing in the OTC market and in particular in OTC derivatives. The operating revenues of the Group arise mainly from:

a) spreads (difference between purchase price and sell price);

b) net result (gains decreased by losses) from the Company's operations in the scope of market making;

c) commissions and fees charged to clients by the Company;

d) from the swap points

Taking above into account as well as the nature of contracts concluded by the Group with clients, the Group concludes that the application of IFRS 15 does not have material impact on the financial statements.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not material for the Company.

- IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 from the effective date of the standard, without restatement of prior periods.

a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs.

Under IFRS 9, financial instruments are subsequently measured at fair value through profit and loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI' criterion).

The classification and measurement of the Group's financial assets are, as follows:

i. debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. The category includes loans granted and other receivables.

ii. debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition.

iii. equity instruments at FVOCI, with no recycling of gains and losses to profit or loss on derecognition.

iv. financial assets at FVPL include OTC financial instruments. Under IAS 39 OTC instruments, were classified as held for trading and as available for sale.

The Group has I and IV category instruments. The other categories do not appear.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment or whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

IFRS 9 does not introduce significant changes to the classification and measurement of financial liabilities, except for modifications that do not result in the cessation of the recognition of an existing financial liability. The new standard requires the entity to recognize the adjustment to the amortized cost of a financial liability as income or expense in the financial result at the time of modification.

b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The implementation of IFRS 9 did not have material impact on Group's approach to impairment of receivables.

For other financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that result from default events on financial instruments that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. IFRS 9 also changes the approach to the valuation of the issuer's obligations under financial guarantee contracts by introducing a model based on the concept of expected loss. The implementation of IFRS 9 did not have material impact on Group's financial statements.

c) Hedge accounting

The Group did not decide to apply IFRS 9 in the area of hedge accounting.

d) Other adjustments

Not applicable.

- IFRIC 22 Foreign currency transactions and advance consideration

IFRIC Interpretation 22 clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The Interpretation relates to the situation when the transaction is in foreign currency and the entity pays or receives consideration in advance in a foreign currency before the recognition of the related asset, expense or income.

The interpretation does not have material impact on Group's interim condensed consolidated financial statements.

- Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction for development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Company's interim condensed consolidated financial statements.

- Amendments to IFRS 2 Classification and measurement share-based payment transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transactions; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

These amendments do not have any impact on Company's interim condensed consolidated financial statements.

- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

  The amendments allow entities that carry out insurance activity to postpone the date of entry into force of IFRS 9 by 1 January 2021. The effect of such postponement is that the entities concerned may continue to prepare financial statements in accordance with the applicable standard, i.e. IAS 39.

  These changes do not apply to the Group.

- Amendments to IAS 28 Investments in Associates and Joint Ventures as a part of Amendments resulting from the review of IFRSs 2014-2016

  The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit and loss under IFRS 9. If an entity, that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This selection is made separately for each investment entity associate or joint venture, at the later of the date on which a) the investment entity associate or joint venture is initially recognised; b) the associate or joint venture becomes an investment entity; c) the investment entity associate or joint venture becomes a parent.

  These amendments do not have any impact on Company's interim condensed consolidated financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards as part of amendments resulting from the review of IFRSs 2014-2016

  Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have not served they intended purpose.

  These amendments do not have any impact on the Company's interim condensed consolidated financial statements.

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.

3.6 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;
- IFRS 16 Leases (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The Group is in the process of detailed analysing the impact of new standard to its financial statements.
- IFRS 17 Insurance Contracts (issued on 18 May 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 2021;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 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 IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)) - effective for financial years beginning on or after 1 January 2019;

- 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.

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 2017, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2018.

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result on financial instruments

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
CFDs				
Index CFDs	8 786	36 530	109 014	101 055
Currency CFDs	10 445	29 380	68 066	70 122
Commodity CFDs	27 865	5 544	60 183	23 388
Stock CFDs	187	915	2 455	2 012
Bond CFDs	(5)	171	317	(86)
Total CFDs	47 278	72 540	240 035	196 491
Options				
Currency options	–	987	3 010	3 912
Index options	–	364	832	1 027
Commodity options	–	25	104	178
Bond options	–	–	1	2
Total options	–	1 376	3 947	5 119
Shares and listed derivative instruments	46	–	12	-
Gross gain on transactions in financial instruments	47 324	73 916	243 994	201 610
Bonuses and discounts paid to customers	(1 049)	(1 051)	(2 631)	(2 826)
Commission paid to cooperating brokers	(261)	(817)	(1 033)	(3 689)
Net gain on transactions in financial instruments	46 014	72 048	240 330	195 095

Bonuses and discounts paid to customers are strictly related to trading in financial instruments by the customer with Group. Customers receive 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 customers that are not his customers.

From 1 January 2018 the Group presents the costs of affiliation in marketing costs. These costs were previously presented under commission paid to cooperating brokers. The amount of these costs in the period from 1 January to 30 September 2018 amounted to PLN 3 759 thousand. The amount of these costs the comparative period of 2017 amounted to PLN 140 thousand. The data was presented in a comparative way.

In the previous period the result on stocks which was part of hedging was reclassified to Stock CFDs. The amount reclassified was PLN 859 thousand.

6.2 Income from fees and charges

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Fees and charges from institutional clients	1 034	795	3 006	2 414
Fees and charges from retail clients	539	243	2 108	871
Total income from fees and charges	1 573	1 038	5 114	3 285

Other fees and charges refer to commission received from institutional partners and regulatory commission charged to retail customers.

6.3 Geographical areas

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Operating income				
Central and Eastern Europe	27 976	40 060	132 694	90 307
- including Poland	*18 265*	*24 211*	*82 264*	*48 616*
Western Europe	14 295	29 379	97 428	96 425
- including Spain	*5 946*	*11 548*	*35 671*	*40 339*
Latin America and Turkey	5 307	3 676	15 393	11 714
- including Turkey	*–*	*(130)*	*–*	*4 943*
Total operating income	47 578	73 115	245 515	198 446

The country from which the Group derives each time 15% and over of its revenue is Poland. 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		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Salaries	(16 284)	(14 368)	(48 243)	(43 089)
Social insurance and other benefits	(2 638)	(2 465)	(8 090)	(8 007)
Employee benefits	(759)	(757)	(2 464)	(2 761)
Total salaries and employee benefits	(19 681)	(17 590)	(58 797)	(53 857)

8. Marketing

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Marketing online	(7 606)	(4 496)	(20 916)	(13 738)
Marketing offline	(1 063)	(952)	(4 408)	(4 889)
Advertising campaigns	–	(167)	(99)	(711)
Competitions for clients	–	–	(21)	(84)
Total marketing	(8 669)	(5 615)	(25 444)	(19 422)

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

From 1 January 2018 the Group presents the costs of affiliation in marketing costs. These costs were previously presented under commission paid to cooperating brokers. The amount of these costs in the period from 1 January to 30 September 2018 amounted to PLN 3 759 thousand. The amount of these costs the comparative period of 2017 amounted to PLN 140 thousand. The data was presented in a comparative way.

9. Other external services

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Support database systems	(1 717)	(1 419)	(4 682)	(3 103)
Market data delivery	(1 683)	(1 350)	(3 938)	(3 402)
Legal and advisory services	(1 059)	(660)	(3 372)	(2 268)
Internet and telecommunications	(654)	(531)	(1 999)	(1 562)
Accounting and audit services	(363)	(340)	(1 271)	(1 242)
IT support services	(35)	(574)	(778)	(1 502)
Recruitment	(85)	(7)	(470)	(206)
Postal and courier services	(64)	(11)	(117)	(95)
Translations	12	3	(88)	(40)
Other external services	43	(415)	(1 619)	(2 009)
Total other external services	(5 605)	(5 304)	(18 334)	(15 429)

10. Commission expenses

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Bank commissions	(1 134)	(710)	(3 424)	(2 074)
Stock exchange fees and charges	(369)	(400)	(1 907)	(1 536)
Commissions of foreign brokers	(106)	(86)	(312)	(207)
Total commission expenses	(1 609)	(1 196)	(5 643)	(3 817)

11. Other expenses

(W TYS. ZŁ)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Materials	(204)	(222)	(807)	(654)
Business trips	(119)	(214)	(614)	(645)
Released (created) provisions	802	–	(352)	–
Membership fees	(48)	(236)	(259)	(254)
Receivables impairment write–downs	24	(364)	(246)	(612)
Insurance	(15)	(45)	(128)	(133)
Representation	(13)	(314)	(63)	(314)
Loss on liquidation of fixed assets	–	(27)	–	(35)
Other	(9 959)	113	(10 110)	(337)
Total other expenses	(9 532)	(1 309)	(12 579)	(2 984)

Write-downs of receivables are the result of the debit balances which arose in customers' accounts in that period.

Liabilities to the supervisory body concerns the impact of one-off event which was the imposition of and administrative fine by the Polish Financial Supervision Authority in the amount of PLN 9,9 million of which the Company informed in the current report no. 20/2018. On 29 October 2018 the Company filed a complaint against the administrative decision to the Provincial Administrative Court.

12. Finance income and costs

(IN PLN'000)	THREE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED)
Interest income				
Interest on own cash	1 605	1 202	4 676	3 187
Interest on customers' cash	125	159	386	584
Total interest income	1 730	1 361	5 062	3 771
Foreign exchange gains	(2 792)	–	4 189	–
Other finance income	–	3	6	14
Total finance income	(1 062)	1 364	9 257	3 785

(IN PLN'000)	THREE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED)
Interest expense				
Interest paid to customers	(36)	(166)	(138)	(596)
Interest paid under lease agreements	–	(1)	–	(3)
Other interest	(8)	(24)	(27)	(69)
Total interest expense	(44)	(191)	(165)	(668)
Foreign exchange losses	780	794	(2 544)	(11 445)
Other finance costs	(3)	(1)	(14)	(1)
Total finance costs	733	602	(2 723)	(12 114)

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

There was no income from interests calculated using effective interest method.

13. 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 customers.
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 customers 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 THREE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	42 657	3 357	46 014	46 014
CFDs				
Index CFDs	9 869	(1 083)	8 786	8 786
Currency CFDs	10 624	(179)	10 445	10 445
Commodity CFDs	22 841	5 024	27 865	27 865
Stock CFDs	(7)	194	187	187
Bond CFDs	(22)	17	(5)	(5)
Options				
Currency options	–	–	–	–
Index options	–	–	–	–
Commodity options	–	–	–	–
Bond options	–	–	–	–
Shares and listed derivative instruments	46	–	46	46
Bonuses and discounts paid to customers	(433)	(616)	(1 049)	(1 049)
Commissions paid to cooperating brokers	(261)	–	(261)	(261)
Fee and commission income	539	1 034	1 573	1 573
Other income	(9)	–	(9)	(9)
Total operating income	43 187	4 391	47 578	47 578
Salaries and employee benefits	(19 051)	(630)	(19 681)	(19 681)
Marketing	(8 587)	(82)	(8 669)	(8 669)
Other external services	(5 239)	(366)	(5 605)	(5 605)
Cost of maintenance and lease of buildings	(1 915)	(31)	(1 946)	(1 946)
Amortization and depreciation	(879)	(4)	(883)	(883)
Taxes and fees	(907)	(5)	(912)	(912)
Commission expense	(1 589)	(20)	(1 609)	(1 609)
Other expenses	(9 524)	(8)	(9 532)	(9 532)
Total operating expenses	(47 691)	(1 146)	(48 837)	(48 837)
Operating profit (loss)	(4 504)	3 245	(1 259)	(1 259)
Finance income	–	–	–	(1 062)
Finance costs	–	–	–	733
Loss before tax	–	–	–	(1 588)
Income tax	–	–	–	(1 316)
Net loss	–	–	–	(2 904)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	227 952	12 378	240 330	240 330
CFDs				
Index CFDs	105 855	3 159	109 014	109 014
Currency CFDs	66 629	1 437	68 066	68 066
Commodity CFDs	51 561	8 622	60 183	60 183
Stock CFDs	1 835	620	2 455	2 455
Bond CFDs	343	(26)	317	317
Options				
Currency options	3 010	–	3 010	3 010
Index options	832	–	832	832
Commodity options	104	–	104	104
Bond options	1	–	1	1
Shares and listed derivative instruments	12	–	12	12
Bonuses and discounts paid to customers	(1 197)	(1 434)	(2 631)	(2 631)
Commissions paid to cooperating brokers	(1 033)	–	(1 033)	(1 033)
Fee and commission income	2 108	3 006	5 114	5 114
Other income	71	–	71	71
Total operating income	230 131	15 384	245 515	245 515
Salaries and employee benefits	(56 852)	(1 945)	(58 797)	(58 797)
Marketing	(24 657)	(787)	(25 444)	(25 444)
Other external services	(17 590)	(744)	(18 334)	(18 334)
Cost of maintenance and lease of buildings	(5 749)	(112)	(5 861)	(5 861)
Amortization and depreciation	(3 119)	(18)	(3 137)	(3 137)
Taxes and fees	(1 823)	(12)	(1 835)	(1 835)
Commission expense	(5 584)	(59)	(5 643)	(5 643)
Other expenses	(12 069)	(510)	(12 579)	(12 579)
Total operating expenses	(127 443)	(4 187)	(131 630)	(131 630)
Operating profit	102 688	11 197	113 885	113 885
Finance income	–	–	–	9 257
Finance costs	–	–	–	(2 723)
Profit before tax	–	–	–	120 419
Income tax	–	–	–	(22 921)
Net profit	–	–	–	97 498

ASSETS AND LIABILITIES AS AT 30.09.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	297 977	42 150	340 127	340 127
Financial assets at fair value through P&L	94 172	7 347	101 519	101 519
Other assets	530 051	310	530 361	530 361
Total assets	922 200	49 807	972 007	972 007
Amounts due to customers	374 027	45 849	419 876	419 876
Financial liabilities held for trading	12 559	3 682	16 241	16 241
Other liabilities	46 818	–	46 818	46 818
Total liabilities	433 404	49 531	482 935	482 935

