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**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE FIRST HALF OF 2020**

XTPL S.A.

XTPL Spółka Akcyjna, a joint stock company having its registered office at ul. Stabłowicka 147, 54-066 Wrocław, entered in the business register of the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register under KRS No. 0000619674 (“XTPL”, “XTPL S.A.”, “Company”, “Entity”, “Parent Company”, “Issuer”), NIP: 9512394886, REGON: 361898062.

As at 30 June 2020 (“Balance Sheet Date”), the share capital of XTPL S.A. amounted to PLN 190,422.20 and consisted of 1,904,222 shares with a nominal value of PLN 0.10 each.

This document relates to XTPL Group (“Group”, “XTPL Group”), and contains the Group’s consolidated financial statements (“Report”).

The Group includes the parent company and a subsidiary (XTPL Inc. with its registered office in the USA), fully controlled by XTPL S.A. (“Subsidiary”, “Subsidiary Undertaking”, “XTPL Inc.”).

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date (“Report Date”) is 25 September 2020. As at the Report Date, the share capital of XTPL S.A. amounted to PLN 202,922.20 and consisted of 2,029,222 shares with a nominal value of PLN 0.10 each (“Shares”).

In this Report, the consolidated financial statements mean the consolidated financial statements (including the Company and the Subsidiary) for the six months from 1 January to 30 June 2020 (the “Reporting Period”) prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

“Regulation on current and financial reports” – the Finance Minister’s Regulation of 29 March 2018 on current and periodic reports released by the issuers of securities and the conditions for equivalent treatment of the information required by the laws of non-member states.

“Accounting Act” – the Accounting Act of 29 September 1994.

Due to the fact that the activities of XTPL S.A. have a dominant impact on the Group’s operations, the information presented in the Management Report (contained in a separate document) relates to both to XTPL S.A. and XTPL Group, unless indicated otherwise.

Unless stated otherwise, the financial data are presented in thousands.

This English language report has been prepared by XTPL S.A. (“Company”) for the convenience of English speaking readers. Despite the attentive translation, there may be some discrepancies, omissions or approximations. On the assumption of any differences between the Polish and English versions, the Polish version is prevail. XTPL and its representatives and employees decline any responsibility in this regard.

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Selected consolidated figures and key information about the Issuer

1 Selected consolidated figures

Figures in PLN thousand	1 January – 30 June 2020		1 January – 30 June 2019	
	PLN	EUR	PLN	EUR
Net revenue from sales	936	211	1,592	371
Profit (loss) on sales	-990	-223	-2,965	-691
Profit (loss) before tax	-5,471	-1,232	-16,959	-3,955
Profit (loss) after tax	-5,472	-1,232	-16,582	-3,867
Depreciation/amortization	257	58	286	67
Net cash flows from operating activities	-3,406	-767	-5,326	-1,242
Net cash flows from investing activities	54	12	-52	-12
Net cash flows from financing activities	9,249	2,082	796	186
Figures in PLN thousand	30 June 2020		31 December 2019	
Owner's equity	12,569	2,814	6,907	1,622
Short-term liabilities	1,665	373	1,931	453
Long-term liabilities	-	-	-	-
Cash and cash equivalents	10,103	2,262	4,206	988
Short-term receivables	703	157	935	220
Long-term receivables	230	52	272	64

2 Key information about the Issuer

<u>Business name:</u>	XTPL Spółka Akcyjna
<u>Registered Office:</u>	Wrocław
<u>Address:</u>	Stabłowicka 147, 54-066 Wrocław
<u>KRS:</u>	0000619674
<u>NIP:</u>	9512394886
<u>REGON:</u>	361898062
<u>Registry Court:</u>	District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register
<u>Share capital:</u>	PLN 202,922.20 paid in full
<u>Phone number:</u>	+48 71 707 22 04
<u>Website:</u>	www.xtpl.com
<u>Email:</u>	investors@xtpl.com

The Parent Company has the status of a public company. Since 20 February 2019, its shares have been listed on the regulated (parallel) market operated by the Warsaw Stock Exchange.

As regards financial reporting, the Group uses IASs/ IFRSs.

The presented interim condensed consolidated financial statements cover the period of six months from 1 January to 30 June 2020.

Management Board

As at the Balance Sheet Date and the Report Date, the Management Board performed its duties in the following composition:

- Filip Granek, PhD, CEO
- Jacek Olszański, Management Board Member.

On 27 February 2020, Maciej Adamczyk resigned from the Management Board effective from 27 February 2020.

On 30 June 2020, the XTPL Supervisory Board appointed the Management Board of a new term. In addition to Filip Granek, who was entrusted with the function of Management Board President (CEO), Jacek Olszański was appointed to the role of Management Board Member.

Supervisory Board

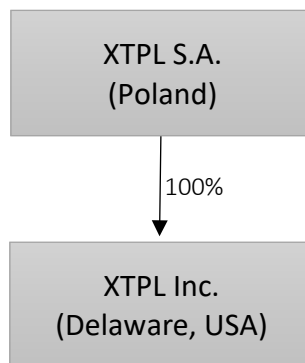
As at the Balance Sheet Date and as at the Report Date, the Supervisory Board performed its duties in the following composition:

- Wiesław Rozłucki, PhD – Chairman of the Supervisory Board – an independent SB member
- Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
- Beata Turlejska
- Prof. Herbert Wirth – an independent SB member
- Piotr Lembas – an independent SB member

On 9 January 2020, Sebastian Młodziński resigned from the Supervisory Board, and the Issuer's Extraordinary General Meeting appointed Prof. Herbert Wirth to serve as a member of the Supervisory Board. On 30 June 2020, the Annual

General Meeting was held. Among other things, it appointed the Supervisory Board for a new term. Beata Turlejska became a new member of the Supervisory Board. She is a Managing Partner of the Leonarto Fund and is responsible for managing the fund's investment portfolio (the fund invests in technology companies).

Structure of XTPL Group as at the Balance Sheet Date and the Report Date:



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Interim condensed consolidated financial statements

3 Interim condensed consolidated financial statements

3.1 Interim condensed consolidated statement of financial position

ASSETS	NOTE	30.06.2020	31.12.2019
		PLN'000	PLN'000
Non-current assets		3,343	3,639
Property, plant and equipment	2	480	646
Intangible fixed assets	1	2,633	2,721
Long-term receivables	6	230	272
Current assets	13	10,891	5,199
Trade receivables		11	-
Other receivables		692	935
Cash and cash equivalents		10,103	4,206
Other assets		85	58
Total assets		14,234	8,838
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EQUITY AND LIABILITIES	NOTE	30.06.2020	31.12.2019
		PLN'000	PLN'000
Total equity		12,569	6,907
Share capital		190	190
Supplementary capital		7,074	18,726
Reserve capital		10,348	12,150
FX differences arising on translation		-80	10
Retained profit (loss carried forward)		509	-372
Profit (loss) after tax		-5,472	-23,