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT THREE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	67 679	4 369	72 048	72 048
CFDs				
Index CFDs	32 177	4 353	36 530	36 530
Currency CFDs	26 435	2 945	29 380	29 380
Commodity CFDs	8 335	(2 791)	5 544	5 544
Stock CFDs	937	(22)	915	915
Bond CFDs	184	(13)	171	171
Options				
Currency options	987	–	987	987
Index options	364	–	364	364
Commodity options	25	–	25	25
Bond options	–	–	–	–
Bonuses and discounts paid to customers	(1 051)	–	(1 051)	(1 051)
Commissions paid to cooperating brokers	(714)	(103)	(817)	(817)
Fee and commission income	243	795	1 038	1 038
Other income	29	–	29	29
Total operating income	67 951	5 164	73 115	73 115
Salaries and employee benefits	(17 082)	(508)	(17 590)	(17 590)
Marketing	(5 021)	(594)	(5 615)	(5 615)
Other external services	(5 086)	(218)	(5 304)	(5 304)
Cost of maintenance and lease of buildings	(1 834)	(15)	(1 849)	(1 849)
Amortization and depreciation	(1 551)	–	(1 551)	(1 551)
Taxes and fees	(360)	(3)	(363)	(363)
Commission expense	(1 194)	(2)	(1 196)	(1 196)
Other expenses	(1 200)	(109)	(1 309)	(1 309)
Total operating expenses	(33 328)	(1 449)	(34 777)	(34 777)
Operating profit	34 623	3 715	38 338	38 338
Finance income	–	–	–	1 364
Finance costs	–	–	–	602
Profit before tax	–	–	–	40 304
Income tax	–	–	–	(8 962)
Net profit	–	–	–	31 342

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT NINE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	172 201	22 894	195 095	195 095
CFDs				
Index CFDs	80 091	20 964	101 055	101 055
Currency CFDs	64 333	5 789	70 122	70 122
Commodity CFDs	26 364	(2 976)	23 388	23 388
Stock CFDs	2 018	(6)	2 012	2 012
Bond CFDs	(14)	(72)	(86)	(86)
Options				
Currency options	3 912	–	3 912	3 912
Index options	1 027	–	1 027	1 027
Commodity options	178	–	178	178
Bond options	2	–	2	2
Bonuses and discounts paid to customers	(2 826)	–	(2 826)	(2 826)
Commissions paid to cooperating brokers	(2 884)	(805)	(3 689)	(3 689)
Fee and commission income	871	2 414	3 285	3 285
Other income	66	–	66	66
Total operating income	173 138	25 308	198 446	198 446
Salaries and employee benefits	(52 358)	(1 499)	(53 857)	(53 857)
Marketing	(18 205)	(1 217)	(19 422)	(19 422)
Other external services	(14 737)	(692)	(15 429)	(15 429)
Cost of maintenance and lease of buildings	(5 568)	(44)	(5 612)	(5 612)
Amortization and depreciation	(4 570)	(2)	(4 572)	(4 572)
Taxes and fees	(1 701)	(8)	(1 709)	(1 709)
Commission expense	(3 813)	(4)	(3 817)	(3 817)
Other expenses	(2 708)	(276)	(2 984)	(2 984)
Total operating expenses	(103 660)	(3 742)	(107 402)	(107 402)
Operating profit	69 478	21 566	91 044	91 044
Impairment of intangible assets	–	–	–	(5 612)
Finance income	–	–	–	3 785
Finance costs	–	–	–	(12 114)
Profit before tax	–	–	–	77 103
Income tax	–	–	–	(16 403)
Net profit	–	–	–	60 700

ASSETS AND LIABILITIES AS AT 31.12.2017 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	335 799	42 672	378 471	378 471
Financial assets held for trading	120 433	7 511	127 944	127 944
Other assets	390 961	328	391 289	391 289
Total assets	847 193	50 511	897 704	897 704
Amounts due to customers	374 747	46 653	421 400	421 400
Financial liabilities held for trading	37 376	3 529	40 905	40 905
Other liabilities	35 053	4	35 057	35 057
Total liabilities	447 176	50 186	497 362	497 362

ASSETS AND LIABILITIES AS AT 30.09.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	404 654	58 214	462 868	462 868
Financial assets held for trading	140 530	7 867	148 397	148 397
Other assets	290 334	299	290 633	290 633
Total assets	835 518	66 380	901 898	901 898
Amounts due to customers	397 649	58 214	455 863	455 863
Financial liabilities held for trading	29 278	1 670	30 948	30 948
Other liabilities	42 652	13	42 665	42 665
Total liabilities	469 579	59 897	529 476	529 476

14. Cash and cash equivalents

Broken down by type

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
In hand	1	1	1
In current bank accounts	844 409	743 142	722 641
Short-term bank deposits	377	2 424	2 628
Cash and cash equivalents in total	844 787	745 567	725 270

Restricted own and customers' cash

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Customers' cash and cash equivalents	340 127	378 471	462 868
Own cash and cash equivalents	504 660	367 096	262 402
Cash and cash equivalents in total	844 787	745 567	725 270

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

15. Financial assets at fair value through P&L

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Index CFDs	49 186	56 760	81 900
Commodity CFDs	21 127	14 415	14 604
Currency CFDs	15 904	28 263	27 500
Stock CFDs	7 757	5 447	4 980
Bond CFDs	254	92	95
Stocks	7 291	22 967	19 318
Total financial assets at fair value through P&L*	101 519	127 944	148 397

** item presented in comparative periods as Financial assets held for trading*

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

16. Loans granted and other receivables

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Gross amounts due from customers	2 805	2 667	3 010
Impairment write-downs of receivables	(2 531)	(2 480)	(2 566)
Total amounts due from customers	274	187	444
Trade receivables	2 548	1 543	2 617
Deposits	1 952	1 791	1 861
Statutory receivables	1 282	1 030	1 045
Impairment write-downs of other receivables	(700)	(542)	(926)
Total other receivables	5 356	4 009	5 041

Movements in impairment write-downs of receivables

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(3 022)	(3 107)	(3 107)
Write-downs recorded	(347)	(567)	(616)
Write-downs reversed	101	146	5
Write-downs utilized	37	506	226
Impairment write-downs of receivables – at the end of the reporting period	(3 231)	(3 022)	(3 492)

Write-downs of receivables in 2018 and 2017 resulted from the debit balances which arose in customers' accounts in those periods.

17. Intangible assets

Intangible assets in the period from 1 January 2018 to 30 September 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	36	–	–	–	36
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	(30)	–	–	–	(30)
Gross value as at 30 September 2018	5 545	10 792	4 814	–	21 151
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(292)	(1 052)	(557)	–	(1 901)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	22	–	–	–	22
Accumulated amortization as at 30 September 2018	(4 963)	(10 547)	(4 599)	–	(20 109)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 30 September 2018	582	245	215		1 042

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 2017 to 31 December 2017 (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 2017	5 190	10 792	8 017	–	23 999
Additions	496	–	2 409	–	2 905
Sale and scrapping	(94)	–	–	–	(94)
Impairment of intangible assets	–	–	(5 612)	–	(5 612)
Net foreign exchange differences	(51)	–	–	–	(51)
Gross value as at 31 December 2017	5 541	10 792	4 814	–	21 147
Accumulated amortization as at 1 January 2017	(4 350)	(7 451)	(2 138)	–	(13 939)
Amortization for the current period	(479)	(2 044)	(1 904)	–	(4 427)
Sale and scrapping	94	–	–	–	94
Net foreign exchange differences	40	–	–	–	40
Accumulated amortization as at 31 December 2017	(4 695)	(9 495)	(4 042)	–	(18 232)
Net book value as at 1 January 2017	840	3 341	5 879	–	10 060
Net book value as at 31 December 2017	846	1 297	772	–	2 915

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.

In the period ended 31 December 2017 the Group recognized an impairment of licence for the brokerage activity in Turkey in the amount of PLN 5 612 thousand. There was no impairment in the analogical period. The impairment was presented in comprehensive income statement in line Impairment of intangible assets.

Intangible assets in the period from 1 January 2017 to 30 September 2017 (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 2017	5 190	10 792	8 017	–	23 999
Additions	473	–	2 409	–	2 882
Sale and scrapping	(21)	–	–	–	(21)
Impairment of intangible assets	–	–	(5 612)	–	(5 612)
Net foreign exchange differences	(21)	–	–	–	(21)
Gross value as at 30 September 2017	5 621	10 792	4 814	–	21 227
Accumulated amortization as at 1 January 2017	(4 350)	(7 451)	(2 138)	–	(13 939)
Amortization for the current period	(360)	(1 562)	(1 360)	–	(3 282)
Sale and scrapping	21	–	–	–	21
Net foreign exchange differences	13	–	–	–	13
Accumulated amortization as at 30 September 2017	(4 676)	(9 013)	(3 498)	–	(17 187)
Net book value as at 1 January 2017	840	3 341	5 879	–	10 060
Net book value as at 30 September 2017	945	1 779	1 316	–	4 040

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.

18. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2018 to 30 September 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	702	229	(100)	–	831
Sale and scrapping	(53)	(32)	–	–	(85)
Net foreign exchange differences	(94)	50	–	–	(44)
Gross value as at 30 September 2018	9 686	6 347	–	–	16 033
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(938)	(298)	–	–	(1 236)
Sale and scrapping	37	5	–	–	42
Net foreign exchange differences	63	(44)	–	–	19
Accumulated amortization as at 30 September 2018	(8 315)	(5 157)	–	–	(13 472)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 30 September 2018	1 371	1 190	–	–	2 561

Property, plant and equipment in the period from 1 January 2017 to 31 December 2017 (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 2017	9 534	7 162	143	–	16 839
Additions	873	457	(43)	–	1 287
Sale and scrapping	(1 073)	(1 141)	–	–	(2 214)
Net foreign exchange differences	(203)	(378)	–	–	(581)
Gross value as at 31 December 2017	9 131	6 100	100	–	15 331
Accumulated amortization as at 1 January 2017	(7 530)	(5 563)	–	–	(13 093)
Amortization for the current period	(1 100)	(527)	–	–	(1 627)
Sale and scrapping	1 020	952	–	–	1 972
Net foreign exchange differences	133	318	–	–	451
Accumulated amortization as at 31 December 2017	(7 477)	(4 820)	–	–	(12 297)
Net book value as at 1 January 2017	2 004	1 599	143	–	3 746
Net book value as at 31 December 2017	1 654	1 280	100	–	3 034

Property, plant and equipment in the period from 1 January 2017 to 30 September 2017 (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 2017	9 534	7 162	143	–	16 839
Additions	724	442	(143)	–	1 023
Sale and scrapping	(217)	(668)	–	–	(885)
Net foreign exchange differences	(114)	(208)	–	–	(322)
Gross value as at 30 September 2017	9 927	6 728	–	–	16 655
Accumulated amortization as at 1 January 2017	(7 530)	(5 563)	–	–	(13 093)
Amortization for the current period	(853)	(437)	–	–	(1 290)
Sale and scrapping	163	511	–	–	674
Net foreign exchange differences	66	169	–	–	235
Accumulated amortization as at 30 September 2017	(8 154)	(5 320)	–	–	(13 474)
Net book value as at 1 January 2017	2 004	1 599	143	–	3 746
Net book value as at 30 September 2017	1 773	1 408	–	–	3 181

Non-current assets by geographical area

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	2 637	4 413	5 018
- including Poland	*2 350*	*4 072*	*4 625*
Western Europe	603	530	594
- including Spain	*151*	*138*	*154*
Latin America and Turkey	363	1 006	1 609
Total non-current assets	3 603	5 949	7 221

19. Amounts due to customers

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Amounts due to retail customers	374 027	374 747	397 649
Amounts due to institutional customers	45 849	46 653	58 214
Total amounts due to customers	419 876	421 400	455 863

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

20. Financial liabilities held for trading

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Index CFDs	7 478	12 523	18 339
Commodity CFDs	3 556	4 677	2 817
Stock CFDs	2 818	2 844	2 305
Currency CFDs	2 343	20 809	7 423
Bond CFDs	46	52	64
Total financial liabilities held for trading	16 241	40 905	30 948

21. Other liabilities

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Provisions for other employee benefits	10 131	12 379	8 928
Liabilities to the supervisory body	9 900	–	–
Trade liabilities	7 790	5 608	6 612
Statutory liabilities	3 291	3 196	3 861
Liabilities due to employees	258	525	517
Liabilities due to brokers	384	–	–
Amounts due to the Central Securities Depository of Poland	95	77	70
Liabilities under finance lease	59	128	159
Total other liabilities	31 908	21 913	20 147

Liabilities to the supervisory body concerns the impact of one-off event which was the imposition of and administrative fine by the Polish Financial Supervision Authority in the amount of PLN 9,9 million of which the Company informed in the current report no. 20/2018. On 29 October 2018 the Company filed a complaint against the administrative decision to the Provincial Administrative Court.

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 Company 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 Group, the employees of the Group in the top management positions receive variable remuneration paid in cash.

The value of provisions for employee benefits includes 40-50 per cent of variable remuneration granted in cash, which is paid out directly after the employment year, in which the employee's work results are assessed, and 40-50 per cent of the value based on financial instruments, paid in the years 2015–2018.

As at 30 September 2018, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 404 thousand, as at 31 December 2017 in the amount of PLN 419 thousand and as at 30 September 2017 in the amount of PLN 350 thousand.

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Provisions for retirement benefits	1 083	846	140
Provisions for legal risk	712	820	689
Total provisions	1 795	1 666	829

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 Group is not able to specify when the above liabilities will be repaid.

Movements in provisions in the period from 1 January 2018 to 30 September 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	INCREASES	DECREASES		AS AT 30.09.2018
			USE	REVERSAL	
Provisions for retirement benefits	846	237	–	–	1 083
Provisions for legal risk	820	–	–	108	712
Total provisions	1 666	237	–	108	1 795

Movements in provisions in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	AS AT 01.01.2017	INCREASES	DECREASES		AS AT 31.12.2017
			USE	REVERSAL	
Provisions for retirement benefits	177	690	–	21	846
Provisions for legal risk	771	250	201	–	820
Total provisions	948	940	201	21	1 666

Movements in provisions in the period from 1 January 2017 to 30 September 2017 (unaudited)

(IN PLN'000)	AS AT 01.01.2017	INCREASES	DECREASES		AS AT 30.09.2017
			USE	REVERSAL	
Provisions for retirement benefits	177	–	–	37	140
Provisions for legal risk	771	–	–	82	689
Total provisions	948	–	–	119	829

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 Parent Company and Group companies act as defendant relate mainly to employees' and customers' claims. As at 30 September 2018 the total value of claims brought against the Parent Company and Group companies amounted to approx. PLN 1,55 million (as at 31 December 2017: PLN 6,23 million, as at 30 September 2017: PLN 6,39 million). Parent Company has not created provisions for the above proceedings. In the assessment of the Parent Company there is low probability of loss in these proceedings.

On May 9, 2014, the Parent Company issued a guarantee in the amount of PLN 55 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 1 203 thousand.

On 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.

On 7 July 2017 the Parent Company issued a guarantee in the amount of PLN 5 286 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 30 September 2018, 31 December 2017 and 30 September 2017

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 Parent 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 Company

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 30 September 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 December 2017 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%

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 30 September 2017 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 450 738	3 923	66,83%
Systexan SARL	22 280 207	1 114	18,98%
Other shareholders	16 652 690	832	14,19%
Total	117 383 635	5 869	100,00%

Other capitals

Other capitals consist of:

- supplementary capital, 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, 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 in the amount of PLN 334 898 thousand,
- 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 (24 674) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	389	289	359
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	344	224	386
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	281	296	264
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	37	(63)	64
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	13	(17)	22
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	8	(10)	14
XTB Services Limited	6	(4)	1
Lirsar S.A.	–	–	(23)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(24)	(117)	7
XTB Chile SpA	(35)	(30)	(24)
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(49)	17	22
XTB Limited Cypr	(70)	(154)	(31)
XTB International Limited	(164)	(319)	(203)
XTB Limited UK	(750)	(968)	(592)
X Trade Brokers Menkul Değerler A.Ş.	(24 660)	(15 050)	(11 819)
Total foreign exchange differences on translation	(24 674)	(15 906)	(11 553)

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 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).

In case of termination of activity on the Turkish market, which from the accounting point of view should be understood by repaying share capital/liquidation of assets held (loss 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 the 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 as at the date of this report.

24. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2017 in the amount of PLN 87 398 thousand was transferred to reserve capital in full.

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2016 in the amount of PLN 72 999 thousand was partially earmarked for the payment of a dividend in the amount of PLN 37 563 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2016, paid on 23 May 2017, amounted to PLN 37 563 thousand. The amount of dividend per share paid for 2016 was equal to PLN 0,32.

25. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Group 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 Group 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		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	(2 904)	31 342	97 498	60 700
Weighted average number of ordinary shares	117 383 635	117 383 635	117 383 635	117 383 635
Weighted average number of shares including dilution effect	–	–	–	–
Profit from continuing operations attributable to shareholders of the Company	117 383 635	117 383 635	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Company	(0,03)	0,27	0,83	0,52
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	(0,03)	0,27	0,83	0,52

26. Current tax and deferred income tax

26.1 Income tax

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Income tax – current portion				
Income tax for the reporting period	(3 008)	(6 701)	(20 563)	(11 146)
Income tax – deferred portion				
Occurrence / reversal of temporary differences	1 692	(2 261)	(2 358)	(5 257)
Income tax disclosed in profit and loss	(1 316)	(8 962)	(22 921)	(16 403)

Reconciliation of the actual tax burden

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Profit before tax	(1 588)	40 304	120 419	77 103
Income tax based in the applicable tax rate of 19%	302	(7 658)	(22 880)	(14 650)
Difference resulting from application of tax rates applicable in other countries	(4)	(17)	(30)	(49)
Non-taxable revenue	(7)	(27)	–	4
Non-deductible expenses	(3 794)	(43)	(4 059)	(358)
Tax loss for the reporting period not disclosed in the deferred tax	(4)	-	(4)	-
Realisation of tax losses for the preceding periods	57	22	74	38
Other items affecting the tax burden amount	2 135	(1 240)	3 978	(1 388)
Income tax disclosed in profit or loss	(1 315)	(8 963)	(22 921)	(16 403)

26.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 30 September 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.09.2018
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	8	99
Loans granted and other receivables	45	(45)	–
Financial liabilities held for trading	6 670	(3 737)	2 933
Provisions for liabilities	245	(169)	76
Prepayments and deferred costs	1 436	185	1 621
Other liabilities	19	(7)	12
Tax losses of previous periods to be settled in future periods	10 145	(13)	10 132
Total deferred income tax assets	18 652	(3 779)	14 873

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.09.2018
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 30.09.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	(1 204)	16 904
Other liabilities	8	(8)	–
Prepayments and deferred costs	16	(8)	8
Property, plant and equipment	247	(201)	46
Total deferred income tax provision	18 379	(1 421)	16 958
Deferred tax disclosed in profit or (loss)	–	(2 358)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.09.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	161	161
Total deferred income tax provision included directly in the equity	–	161	161

Change in the balance of deferred tax for the period from 1 January to 31 December 2017 (audited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 31.12.2017
Deferred income tax assets:			
Cash and cash equivalents	–	1	1
Property, plant and equipment	100	(9)	91
Loans granted and other receivables	45	–	45
Financial liabilities held for trading	4 113	2 557	6 670
Provisions for liabilities	50	195	245
Prepayments and deferred costs	1 262	174	1 436
Other liabilities	22	(3)	19
Tax losses of previous periods to be settled in future periods	11 293	(1 148)	10 145
Total deferred income tax assets	16 885	1 767	18 652

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
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 01.01.2017	PROFIT OR (LOSS)	AS AT 31.12.2017
Deferred income tax provision:			
Financial assets held for trading	17 143	965	18 108
Other liabilities	1	7	8
Loans granted and other receivables	4	(4)	–
Prepayments and deferred costs	21	(5)	16
Property, plant and equipment	658	(411)	247
Total deferred income tax provision	17 827	552	18 379
Deferred tax disclosed in profit or (loss)	–	1 215	–

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	479	(479)	–
Total deferred income tax provision included directly in the equity	479	(479)	–

Change in the balance of deferred tax for the period from 1 January to 30 September 2017 (unaudited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.09.2017
Deferred income tax assets:			
Cash and cash equivalents	–	13	13
Property, plant and equipment	100	(7)	93
Loans granted and other receivables	45	(8)	37
Financial liabilities held for trading	4 113	1 327	5 440
Provisions for liabilities	50	(2)	48
Prepayments and deferred costs	1 262	(139)	1 123
Other liabilities	22	(3)	19
Tax losses of previous periods to be settled in future periods	11 293	(641)	10 652
Total deferred income tax assets	16 885	540	17 425

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.09.2017
Deferred income tax provision:			
Cash and cash equivalents	–	3	3
Financial assets held for trading	17 143	5 918	23 061
Other liabilities	1	212	213
Loans granted and other receivables	4	(3)	1
Prepayments and deferred costs	21	(13)	8
Property, plant and equipment	658	(320)	338
Total deferred income tax provision	17 827	5 797	23 624
Deferred tax disclosed in profit or (loss)	–	(5 257)	–

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 30.09.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	479	(238)	241
Total deferred income tax provision included directly in the equity	479	(238)	241

Geographical division of deferred income tax assets

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Central and Eastern Europe	122	100	100
Western Europe	10 153	10 172	10 686
Latin America and Turkey	313	225	19
Total deferred income tax assets	10 588	10 497	10 805

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 September 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	4 285	17 119	–	12 834
Czech Republic	52	–	52	–
Slovakia	71	–	71	–
Germany	2 802	–	2 802	–
France	5 428	–	5 428	–
Great Britain	1 922	–	1 922	–
Turkey	29	–	29	–
Chile	284	–	284	–
Total	14 873	17 119	10 588	12 834

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 2017 (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	8 160	18 370	–	10 210
Czech Republic	49	–	49	–
Slovakia	60	9	51	–
Germany	2 815	–	2 815	–
France	5 387	–	5 387	–
Great Britain	1 970	–	1 970	–
Turkey	26	–	26	–
Chile	199	–	199	–
Total	18 666	18 379	10 497	10 210

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 September 2017 (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	6 617	23 862	–	17 245
Czech Republic	39	–	39	–
Slovakia	64	3	61	–
Germany	2 969	–	2 969	–
France	5 598	–	5 598	–
Great Britain	2 119	–	2 119	–
Turkey	19	–	19	–
Total	17 425	23 865	10 805	17 245

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 per Company's best knowledge as at 30 September 2018 it holds 66,99% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.

Mr. Jakub Zabłocki is the ultimate parent company for the Company and XXZW Investment Group S.A.

27.2 Figures concerning related party transactions

As at 30 September 2018 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 249,49 due to his investment account. As at 31 December 2017 and 30 September 2017 the Company had no settlements with related parties. In the periods covered by the interim condensed financial statements the Company noted loss in the amount of PLN 4,93 resulting from transactions with Mr Jakub Zabłocki. Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 30 September 2018 the paid gross salary and bonuses amounted to PLN 1 130 thousand and in the analogical period of 2018 amounted to PLN 870 thousand.

27.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Benefits to the Management Board members	(410)	(385)	(2 172)	(2 484)
Benefits to the Supervisory Board members	(45)	(14)	(95)	(53)
Total benefits to the Management Board and Supervisory Board	(455)	(399)	(2 267)	(2 537)

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 24 of the financial statements. The value of the element settled in financial instruments in the years 2015 - 2018 acquired by the members of the Management Board amounts to PLN 404 thousand.

Members of the Management Board of the Parent Company, within the framework of the Options Program described in note 27.4 of the financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date.

27.4 Share-based payments

Pursuant to the Shareholders Agreement of the Parent Company of 28 March 2011, the Parent Company introduced an incentive scheme for the key employees, who received the right to shares of the Company before 2012, constituting a payment programme in the form of share options ("Options programme"). The value of the program depends on individual targets set for the employees in relation to the results of the Company in specific years. The scheme covers the years 2011-2014. For 2011, rights to shares were acquired by three employees in the amount of 177 025 items, for 2012, one employee acquired rights to shares in the amount of 41 245 items, for 2013, one employee acquired rights to shares in the amount of 123 370 items and for 2014 and 2015, according to the best knowledge of the Company's Management Board, no employee will acquire rights to shares. In total, the employees acquired 341 640 rights to shares. The estimated value of the scheme as at the balance-sheet date is PLN 462 thousand. The vesting period expired in 2015. Depending on individual contracts, the shares can be acquired starting from 2014 based on the participation rules specified in the Options Program.

On the 23 December 2016 two employees of X-Trade Brokers Dom Maklerski S.A. acquired 256 835 Parent Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

For the shares options granted, the fair value of services rendered by the key employees is measured in relation to the fair value of rights granted as at the date of granting. The fair value of rights is determined based on option estimation models, which include among others execution price, share price as at the date of granting, expected variability of option value during the programme and other appropriate factors affecting fair value. The Group assesses the probability of acquiring the rights in the programme, which affects the programme value in the costs for the period.

The following ratios were adopted in the valuation of the share option plan: volatility ratio of 54,69%, risk-free interest rate of 5,03%, weighted average share price of PLN 494,42.

No other features relating to grant of options were taken into consideration during fair value measurement.

Unrealized rights to shares

	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Unrealized rights to shares as at the beginning of the period	–	84 805	84 805
Realized rights to shares	–	(84 805)	(84 805)
Unrealized rights to shares as at the end of the period	–	–	–

Volatility used to measure the options was calculated on the basis of the average volatility of share prices of peer companies. Volatility in the peer group of companies was calculated based on historical daily rates of return. Based on the daily rates of return, the standard deviation was calculated and annualised, on the assumption that a trading year lasts 250 days. The period for which the rates of return were accounted for complied with the options exercise period. Volatility was calculated for each option in appropriate periods. Companies which were listed for a period shorter than the option exercise period were eliminated from the peer group.

27.5 Loans granted to the Management Board and Supervisory Board

As at 30 September 2018, 31 December 2017 and 30 September 2017 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 balance of other liabilities

(IN PLN'000)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Change in other liabilities	9 995	(2 546)
Payment of finance lease liabilities	69	100
Change in the balance of other liabilities	10 064	(2 446)

28.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(8 768)	(6 608)
Foreign exchange differences in translation of financial assets available for sale	–	26
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	33	95
Change in other adjustments	(8 735)	(6 487)

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 17 October 2018 the Extraordinary General Meeting of X-Trade Brokers Dom Maklerski S.A. appointed Supervisory Board Members for the new term of office. The new Supervisory Board Members are Mr. Jarosław Jasik, Mr. Łukasz Baszczyński and Mr. Bartosz Zabłocki. The Supervisory Board Members were appointed for the joint term of office from 10 November 2018 till the end of 10 November 2021. On 25 October 2018 Mr. Jakub Leonkiewicz was appointed for the position of President of the Supervisory Board for the joint term of office from 10 November 2018 till the end of 10 November 2021.

On 26 October 2018 the Management Board of the Mother Company adopted conditional resolution regarding the advance payment of dividend to Company's shareholders for 2018 financial year.

Total amount of advance payment of dividend amounts to PLN 41 084 272,25, ie PLN 0,35 per share and the advance payment will cover all shares of the Company. Pursuant to Article 349 §2 of the Code of Commercial Companies the amount of the prepayment shall represent no more than one-half of the profit earned since the end of the preceding financial year, as shown in the financial statements verified by the certified auditor prepared as at 30 September 2018 and covering the period from 1 January 2018 to 30 September 2018, increased by reserve capital established from profit, which the management board may allocate for advances and decreased by unabsorbed losses and own shares.

Pursuant to the proposal of the Management Board of the Company, shareholders holding shares of the Company on 11 December 2018 will be entitled to Advance, while the Advance payment will be made on 18 December 2018. The Advance will be paid provided that by 4 December 2018, the following conditions will be met:

(a) The Company will obtain the consent of the Supervisory Board for the payment of the Advance,

(b) the audit of the Company's financial statements for the period from 1 January 2018 to 30 September 2018 will be finalized and it will confirm the assumed net profit of the Company achieved from the end of the previous financial year.

30. Customers' financial instruments and nominal values of transactions in derivatives (off-balance sheet items)

30.1 Nominal value of financial instruments

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Index CFDs	1 561 679	2 330 361	2 525 959
Currency CFDs	944 430	1 324 424	1 390 550
Commodity CFDs	351 824	420 791	412 516
Stock CFDs	93 942	127 443	104 459
Bond CFDs	22 743	23 761	23 242
Stock	7 193	22 967	19 318
Total financial instruments	2 981 811	4 249 747	4 476 044

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 September 2018 transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2017: 2% of the total nominal value of instruments, as at 30 September 2017: 5% of the total nominal value of instruments).

30.2 Customers' financial instruments

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

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	31 983	83	105
Other securities registered in customers' securities accounts	207	329	331
Total customers' financial instruments	32 190	412	436

31. Items regarding the compensation scheme

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	3 285	2 687	2 687
- increases	*532*	*598*	*440*
b) closing balance	3 817	3 285	3 127
2. XTB's share in the profits from the compensation scheme	245	213	204

32. Capital management

The Group's principles of capital management are established in the "Capital management policy in 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 adequacy problem, described in detail in the "Capital management policy in X–Trade Brokers Dom Maklerski S.A."

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 27 September 2012 on defining detailed technical and organizational conditions for investment firms and banks, as referred to in Article 70 par. 2 of the Act on Trading in Financial Instruments, and custodian banks and the conditions for internal capital estimation by brokerages (Journal of Laws 2012, item 1072, as amended).

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 best 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 (UK), from 30 April 2017 includes its subsidiary XTB International and from 31 July 2018 includes its subsidiary XTB Limited (CY).

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 financial statements the Company was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management:

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
The Company's own funds	374 263	317 344	294 735
Tier I Capital	374 263	317 344	294 735
Common Equity Tier I capital	374 263	317 344	294 735
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total risk exposure	2 084 454	2 630 505	2 920 972
Capital conservation buffer	39 084	32 881	36 512
Countercyclical capital buffer	871	3 100	659
Combined buffer requirement	39 955	35 981	37 171

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 30.09.2018 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2017 (AUDITED)	AS AT 30.09.2017 (UNAUDITED)
1. Capital/Own funds	374 263	357 352	317 344	294 735
1.1. Base capital/Common Equity Tier I without deductions	411 774	361 029	324 868	324 868
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(37 511)	(3 677)	(7 524)	(30 133)
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	374 263	357 352	317 344	294 735

(IN PLN'000)	AS AT 30.09.2018 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2017 (AUDITED)	AS AT 30.09.2017 (UNAUDITED)
1. Market risk	99 629	101 998	138 118	162 431
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	5 287	8 037	10 998	11 216
3. Credit risk	21 667	20 494	21 151	21 786
4. Operating risk	40 172	40 059	40 172	38 245
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	166 755	170 588	210 439	233 678
IIb. Total risk exposure	2 084 454	2 132 348	2 630 505	2 920 972
Capital conservation buffer	39 084	39 982	32 881	36512
Countercyclical capital buffer	871	2 211	3 100	659
Combined buffer requirement	39 955	42 193	35 981	37 171

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 Member of the Management Board responsible for the operation of the Group's internal control 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 customers 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)	30.09.2018 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	7 291	94 228	–	101 519
Total assets	7 291	94 228	–	101 519
Financial liabilities				
Financial liabilities held for trading	–	16 241	–	16 241
Total liabilities	–	16 241	–	16 241

(IN PLN'000)	31.12.2017 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	22 967	104 977	–	127 944
Financial assets available for sale	–	147	–	147
Total assets	22 967	105 124	–	128 091
Financial liabilities				
Financial liabilities held for trading	–	40 905	–	40 905
Total liabilities	–	40 905	–	40 905

(IN PLN'000)	30.09.2017 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	19 318	129 079	–	148 397
Financial assets available for sale	–	164	–	164
Total assets	19 318	129 243	–	148 561
Financial liabilities				
Financial liabilities held for trading	–	30 948	–	30 948
Total liabilities	–	30 948	–	30 948

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) and digital options. 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 30 September 2018 (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	35 106	89 117	4 798	11 372	2 367	1 266	20 118	164 144	504 660
Customers' cash and cash equivalents	24 380	182 520	5 296	35 026	3 172	5 018	5 868	261 280	340 127
Financial assets at fair value through P&L	11 874	46 491	1 131	9 883	1 445	2 034	1 804	74 662	101 519
Income tax receivables	–	–	–	50	–	–	–	50	1 467
Loans granted and other receivables	428	2 810	177	169	2	142	579	4 307	5 356
Prepayments and deferred costs	76	549	386	212	–	34	39	1 296	4 687
Intangible assets	–	8	–	35	–	–	13	56	1 042
Property, plant and equipment	–	591	29	204	–	23	134	981	2 561
Deferred income tax assets	–	8 301	1 922	52	–	–	313	10 588	10 588
Total assets	71 864	330 387	13 739	57 003	6 986	8 517	28 868	517 364	972 007
Liabilities									
Amounts due to customers	30 841	218 297	6 160	43 820	4 508	6 935	7 164	317 725	419 876
Financial liabilities held for trading	4 064	6 607	284	1 191	133	127	421	12 827	16 241
Income tax liabilities	–	240	–	–	–	–	41	281	281
Other liabilities	1 377	7 111	2 119	1 127	1	150	1 202	13 087	31 908
Provisions for liabilities	–	–	–	–	–	434	968	1 402	1 795
Deferred income tax provision	–	–	–	–	–	–	–	–	12 834
Total liabilities	36 282	232 255	8 563	46 138	4 642	7 646	9 796	345 322	482 935

Assets and liabilities denominated in foreign currencies as at 31 December 2017 (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	36 906	55 776	4 778	17 765	1 709	1 272	31 241	149 447	367 096
Customers' cash and cash equivalents	29 179	203 627	6 584	37 059	2 803	3 454	6 898	289 604	378 471
Financial assets held for trading	15 392	63 456	1 814	10 675	1 056	1 557	2 369	96 319	127 994
Financial assets available for sale	–	–	–	–	–	–	147	147	147
Income tax receivables	–	61	–	54	–	–	260	375	375
Loans granted and other receivables	328	2 558	183	17	–	148	229	3 463	4 009
Prepayments and deferred costs	107	75	392	176	–	10	24	784	3 216
Intangible assets	–	14	–	15	–	–	30	59	2 915
Property, plant and equipment	–	500	56	251	–	34	202	1 043	3 034
Deferred income tax assets	–	8 253	1 970	49	–	–	225	10 497	10 497
Total assets	81 912	334 320	15 777	66 061	5 568	6 475	41 625	551 738	897 704
Liabilities									
Amounts due to customers	41 280	222 477	5 438	42 061	3 596	4 822	164	319 838	421 400
Financial liabilities held for trading	4 130	15 372	2 642	3 904	168	147	1 037	27 400	40 905
Income tax liabilities	–	320	–	–	–	–	135	455	1 268
Other liabilities	526	6 364	2 178	1 572	–	391	1 244	12 275	21 913
Provisions for liabilities	–	–	–	–	–	425	754	1 179	1 666
Deferred income tax provision	–	–	–	–	–	–	–	–	10 210
Total liabilities	45 936	244 533	10 258	47 537	3 764	5 785	3 334	361 133	497 362

Assets and liabilities denominated in foreign currencies as at 30 September 2017 (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	38 036	58 558	6 926	9 994	5 679	4 228	33 668	157 089	262 402
Customers' cash and cash equivalents	42 081	235 684	2 598	46 867	4 328	6 470	5 793	343 821	462 868
Financial assets held for trading	11 567	76 226	960	12 693	2 474	2 370	1 192	107 482	148 397
Financial assets available for sale	–	–	–	–	–	–	164	164	164
Income tax receivables	–	57	–	58	–	–	555	670	670
Loans granted and other receivables	1 229	2 365	323	74	–	76	185	4 252	5 041
Prepayments and deferred costs	–	264	585	98	–	17	57	1 021	4 330
Intangible assets	–	17	–	19	–	–	46	82	4 040
Property, plant and equipment	–	559	68	282	–	42	246	1 197	3 181
Deferred income tax assets	–	8 628	2 119	39	–	–	19	10 805	10 805
Total assets	92 913	382 358	13 579	70 124	12 481	13 203	41 925	626 583	901 898
Liabilities									
Amounts due to customers	41 229	237 062	3 121	46 025	4 779	5 200	245	337 661	455 863
Financial liabilities held for trading	1 576	15 521	162	2 349	269	255	393	20 525	30 948
Income tax liabilities	–	183	–	–	–	–	–	183	4 444
Other liabilities	644	6 160	2 020	1 151	–	253	1 834	12 062	20 147
Provisions for liabilities	–	94	–	–	–	444	42	580	829
Deferred income tax provision	–	–	–	–	–	–	–	–	17 245
Total liabilities	43 449	259 020	5 303	49 525	5 048	6 152	2 514	371 011	529 476

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)	NINE-MONTH PERIOD ENDED			
	30.09.2018 (UNAUDITED)		30.09.2017 (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	13 590	(13 590)	11 251	(11 251)
Equity, of which:	3 092	(3 092)	3 358	(3 358)
Foreign exchange differences on translation	3 092	(3 092)	3 358	(3 358)

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 customers in connection with funds deposited in cash accounts in the Group, and of the bank account and bank deposits where the Group's customers' 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 customers' 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 customers' 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)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Financial assets			
Cash and cash equivalents	844 787	745 567	725 270
Total financial assets	844 787	745 567	725 270
Financial liabilities			
Amounts due to customers	23 656	64 824	92 234
Other liabilities	258	128	159
Total financial liabilities	23 914	64 952	92 393

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 the period from 1 January to 30 September 2018 and from 1 January to 30 September 2017, using the average 1M interest rate in a given market.

(IN PLN'000)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED) INCREASE BY 50 PB	30.09.2018 (UNAUDITED) DECREASE BY 50 PB	30.09.2017 (UNAUDITED) INCREASE BY 50 PB	30.09.2017 (UNAUDITED) DECREASE BY 50 PB
Profit/(loss) before tax	3 918	(3 918)	3 217	(3 217)

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

In the period covered by these 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)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Financial assets at fair value through P&L*			
Commodity CFDs			
Precious metals	5 637	2 142	3 761
Base metals	218	776	929
Other	14 979	11 018	9 686
Total commodity CFDs	20 834	13 936	14 376
Equity CFDs			
Stocks	14 474	28 153	24 116
Indicies	48 950	56 062	81 576
Total equity CFDs	63 424	84 215	105 692
Debt CFDs	241	92	94
Total financial assets at fair value through P&L*	84 499	98 243	120 162
Financial liabilities held for trading			
Commodity CFDs			
Precious metals	577	1 080	294
Base metals	85	43	35
Other	2 601	3 075	2 259
Total commodity CFDs	3 263	4 198	2 588
Equity CFDs			
Stocks	2 341	2 588	2 128
Indicies	7 242	11 826	18 014
Total equity CFDs	9 583	14 414	20 142
Debt CFDs	34	52	64
Total financial liabilities held for trading	12 880	18 664	22 794

item presented in comparative periods as Financial assets held for trading

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)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED) INCREASE BY 5%	30.09.2018 (UNAUDITED) DECREASE BY 5%	30.09.2017 (UNAUDITED) INCREASE BY 5%	30.09.2017 (UNAUDITED) DECREASE BY 5%
Income/(expenses) for the period				
Commodity CFDs				
Precious metals	(4 249)	4 249	(3 507)	3 507
Base metals	(27)	27	155	(155)
Other	(2 877)	2 877	(2 688)	2 688
Total commodity CFDs	(7 153)	7 153	(6 040)	6 040
Equity CFDs				
Stocks	49	(49)	439	(439)
Indicies	4 075	(4 075)	52 984	(52 984)
Total equity CFDs	4 124	(4 124)	53 423	(53 423)
Debt CFDs	349	(349)	380	(380)
Total income/(expenses) for the period	(2 680)	2 680	47 763	(47 763)

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 in 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 30 September 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	844 787	844 787	844 787	–	–	–	–
Financial assets at fair value through P&L							
Stocks	7 291	7 291	7 291	–	–	–	–
CFDs	94 228	94 228	94 228	–	–	–	–
Total financial assets at fair value through P&L	101 519	101 519	101 519	–	–	–	–
Loans granted and other receivables	5 356	5 356	3 404	–	1 952	–	–
Total financial assets	951 662	951 662	949 710	–	1 952	–	–
Financial liabilities							
Amounts due to customers	419 876	419 876	419 876	–	–	–	–
Financial liabilities held for trading							
CFDs	16 241	16 241	16 241	–	–	–	–
Total financial liabilities held for trading	16 241	16 241	16 241	–	–	–	–
Other liabilities	31 908	31 908	21 646	8 465	–	–	1 797
Total financial liabilities	468 025	468 025	457 763	8 465	–	–	1 797
Contractual liquidity gap in maturities (payment dates)			491 947	(8 465)	1 952	–	(1 797)
Contractual cumulative liquidity gap			491 947	483 482	485 434	485 434	483 637

Contractual payment periods of financial assets and liabilities as at 31 December 2017 (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	745 567	745 567	745 567	–	–	–	–
Financial assets held for trading							
CFDs	127 944	127 944	127 944	–	–	–	–
Total financial assets held for trading	127 944	127 944	127 944	–	–	–	–
Financial assets available for sale	147	147	–	–	–	–	147
Loans granted and other receivables	4 009	4 009	2 218	–	1 791	–	–
Total financial assets	877 667	877 667	875 729	–	1 791	–	147
Financial liabilities							
Amounts due to customers	421 400	421 400	421 400	–	–	–	–
Financial liabilities held for trading							
CFDs	40 905	40 905	40 905	–	–	–	–
Total financial liabilities held for trading	40 905	40 905	40 905	–	–	–	–
Other liabilities	21 913	21 913	9 357	10 781	37	–	1 738
Total financial liabilities	484 218	484 218	471 662	10 781	37	–	1 738
Contractual liquidity gap in maturities (payment dates)			404 067	(10 781)	1 754	–	(1 591)
Contractual cumulative liquidity gap			404 067	393 286	395 040	395 040	393 449

Contractual payment periods of financial assets and liabilities as at 30 September 2017 (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	725 270	725 270	725 270	–	–	–	–
Financial assets held for trading							
CFDs	148 397	148 397	148 397	–	–	–	–
Total financial assets held for trading	148 397	148 397	148 397	–	–	–	–
Financial assets available for sale	164	164	–	–	–	–	164
Loans granted and other receivables	5 041	5 041	3 180	–	1 861	–	–
Total financial assets	878 872	878 872	876 847	–	1 861	–	164
Financial liabilities							
Amounts due to customers	455 863	455 863	455 863	–	–	–	–
Financial liabilities held for trading							
CFDs	30 948	30 948	30 948	–	–	–	–
Total financial liabilities held for trading	30 948	30 948	30 948	–	–	–	–
Other liabilities	20 147	20 147	11 019	7 563	59	–	1 506
Total financial liabilities	506 958	506 958	497 830	7 563	59	–	1 506
Contractual liquidity gap in maturities (payment dates)			379 017	(7 563)	1 802	–	(1 342)
Contractual cumulative liquidity gap			379 017	371 454	373 256	373 256	371 914

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)	30.09.2018 (UNAUDITED) CARRYING AMOUNT	30.09.2018 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	31.12.2017 (AUDITED) CARRYING AMOUNT	31.12.2017 (AUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	30.09.2017 (UNAUDITED) CARRYING AMOUNT	30.09.2017 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	844 787	844 787	745 567	745 567	725 270	725 270
Financial assets at fair value through P&L *	101 519	5 350	127 944	13 063	148 397	13 227
Financial assets available for sale**	N/A	N/A	147	147	164	164
Loans granted and other receivables	5 356	5 356	4 009	4 009	5 041	5 041
Total financial assets	951 662	951 662	877 667	762 786	878 872	743 702

** As at 30 September 2018 the maximum exposure to credit risk for financial assets at fair value through P&L, not including the collateral received, was PLN 94 228 thousand (31 December 2017: PLN 101 566 thousand, 30 September 2017: PLN 129 079 thousand). This exposure was collateralised with customers' cash, which, as at 30 September 2018, covered the amount of PLN 87 730 thousand (31 December 2017: PLN 88 412 thousand, 30 September 2017: PLN 114 770 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised*

**N/A - not applicable – items which are not applicable due to the rules resulting from IFRS 9 from 1 January 2018*

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 customers' 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 September 2018, the Group had deposit accounts in 42 banks and institutions (31 December 2017: in 40 banks and institutions, 30 September 2017: 47 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	30.09.2018 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2017 (AUDITED) (IN PLN'000)	ENTITY	30.09.2017 (UNAUDITED) (IN PLN'000)
Bank 1	238 777	Bank 1	229 229	Bank 1	179 124
Bank 2	194 942	Bank 2	108 812	Bank 2	129 551
Bank 3	93 806	Bank 3	86 083	Bank 3	81 470
Bank 4	64 409	Bank 4	77 019	Bank 4	75 396
Bank 5	41 545	Bank 5	41 163	Bank 5	41 043
Bank 6	25 467	Bank 6	28 635	Bank 6	27 469
Bank 7	24 960	Bank 7	25 291	Bank 7	26 938
Bank 8	20 778	Bank 8	23 946	Bank 8	26 837
Bank 9	17 513	Bank 9	22 026	Bank 9	21 460
Bank 10	15 605	Bank 10	13 976	Bank 10	14 482
Other	106 985	Other	89 387	Other	101 500
Total	844 787	Total	745 567	Total	725 270

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) 30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
Cash and cash equivalent			
Step 1	760 437	657 250	614 079
Step 2	2 194	1 626	2 571
Step 3	61 401	77 364	95 035
Step 4	18 902	9 327	11 742
Step 5	1 853	–	1 843
Total	844 787	745 567	725 270

Financial assets at fair value through P&L

Financial assets at fair value through P&L result from transactions in financial instruments entered into with the Group's customers and the related hedging transactions.

Credit risk involving financial assets at fair value through P&L is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, 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 30 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 customers. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected customers, 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 at fair value through P&L 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):

ENTITY	30.09.2018 (UNAUDITED) NET EXPOSURE (IN PLN'000)	ENTITY	31.12.2017 (AUDITED) NET EXPOSURE (IN PLN'000)	ENTITY	30.09.2017 (UNAUDITED) NET EXPOSURE (IN PLN'000)
Entity 1	2 311	Entity 1	2 076	Entity 1	3 344
Entity 2	451	Entity 2	1 340	Entity 2	964
Entity 3	330	Entity 3	713	Entity 3	755
Entity 4	126	Entity 4	703	Entity 4	430
Entity 5	96	Entity 5	675	Entity 5	416
Entity 6	90	Entity 6	433	Entity 6	409
Entity 7	83	Entity 7	416	Entity 7	385
Entity 8	66	Entity 8	383	Entity 8	364
Entity 9	64	Entity 9	238	Entity 9	307
Entity 10	63	Entity 10	234	Entity 10	254
Total	3 680	Total	7 211	Total	7 628

Financial assets held to maturity

As at 30 September 2018, 31 December 2017 and 30 September 2017 there were no financial assets held to maturity.

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 QUARTERLY REPORT

NOTES TO THE QUARTERLY REPORT

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 "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 conducts its operations through two business segments: retail operations 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. It has led to a significant decline in the number of customers and consequently to a significant reduction in the Group's activity 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 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).

During the nine months of 2018, the Group continued the process of expanding the product offer. The purpose of these activities is to diversify the offer to meet the expectations of various groups of investors. The most important innovation was the introduction of a joint stock offer in March 2018, thanks to which investors with a higher risk aversion than CFD products can invest in stocks and ETFs from over a dozen global markets. This service was introduced on the xStation platform, which is still subject to improvements so that trade in financial instruments is as simple as possible, and the client has all the necessary information in one place, i.e. on the transaction platform. One of the examples of applications improving customer experience is the ETF Scanner introduced in the first quarter of 2018, which allows for a thorough fundamental analysis of funds traded on stock exchanges. In the third quarter of 2018, the platform was further improved by adding facilities related to account history, accounting reports and substantial descriptions of financial instruments. In the first quarter, XTB introduced a new refreshed investment offer on CFDs based on cryptocurrencies, which met with great interest of the Company's clients. XTB is constantly expanding the functionality of the xStation platform to meet the requirements of both CFD customers and a new group of share clients. In the second quarter of 2018, a business decision was made to cease offering the xSocial product. From the beginning of July, in relation to coming into force the product intervention by the European Securities and Markets Authority (ESMA) concern Binary Options, XTB ceased to offer this type of instruments to their clients.

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 III quarter of 2018, XTB noted consolidated net loss of PLN 2,9 million against PLN 31,3 million profit a year earlier. The III quarter result was charged with a one-off event, which was the imposition of an administrative fine by the PFSA in the amount of PLN 9,9 million of which the Company informed in the current report No. 20/2018 dated 18 September 2018. After correcting by a one-off event, in the III quarter, the Company generated PLN 6,2 million of consolidated net profit and PLN 7,9 million of operating profit (EBIT). Consolidated revenues amounted to PLN 47,6 million compared to PLN 73,1 million a year earlier.

In the period I-III quarter of 2018, XTB generated consolidated net profit of PLN 97,5 million (after correcting by one-off event PLN 107,1 million) against PLN 60,7 million profit a year earlier.

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 9 months ended 30 September 2018 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

The table below presents the selected items of the consolidated statement of comprehensive income for the periods

(in PLN'000)	THREE-MONTH PERIOD ENDED				
	30.09.2018	30.09.2018 corrected by one-off event	30.09.2017	CHANGE IN VALUE corrected by one-off event	CHANGE % to corrected value
Result of operations on financial instruments	46 014	46 014	72 048	(26 034)	(36,1)
Income from fees and charges	1 573	1 573	1 038	535	51,5
Other income	(9)	(9)	29	(38)	(131,0)
Total operating income	47 578	47 578	73 115	(25 537)	(34,9)
Salaries and employee benefits	(19 681)	(19 681)	(17 590)	(2 091)	11,9
Marketing	(8 669)	(8 669)	(5 615)	(3 054)	54,4
Other external services	(5 605)	(5 605)	(5 304)	(301)	5,7
Costs of maintenance and lease of buildings	(1 946)	(1 946)	(1 849)	(97)	5,2
Amortisation and depreciation	(883)	(883)	(1 551)	668	(43,1)
Taxes and fees	(912)	(912)	(363)	(549)	151,2
Commission expenses	(1 609)	(1 609)	(1 196)	(413)	34,5
Other expenses	(9 532)	(382)	(1 309)	927	(70,8)
Total operating expenses	(48 837)	(39 687)	(34 777)	(4 910)	14,1
Profit (loss) on operating activities (EBIT)	(1 259)	7 891	38 338	(30 447)	(79,4)
Impairment of intangibles assets	-	-	-	-	-
Finance income	(1 062)	(1 062)	1 364	(2 426)	(177,9)
Finance costs	733	733	602	131	21,8
Profit (loss) before tax	(1 588)	7 562	40 304	(32 742)	(81,2)
Income tax	(1 316)	(1 316)	(8 962)	7 646	(85,3)
Net profit (loss)	(2 904)	6 246	31 342	(25 096)	(80,1)

(in PLN'000)	NINE-MONTH PERIOD ENDED				
	30.09.2018	30.09.2018 corrected by one-off event	30.09.2017	CHANGE IN VALUE corrected by one-off event	CHANGE % to corrected value
Result of operations on financial instruments	240 330	240 330	195 095	45 235	23,2
Income from fees and charges	5 114	5 114	3 285	1 829	55,7
Other income	71	71	66	5	7,6
Total operating income	245 515	245 515	198 446	47 069	23,7
Salaries and employee benefits	(58 797)	(58 797)	(53 857)	(4 940)	9,2
Marketing	(25 444)	(25 444)	(19 422)	(6 022)	31,0
Other external services	(18 334)	(18 334)	(15 429)	(2 905)	18,8
Costs of maintenance and lease of buildings	(5 861)	(5 861)	(5 612)	(249)	4,4
Amortisation and depreciation	(3 137)	(3 137)	(4 572)	1 435	(31,4)
Taxes and fees	(1 835)	(1 835)	(1 709)	(126)	7,4
Commission expenses	(5 643)	(5 643)	(3 817)	(1 826)	47,8
Other expenses	(12 579)	(2 929,0)	(2 984)	55	(1,8)
Total operating expenses	(131 630)	(121 980)	(107 402)	(14 578)	13,6
Profit (loss) on operating activities (EBIT)	113 885	123 535	91 044	32 491	35,7
Impairment of intangibles assets	-	-	5 612	5 612	(100,0)
Finance income	9 257	9 257	3 785	5 472	144,6
Finance costs	(2 723)	(2 723)	(12 114)	9 391	(77,5)
Profit (loss) before tax	120 419	130 069	77 103	52 966	68,7
Income tax	(22 921)	(22 921)	(16 403)	(6 518)	39,7
Net profit (loss)	97 498	107 148	60 700	46 448	76,5

Revenues

In the I half of 2018 XTB noted a record revenues (PLN 197,9 million), which were the result the constantly growing customer base, high volatility in the financial markets, relatively high profitability per lot (an average of PLN 153) and significant customer activity expressed in the number of contracts in lots. In August 2018, the product intervention of the European Securities and Markets Authority (ESMA) came into force. which caused, among others reduction for the retail client of the maximum permitted level of leverage for CFDs up to 30:1 for major currency pairs and 20:1 for non-majors currency pairs, gold and major indices. ESMA's decision together with the holiday period, and the lower volatility on the financial markets, contributed to the reduction in the III quarter of 2018 transactions volume in lots of 34,1% y/y and 44,0% q/q. Volume was lower by 178,7 thousand of lots q/q and unit profitability by PLN 1,7. Consequently, the revenues decreased by 34,9% y/y i.e. (PLN 25,5 million) from PLN 73,1 million to PLN 47,6 million. It should be emphasized that XTB business model is characterized by high volatility of revenues in a short period of time.

	THREE-MONTH PERIOD ENDED							
	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016
Total operating income (in PLN'000)	47 578	84 200	113 737	76 145	73 115	66 613	58 718	93 959
Transaction volume in CFD instruments in lots[1]	345 118	616 082	675 344	618 893	523 769	513 814	540 082	488 660
Profitability per lot (in PLN)[2]	138	137	168	123	140	130	109	192

[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 basis for growth in the form of constantly growing customer base and number of active clients. In the III quarter of 2018 the number of new clients was 4 884 and was higher by 16,3% y/y. The average number of active clients was higher by 2 014, i.e. 11,0% y/y.

	THREE-MONTH PERIOD ENDED							
	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016
New clients[1]	4 884	4 734	5 312	6 582	4 201	3 860	4 270	3 918
Average number of active clients[2]	21 515	22 135	22 317	18 667	17 920	17 748	17 959	15 548
New accounts[3]	11 758	11 321	12 731	16 530	11 278	9 635	13 280	9 624
Average number of active accounts[4]	24 032	24 918	25 279	21 088	20 194	20 016	20 408	17 243

[1]) The number of new Group's clients in the individual periods.
[2]) The average quarterly number of clients respectively for 9, 6, 3 months of 2018 and 12, 9, 6, 3 months of 2017 and 12 months of 2016.
[3]) The number of accounts opened by the Group's clients in the individual periods.
[4]) The average quarterly number of accounts respectively for 9, 6, 3 months of 2018 and 12, 9, 6, 3 months of 2017 and 12 months of 2016.

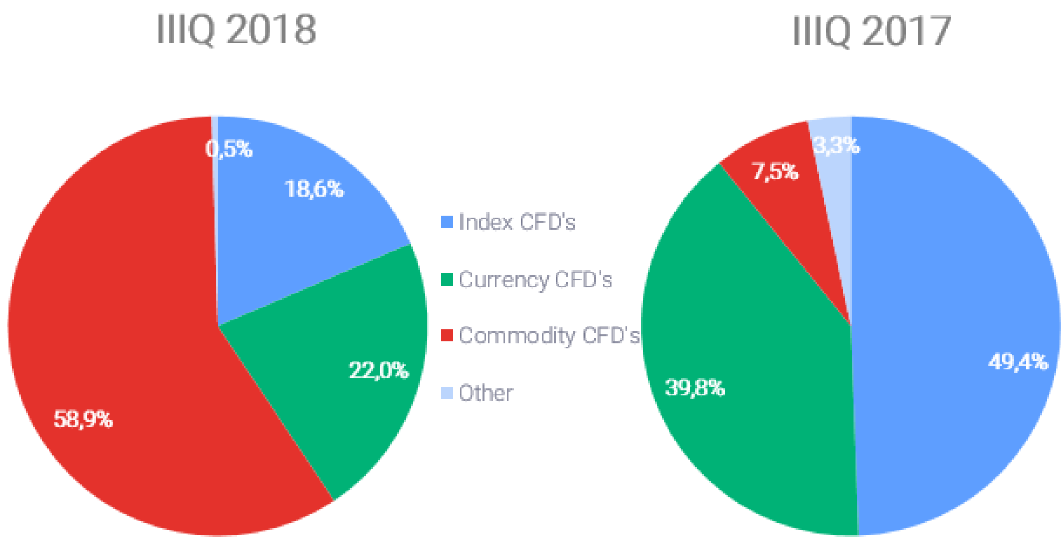
Similarly to the prior quarters of current and previous year, in the III quarter of 2018, XTB implemented an optimized sales and marketing strategy and introduced new products. XTB's offer has expanded to include shares and ETFs from the largest stock exchanges in Europe and the United States. The aim of expanding the product offer is to create a complete investment company offering various products to investors tailored to their risk appetite.

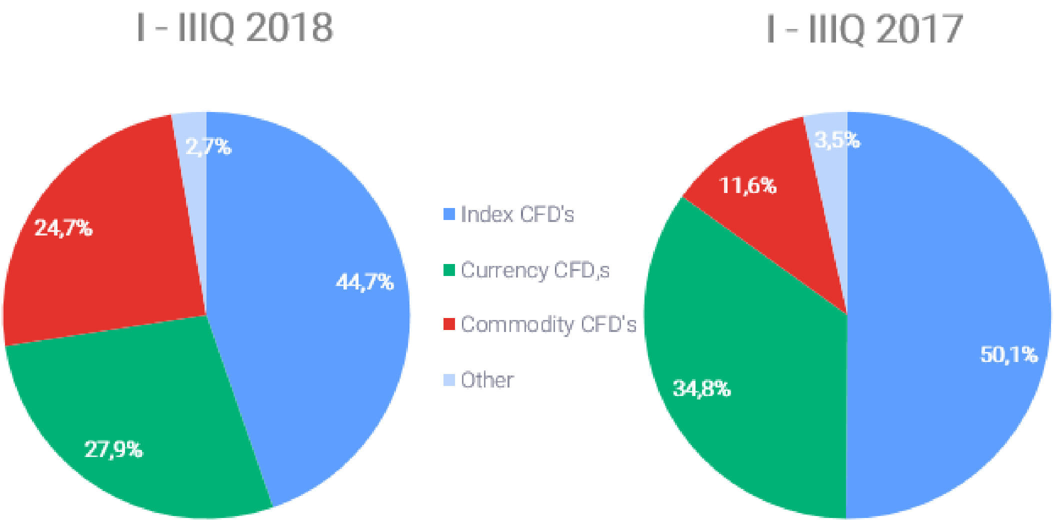
In the IV quarter of 2018, the Management Board will strive to stabilize the number of new clients and the average number of active clients at the levels observed in previous, record quarters. The Management sees the greatest growth potential in the German, French and Latin American market.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that, in the III quarter of 2018, CFDs based on commodity dominated. Their share in the structure of revenues on financial instruments in the III quarter of 2018 was 58,9% against 7,5% a year earlier. The most popular instrument among customers was CFD based on quotations of the contract for coffee quoted on the regulated market and an instrument which price is based on quotations of troy ounce of gold on the interbank market. Revenues on CFD instruments based on currency pairs amounted to 22,0% of total revenues against 39,8% a year earlier. Among this class of instruments, the USDTRY currency pair was the most popular among XTB clients.

(in PLN'000)	THREE-MONTH PERIOD ENDED			NINE-MONTH PERIOD ENDED		
	30.09.2018	30.09.2017	CHANGE %	30.09.2018	30.09.2017	CHANGE %
Index CFDs	8 786	36 530	(75,9)	109 014	101 055	7,9
Currency CFDs	10 445	29 380	(64,4)	68 066	70 122	(2,9)
Commodity CFDs	27 865	5 544	402,6	60 183	23 388	157,3
Stock CFDs	187	915	(79,6)	2 455	2 012	22,0
Bond CFDs	(5)	171	(102,9)	317	(86)	(468,6)
Total CFDs	47 278	72 540	(34,8)	240 035	196 491	22,2
Options	-	1 376	(100,0)	3 947	5 119	(22,9)
Shares and listed derivative instruments	46	-	-	12	-	-
Gross gain on transactions in financial instruments	47 324	73 916	(36,0)	243 994	201 610	21,0
Bonuses and discounts paid to	(1 049)	(1 051)	(0,2)	(2 631)	(2 826)	(6,9)
Commission paid to cooperating brokers	(261)	(817)	(68,1)	(1 033)	(3 689)	(72,0)
Net gain on transaction in financial instruments	46 014	72 048	(36,1)	240 330	195 095	23,2

The share of instruments in the result of the operations on financial instruments





Geographically, XTB revenues were well diversified. In the I-III period of 2018 their growth has occurred in both, Central and Eastern Europe, Western Europe and Latin America. Country from which the Group derives more than 15% of revenues is Poland with shares amounting to 33,5% (I-III period of 2017: 24,5%). The second largest market for XTB is Spain, with shares amounting to 14,5% (I-III period of 2017: 20,3%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%. Latin America is also gaining on importance, which has already replaced the gap in Turkey.

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Central and Eastern Europe	27 976	40 060	132 694	90 307
- including Poland	*18 265*	*24 211*	*82 264*	*48 616*
Western Europe	14 295	29 379	97 428	96 425
- including Spain	*5 946*	*11 548*	*35 671*	*40 339*
Latin America and Turkey	5 307	3 676	15 393	11 714
- including Turkey	-	*(130)*	-	*4 943*
Total operating income	47 578	73 115	245 515	198 446

XTB puts strong emphasis on diversification of segment revenues. Therefore, from 2013, it develops institutional activities (X Open Hub), under which it provides liquidity and technology to other financial institutions, including brokerage houses. Revenues from this segment are subject to significant fluctuations from quarter to quarter, analogically to the retail segment, which is typical for the business model adopted by the Group.

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Retail segment	43 188	67 951	230 131	173 138
Institutional segment (X Open Hub)	4 390	5 164	15 384	25 308
Total operating income	47 578	73 115	245 515	198 446

Expanses

Operating expenses in the period of I-III quarter of 2018 amounted to PLN 131,6 million (I-III quarter of 2017: PLN 107,4 million) and were higher by PLN 24,2 million i.e. 22,6% y/y. This increase was mainly higher by one-off event, which was administrative fine imposed by PFSA in the amount of PLN 9,9 million and higher by:

- PLN 6,0 million of marketing costs mainly due to higher expenditures on marketing online campaigns;
- PLN 4,9 million of salaries and employee benefits costs mainly due to the increase in variable remuneration elements (bonuses);
- PLN 2,9 million of other external services costs as a result of incurring more expenditure on:
  - IT systems and licenses (increased by PLN 2,2 million y/y);
  - legal and advisory services (increased by PLN 1,1 thousand y/y);
- PLN 1,8 million of commission costs resulting from higher amounts paid to payment service providers through which clients deposit their funds to transaction accounts.

(in PLN'000)	THREE-MONTH PERIOD ENDED			NINE-MONTH PERIOD ENDED		
	30.09.2018	30.09.2018 corrected by one-off event	30.09.2017	30.09.2018	30.09.2018 corrected by one-off event	30.09.2017
Salaries and employee benefits	19 681	19 681	17 590	58 797	58 797	53 857
Marketing	8 669	8 669	5 615	25 444	25 444	19 422
Other external services	5 605	5 605	5 304	18 334	18 334	15 429
Costs of maintenance and lease of buildings	1 946	1 946	1 849	5 861	5 861	5 612
Amortization and depreciation	883	883	1 551	3 137	3 137	4 572
Taxes and fees	912	912	363	1 835	1 835	1 709
Commission expenses	1 609	1 609	1 196	5 643	5 643	3 817
Other expenses	9 532	382*	1 309	12 579	2 929,0	2 984
Total operating expenses	48 837	39 687	34 777	131 630	121 980	107 402

*) The position was corrected by the impact of a one-off event.

In the Company's opinion, the imposition of an administrative fine by PFSA is unjustified and not confirmed in the facts. The Commission refused to carry out the evidence requested by the Company (including the expert's opinion) and did not include the reports of independent experts 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.

In terms of q/q, after correcting by one-off event, operating expenses were reduced by PLN 2,1 million i.e. 4,9%.

	PERIOD ENDED							
	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016
Total operating income including: (in PLN'000)	39 687*	41 750	41 043	38 919	34 777	36 060	36 565	38 889
- Marketing	*8 669*	*8 976*	*7 799*	*6 243*	*5 615*	*6 632*	*7 175*	*8 997*
New clients	4 884	4 734	5 312	6 582	4 210	3 860	4 270	3 918
Average number of active clients	21 515	22 135	22 317	18 667	17 920	17 748	17 959	15 548

*) Total operating expenses corrected by the impact of a one-off event.

The Management Board expects in IV quarter of 2018 operating expenses to be at a level comparable to that observed in the previous quarter of 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 customers 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 this year.

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		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
EBITDA (in PLN'000)[1]	(376)	39 889	117 022	95 616
EBITDA margin (%)[2]	(0,8)	54,6	47,7	48,2
Net profit margin (%)[3]	(6,1)	42,9	39,7	30,6
Return on equity –ROE (%)[4]	(2,4)	35,1	29,2	22,2
Return on assets – ROA (%)[5]	(1,2)	14,2	13,9	9,5
Aggregate capital adequacy ratio (%)[6]	18,0	10,1	18,0	10,1

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.

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		NINE-MONTH PERIOD ENDED	
	30.09.2018	**30.09.2017**	**30.09.2018**	**30.09.2017**
Retail operations segment	303 906	447 527	1 475 186	1 386 090
Central and Eastern Europe	159 655	155 931	827 467	476 767
Western Europe	118 304	261 790	563 585	760 571
Latin America and Turkey	25 947	29 806	84 134	148 752
Institutional operations segment	41 212	76 242	161 358	191 575
Total	345 118	523 769	1 636 544	1 577 665

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 account;
- the transaction volume in lots;
- profitability per lot.

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018	**30.09.2017**	**30.09.2018**	**30.09.2017**
New clients[1]	4 884	4 201	14 930	12 331
Average number of active clients[2]	20 277	18 263	21 515	17 920
Clients in total	111 401	99 542	111 401	99 542
New accounts[3]	11 758	11 278	35 810	34 193
Average number of active accounts[4]	22 259	20 549	24 032	20 194
Accounts in total	225 784	188 380	225 784	188 380
Net deposits (in PLN'000)[5]	75 619	56 779	254 205	272 766
Average operating income per active client (in PLN'000)[6]	2,3	4,0	11,4	11,1
Average operating income per active account (in PLN'000)[7]	2,1	3,6	10,2	9,8
Transaction volume in CFD instruments in lots[8]	345 118	523 769	1 636 544	1 577 665
Profitability per lot (in PLN)[9]	138	140	150	126

[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]) 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 via which 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		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
New clients[1]	4 882	4 199	14 924	12 325
Average number of active clients[2]	20 258	18 241	21 497	17 898
Clients in total	111 358	99 505	111 358	99 505
New accounts[3]	11 753	11 276	35 795	34 180
Average number of active accounts[4]	22 231	20 516	24 005	20 162
Accounts in total	225 697	188 292	225 697	188 292
Number of transactions[5]	5 189 738	6 126 596	23 108 022	19 374 995
Transaction volume in CFD instruments in lots[6]	303 906	447 527	1 475 186	1 386 090
Net deposits (in PLN'000)[7]	72 239	50 446	242 958	223 622
Average operating income per active client (in PLN'000)[8]	2,1	3,7	10,7	9,7
Average operating income per active account (in PLN'000)[9]	1,9	3,3	9,6	8,6
Average cost of obtaining an client (in PLN'000)[10]	1,8	1,2	1,7	1,5
Average cost of obtaining an account (in PLN'000)[11]	0,7	0,4	0,7	0,5
Profitability per lot (in PLN)[12]	142	152	156	125

[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.

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
		30.09.2018		30.09.2017
Central and Eastern Europe	10 839	53,5%	10 638	58,3%
Western Europe	7 996	39,5%	6 364	34,9%
Latin America and Turkey	1 423	7,0%	1 239	6,8%
Average number of active clients	20 258	100,0%	18 241	100,0%

	NINE-MONTH PERIOD ENDED			
		30.09.2018		30.09.2017
Central and Eastern Europe	11 960	55,7%	10 476	58,5%
Western Europe	8 155	37,9%	5 994	33,5%
Latin America and Turkey	1 382	6,4%	1 428	8,0%
Average number of active clients	21 497	100,0%	17 898	100,0%

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		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Average number of active clients	19	22	18	22
Clients in total	43	37	43	37
Average number of active accounts	28	33	27	32
Accounts in total	87	88	87	88

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Transaction volume in CFD instruments in lots	41 212	76 242	161 358	191 575

XTB has a stable market position, growing customer base and over PLN 500 million of own cash on the balance sheet.The Group plans further development by expanding the customer 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 2018 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 customers 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 customers 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.

	OKRES 3 MIESIĘCY ZAKOŃCZONY							
	30.09.2018	**30.06.2018**	**31.03.2018**	**31.12.2017**	**30.09.2017**	**30.06.2017**	**31.03.2017**	**31.12.2016**
Total operating income (in PLN'000)	47 578	84 200	113 737	76 145	73 115	66 613	58 718	93 959
Transaction volume in CFD instruments in lots[1]	345 118	616 082	675 344	618 893	523 769	513 814	540 082	488 660
Profitability per lot (in PLN)[2]	138	137	168	123	140	130	109	192

[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.

- Since 2013, the Group provides services for institutional clients, including brokerage houses, start-ups and other financial institutions within the institutional activity segment (X Open Hub). As at the date of this report, the Group is in the process of developing the business of this segment, which is still at an early stage of development. 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.

	30.09.2018	**2017**	**2016**	**2015**	**2014**	**2013**
% share of operating income from institutional operations in total operating income	6,3%	15,2%	7,8%	4,7%	14,1%	4,6%

The Management Board anticipates that the level of activity in financial and commodity markets in 2018, 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 customers. 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 IV quarter of 2018 operating expenses should be at a level comparable (slightly higher) to that observed in the 2017. 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 customers 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 this year.
- 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).

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 (loss 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 the financial cost. 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 as at 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, the European Securities and Markets Authority ('ESMA') announced the measures of product intervention became effective for three-months periods from 1 August, 2018 regarding CFDs and 2 July, 2018 for binary options to retail investors in the European Union (EU).

  Agreed measures regarding CFDs include:

  – Leverage limits on the opening of a position by a retail client between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument, including:
    - 30:1 for major currency pairs;
    - 20:1 for non-major currency pairs, gold and major 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;
  – Unification of level of stop out to 50% for all investment companies;
  – Negative balance protection on a per account basis;
  – Restriction on the benefits offered to trade CFDs;
  – Introduction a standardised risk warning.

  In the binary options:

  – Prohibition on the marketing; distribution or sale of binary options to retail investors.

  In August 2018 ESMA reviewed the product intervention measure on binary options, which resulted in a decision announced on 24 August, 2018 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. ESMA also conditionally allowed to use abbreviated risk warning in relation to CFDs due to limited number of characters on selected marketing platforms.

  On 28 March 2018, the President of the Republic of Poland signed the Act amending the Act on Trading in Financial Instruments and certain other acts. This Act is aimed at implementing into the national legal order EU regulations concerning markets for financial instruments, i.e. MiFID II Directive and MiFIR Regulation. The Act imposes additional obligations on financial market entities, implements new rules for communication with the client, extends information requirements, ensures greater transparency of costs and introduces new powers for supervisors. The act entered into force on 21 April 2018. The statutory provisions specify the new regulations of the Minister of Finance:

  – regarding the procedure and conditions of conduct of investment companies, banks referred to in Art. 70 sec. 2 of the Act on Trading in Financial Instruments, and custodian banks; and
  – on detailed technical and organizational conditions for investment companies, banks referred to in Art. 70 sec. 2 of the Act on Trading in Financial Instruments, and custodian banks.

  The regulations entered into force on 23 June, 2018 and the investment companies had time for their implementation by 21 October, 2018.

  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 30 September 2018 the composition of the Management Board:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout*	President 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	President of the	10.07.2018	29.06.2019

* Omar Arnaout on 10 January 2017 was appointed as a Member of the Management Board for Sales in the rank of Vice President of the Management Board. On 23 March 2017 he was appointed the President of the Management Board.

During the reporting period the following changes occurred in the composition of the Management Board:

- on 10 July 2018 the Supervisory Board of the Company adopted a resolution regarding the appointment of Mr. Jakub Kubacki as a Member of the Management Board for Legal Affairs on the same day. At the same time, also on 10 July 2018, the Supervisory Board of the Company determined that as soon as the Polish Financial Supervision Authority granted the consent in accordance with Art. 102a.1 of the Act on Trading in Financial Instruments, the member of the Management Board for Legal Affairs will become responsible for supervising the risk management system and will subsequently become a Member of the Management Board for Legal Affairs and Risks.
- on 29 August 2018 the Supervisory Board of the Company adopted a resolution regarding the appointment of Mr. Andrzej Przybylski as a Member of the Management Board for Risk. The resolution comes into force and the appointment as a Member of the Management Board becomes effective, provided that the Polish Financial Supervision Authority shall give its consent in accordance with Article 102a of the Act on Trading in Financial Instruments, as a result Mr. Andrzej Przybylski will become responsible for supervising the risk management system.

  At the same time i.e. 29 August 2018 The Supervisory Board authorized the Chairman of the Board to submit an application to the Polish Financial Supervision Authority regarding the withdrawal of the application or discontinuation of the administrative procedure for granting the consent referred to in 102a sec. 1 of the Act on Trading in Financial Instruments regarding the appointment of Mr. Jakub Kubacki as a member of the management board responsible for supervising the risk management system.

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

3.2 Supervisory Board

As at 30 September 2018 and as at the date of publication of this periodic report, the composition of the Management Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Jakub Leonkiewicz	Chairman of the Supervisory Board	30.05.2017	09.11.2018
Łukasz Baszczyński	Member of the Supervisory Board	09.11.2015	09.11.2018
Jarosław Jasik	Member of the Supervisory Board	09.11.2015	09.11.2018
Bartosz Zabłocki	Member of the Supervisory Board	09.11.2015	09.11.2018
Marek Strugała	Member of the Supervisory Board	07.03.2018	09.11.2018

In the period from the balance sheet date, the following changes took place in the composition of the Supervisory Board:

- on 17 October 2018 the Extraordinary General Meeting of the Company appointed the existing supervising persons in XTB, i.e. Mr. Jarosław Jasik, Mr. Łukasz Baszczyński and Mr. Bartosz Zabłocki for the members of the Supervisory Board for the join term of office from 10 November 2018 till the end of 10 November 2021.
- on 25 October 2018 the company has received a statement in which Mr. Jakub Zabłocki uses the permission specified in Paragraph 15 section 4 of the Company's Articles of Association to appoint Mr. Jakub Leonkiewicz to the position of the Chairman of the XTB Supervisory Board for the join term of office from 10 November 2018 till the end of 10 November 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 30 September 2018 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.

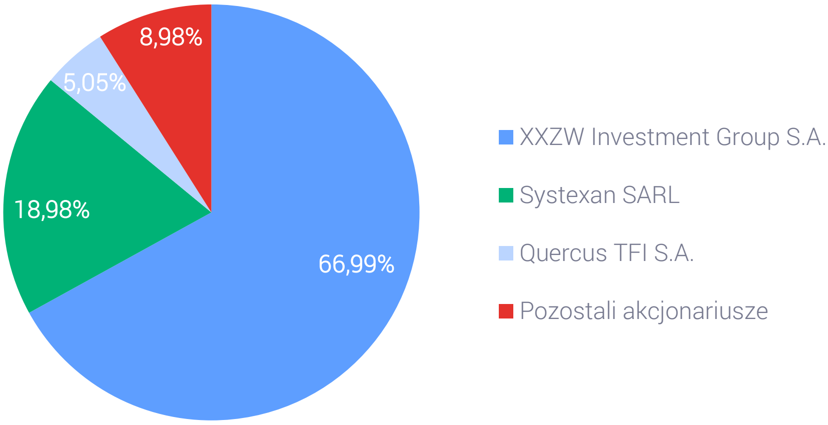
4.3 Shareholding structure

To the best knowledge of the Management Board of the Company as at 23 August 2018 i.e. as at the submission date of the previous periodic report (1st half 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%

[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 shareholding structure as at 23 August 2018 is presented on the graph below:



To the best knowledge of the Company's Management Board as at 30 September 2018 and as at the date of this periodic report (according to current report No. 23/2018 dated 17 October 2018), 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 23 August 2018.

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

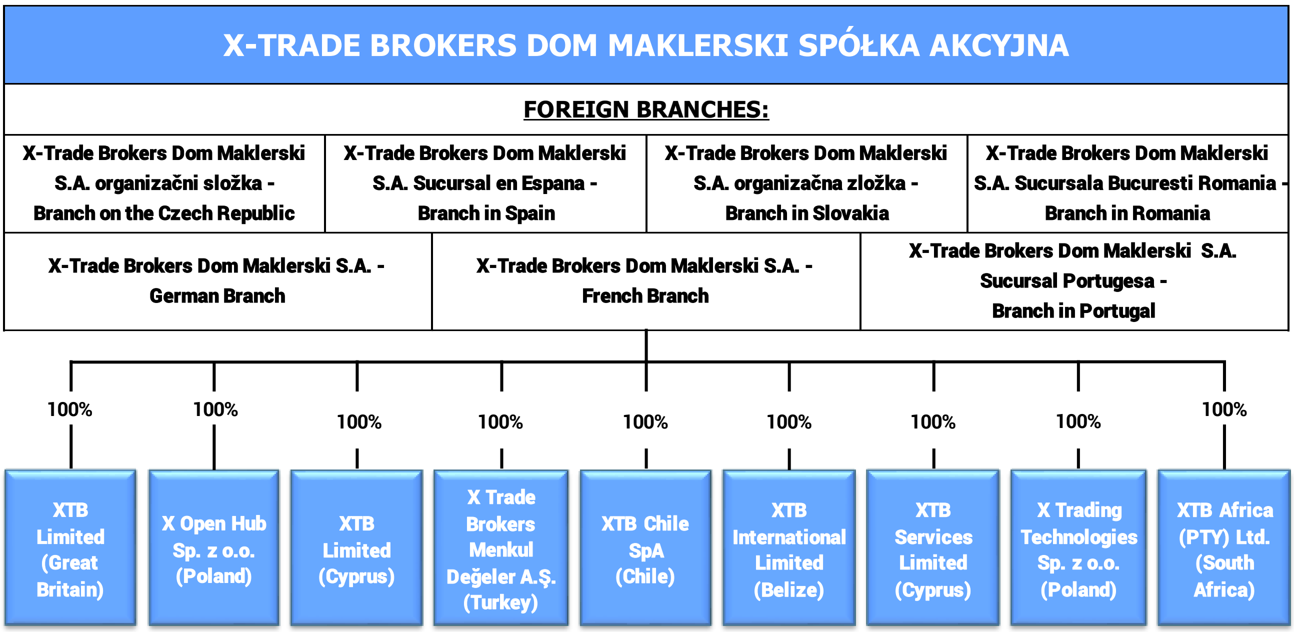
Management and supervisory personnel did not hold, at the end of the reporting period and at the date of this report, share the Company's shares and the entitlements to the Company's shares.

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.

XTB Limited, Great Britain

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.

X Open Hub Sp. z o.o., Poland

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.

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 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).

XTB Chile SpA, Chile

On 17 February 2017 the Parent Company established XTB Chile SpA. The Company owns 100% of shares in 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 acquire 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.

X Trading Technologies Sp. z o.o., Poland

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 a 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 a 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 30 September 2018 and as at the submission date of this report, there were no changes in the structure of the X-Trade Brokers Dom Maklerski S.A. Group other than those described above.

5.2 Information on transactions with related parties

In 9-month period ended 30 September 2018 and 30 September 2017 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)	01.01.2018 - 30.09.2018 REVENUES	30.09.2018 RECEIVABLES	01.01.2017 - 30.09.2017 REVENUES	31.12.2017 RECEIVABLES	30.09.2017 RECEIVABLES
Related parties:					
XTB Limited (UK)	19 698	1 466	16 941	2 211	153
XTB Limited (CY)	89	12	115	13	13
X Open Hub Sp. z o.o.	2 497	1 112	1 396	345	765
X-Trade Brokers Menkul Degerler A.S	-	-	5 006	-	-
XTB International Limited	15 849	2 035	5 271	157	814

(in PLN'000)	01.01.2018 - 30.09.2018 COSTS	30.09.2018 LIABILITIES	01.01.2017 - 30.09.2017 COSTS	31.12.2017 LIABILITIES	30.09.2017 LIABILITIES
Related parties:					
XTB Limited (UK)	(9 132)	1 630	(11 437)	2 790	1 944
XTB Limited (CY)	(2 193)	202	(1 043)	141	128
X Open Hub Sp. z o.o.	(374)	58	(189)	40	27
X-Trade Brokers Menkul Degerler A.S	-	-	(4 769)	-	2
XTB International Limited	(8 613)	1 406	(7 100)	2 398	784
XTB Services Limited	(4 925)	727	-	398	-

Jakub Zabłocki indirectly controlling the Company (through XXZW Investment Group S.A. based in Luxembourg) has a brokerage account in XTB. Transactions and the status of settlements from the above title are presented in the table below:

(in PLN'000)	01.01.2018 - 30.09.2018 COSTS	30.09.2018 LIABILITIES	01.01.2017 - 30.09.2017 COSTS	31.12.2017 LIABILITIES	30.09.2018 LIABILITIES
Jakub Zabłocki	(5)	249	-	-	-

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

As at 30 September 2018 and in the reporting period, i.e. from 1 January 2018 to 30 September 2018, 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 2018.

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

As at 30 September 2018 and as at the submission date of this periodic report the Parent company and its subsidiaries were not a party to the proceedings pending before court, arbitration authority or public administration authority, the value of which could constitute at least 10% of the Issuer's equity.

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

As at 30 September 2018 and as at the submission date of this periodic report the Parent company and its subsidiaries were not a party to the proceedings pending before court, arbitration authority or public administration authority, the value of which could constitute at least 10% of the Issuer's equity.

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 2,36 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 1,09 million and eight brought by clients with the total value of claims of approximately PLN 1,22 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. Although the judgement issued in the first instance was favourable to the Company, there is still a 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. 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 customer, 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 578 000.

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 client's claims groundless. The only reason for the loss of the customer 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 customer's transactions were not delayed, and the timing of his orders was even faster than the average for other clients.

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

The Company filed suit against XFR Financial Ltd., with its registered office in Cyprus ("XFR"), requesting the discontinuation of a breach of a trademark registered by 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 his claim against the XFR was dismissed therefore the Company filed an appellation against this decision. The Warsaw Court of Appeal 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 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 first hearing in this case was held. The court scheduled the date for next hearing for 4 December 2018.

Moreover, proceedings before the District Court for Warsaw-Śródmieście in Warsaw are pending based on the suit filed by the Company, with the participation of XTRADE Europe Ltd. In this case, a petition for commencement of enforcement proceedings has been filed 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. The petition for commencement of enforcement proceedings was filed on 19 June 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. To the District Court was issued a motion for PLN 100 000 as a result of XTRADE Europe Ltd.'s failure to perform a collateral established by the Court of Appeal. On 16 October 2018 the letter of proxies of XTRADE Europe Ltd. was submitted to the court in which they responded to the Company's request in which they demanded the dismissal of the request. Acting in the best interest of the Company and its shareholders, the Company is going to prepare reply to the answer of proxies of XTRADE Europe Ltd.

The Company has also launched a German court proceedings aimed at cessation of infringement of the Company trademark by XFR. According to the court judgment received by the Company, the court has prohibited XFR from using in Germany marks „XTRADE" and „XTRADE EUROPE Ltd" confirming that these marks are confusingly similar to the trademarks registered by the Company. In addition, XFR 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. In its judgment the court pointed out that the Company has the right to challenge XFR marks and to submit appropriate motion for cancellation of registration XFR marks. After the judgement, XFR filed an appellation. On 19 April 2018 the Court of Appeal rejected the appeal – the judgment which forbids usage of XTRADE symbol in Germany is final. As of the date of delivery of this report the proceedings are pending aiming at award the Company reimbursement by XTRADE Europe Ltd. of representation costs.

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 13 November 2017 an article was published, from which follows that there are pending prosecutorial proceedings by way of the PFSA's notice after the control in the Company. The Management Board also received information from the prosecutor's office regarding ongoing proceedings arising from the notification of the PFSA's and one of the clients' notice. The Management Board finds no grounds for the objections regarding Company's business misconduct. The Company finds groundless the information presented in the article referring to deliberate actions performed by the Company aiming at unreliable execution of orders.

On 17 November 2017, the Company was served with the decision of the PFSA dated 14 November 2017 on initiation ex officio of administrative proceedings regarding imposition of a monetary penalty upon the Company in connection with suspicion regarding significant violation of the law, in particular in the area of provision of brokerage services in favour of the Company's clients and organisation and operation of trading systems. The violations identified by the PFSA are identical with the abnormalities and defaults identified in the inspection protocol dated 14 October 2016. In the Company's opinion, the allegations presented by the PFSA are unfounded and are not confirmed in the facts.

Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board took determined actions to defend against these objections. However, 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 in 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 19 September 2017 the Company received a control report indicating that inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company and branch, in response to which the Company has lodged substantiated objection in accordance with the applicable regulations. The Company has implemented the ASF's post-inspection recommendations. However, one cannot exclude the possibility that the manner of adaptation followed by the branch and the Company to any given recommendation may be considered non-compliant with the law or the ASF's approach; abnormalities in the operation of the branch and the Company may give ground, inter alia, to initiation against the branch and the Company of administrative proceedings concerning imposition onto the branch and the Company of penalties or other sanctions pursuant to the supervisory rights of the ASF or other authorities.

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 which are being verified by the body. 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 customer 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 customer 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 customers 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 exercises 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, 2017another draft act on amendment of the act on supervision over the financial market and certain other acts was presented. At present, opinions for the draft are being prepared. 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 stage of public consultation of the project of regulation has been concluded and at the submission date of this report the work on project is completed in the Legal Affairs Committee.

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.

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

On 25September 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 is supposed to concern, 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 (e.g. 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 draft of 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.

On 26 October 2018 the Senate accepted without amendments the above-mentioned act. At the submission date of the report, the act is still awaiting the President's signature and announcement in the Journal of Laws. The date of application of the act is planned on 1 January 2019. The entry into force of these amendments will most likely require the implementation of technical and organizational changes by the Company in order to comply with new requirements in the field of taxation.

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 exercises 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.

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 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.

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. 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 customers 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 customers, 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, which is to take place on 29 March 2018. On 12 July, 2018, the British government published a document, the so-called a white paper, concerning future relationships between Great Britain and European Union, which proposes a common market for trading in goods with the Community. The document does not include solutions regarding the movement of services. The British Government's proposal has not yet received EU approval. 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 30.09.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2017 (UNAUDITED)
Result of operations on financial instruments	40 178	67 774	226 120	177 773
Income from fees and charges	1 762	1 032	4 985	3 124
Other income	(9)	29	71	66
Total operating income	41 931	68 835	231 176	180 963
Salaries and employee benefits	(16 512)	(14 654)	(49 559)	(43 464)
Marketing	(5 672)	(5 124)	(18 983)	(17 595)
Other external services	(7 502)	(4 989)	(22 265)	(14 399)
Costs of maintenance and lease of buildings	(1 508)	(1 342)	(4 528)	(4 038)
Amortisation and depreciation	(839)	(962)	(2 447)	(3 027)
Taxes and fees	(872)	(166)	(1 638)	(1 411)
Commission expenses	(1 311)	(979)	(4 716)	(3 213)
Other costs	(9 471)	(647)	(11 268)	(1 520)
Total operating expenses	(43 687)	(28 863)	(115 404)	(88 667)
Profit (loss) on operating activities	(1 756)	39 972	115 772	92 296
Impairment of investments in subsidiaries	(6 028)	–	(10 425)	(9 720)
Finance income	(1 555)	296	5 979	762
Finance costs	101	614	(2 349)	(12 069)
Profit (loss) before tax	(9 238)	40 882	108 977	71 269
Income tax	(1 206)	(7 684)	(24 854)	(13 765)
Net profit (loss)	(10 444)	33 018	84 123	57 504
Other comprehensive income	(512)	969	381	(741)
Items which will be reclassified to profit (loss) after meeting specific conditions	(512)	969	381	(741)
- foreign exchange differences on translation of foreign operations	*853*	*388*	*321*	*271*
- foreign exchange differences on valuation of separated equity	*(1 685)*	*717*	*74*	*(1 249)*
- deferred income tax	*320*	*(136)*	*(14)*	*237*
Total comprehensive income	(10 956)	33 987	84 504	56 763
Earnings per share:				
- basic profit (loss) per year attributable to shareholders of the Parent Company (in PLN)	(0,09)	0,28	0,72	0,49
- basic profit (loss) from continued operations per year attributable to shareholders of the Parent Company (in PLN)	(0,09)	0,28	0,72	0,49
- diluted profit (loss) of the year attributable to shareholders of the Parent Company (in PLN)	(0,09)	0,28	0,72	0,49
- diluted profit (loss) from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	(0,09)	0,28	0,72	0,49

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	30.09.2018 (UNAUDITED)	31.12.2017 (AUDITED)	30.09.2017 (UNAUDITED)
ASSETS			
Own cash and cash equivalents	460 912	322 954	215 348
Customers' cash and cash equivalents	302 989	334 100	420 968
Financial assets at fair value through P&L	96 155	N/A*	N/A*
Financial assets held for trading	N/A*	118 164	140 639
Investments in subsidiaries	50 135	57 160	59 334
Income tax receivables	1 450	115	115
Loans granted and other receivables	7 862	5 060	3 930
Prepayments and deferred costs	4 149	2 661	3 680
Intangible assets	813	2 111	2 677
Property, plant and equipment	2 325	2 764	2 867
Deferred income tax assets	8 353	8 302	8 667
Total assets	935 143	853 391	858 225
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to customers	379 245	374 930	407 993
Financial liabilities held for trading	14 646	34 834	28 333
Income tax liabilities	241	1 121	4 443
Other liabilities	29 812	20 724	17 742
Provisions for liabilities	827	911	787
Deferred income tax provision	13 019	8 022	15 452
Total liabilities	437 790	440 542	474 750
Equity			
Share capital	5 869	5 869	5 869
Supplementary capital	71 608	71 608	71 608
Other reserves	334 760	247 854	247 854
Foreign exchange differences on translation	993	612	1 132
Retained earnings	84 123	86 906	57 012
Total equity	497 353	412 849	383 475
Total equity and liabilities	935 143	853 391	858 225

N/A - not applicable – items which are not applicable due to the rules resulting from IFRS 9 from 1 January 2018*

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Interim condensed statement of changes in equity for the period from 1 January 2018 to 30 September 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	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	–	–	–	–	84 123	84 123
Other comprehensive income	–	–	–	381	–	381
Total comprehensive income for the financial year	–	–	–	381	84 123	84 504
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	86 906	–	(86 906)	–
- transfer to other reserves	–	–	86 906	–	(86 906)	–
As at 30 September 2018 (unaudited)	5 869	71 608	334 760	993	84 123	497 353

Statement of changes in equity for the period from 1 January 2017 to 31 December 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1January 2017	5 869	71 608	212 416	1 873	72 509	364 275
Total comprehensive income for the financial year						
Net profit	–	–	–	–	87 398	87 398
Other comprehensive income	–	–	–	(1 261)	–	(1 261)
Total comprehensive income for the financial year	–	–	–	(1 261)	87 398	86 137
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	35 438	–	(73 001)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–
As at 31 December 2017 (audited)	5 869	71 608	247 854	612	86 906	412 849

Interim condensed statement of changes in equity for the period from 1 January 2017 to 30 September 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1January 2017	5 869	71 608	212 416	1 873	72 509	364 275
Total comprehensive income for the financial year						
Net profit	–	–	–	–	57 504	57 504
Other comprehensive income	–	–	–	(741)	–	(741)
Total comprehensive income for the financial year	–	–	–	(741)	57 504	56 763
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	35 438	–	(73 001)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–
As at 30 September 2017 (unaudited)	5 869	71 608	247 854	1 132	57 012	383 475

INTERIM CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	NINE-MONTH PERIOD ENDED	
	30.09.2018 (UNAUDITED)	30.09.2017 (UNAUDITED)
Cash flows from operating activities		
Profit before tax	108 977	71 269
Adjustments:		
(Gain) Loss on sale or disposal of items of property, plant and equipment	(28)	37
Amortization and depreciation	2 447	3 027
Foreign exchange (gains) losses from translation of own cash	(17)	1 966
(Gain) Loss on investment activity	8 367	7 266
Other adjustments	363	(726)
Changes		
Change in provisions	(84)	(96)
Change in balance of financial assets and liabilities at fair value through P&L	1 821	(43 729)
Change in balance of restricted cash	31 111	(68 138)
Change in balance of loans granted and other receivables	(2 802)	7 376
Change in balance of prepayments and accruals	(1 488)	(789)
Change in balance of amounts due to customers	4 315	57 172
Change in balance of other liabilities	9 157	(2 596)
Cash from operating activities	162 139	32 039
Income tax paid	(22 123)	(9 857)
Interests	–	4
Net cash from operating activities	140 016	22 186
Cash flow from investing activities		
Proceeds from sale of items of property, plant and equipment	70	65
Proceeds from loans repayment	–	732
Expenses relating to payments for property, plant and equipment	(698)	(980)
Expenses relating to payments for intangible assets	(36)	(457)
Expenses relating to payments for investments in subsidiaries	(3 400)	(2 958)
Dividends received from subsidiaries	2 058	2 454
Net cash from investing activities	(2 006)	(1 144)
Cash flow from financing activities		
Payments of liabilities under finance lease agreements	(69)	(100)
Interest paid under lease	–	(4)
Dividend paid to owners	–	(37 563)
Net cash from financing activities	(69)	(37 667)
Increase (Decrease) in net cash and cash equivalents	137 941	(16 625)
Cash and cash equivalents – opening balance	322 954	233 942
Effect of FX rates fluctuations on balance of cash in foreign currencies	17	(1 969)
Cash and cash equivalents – closing balance	460 912	215 348

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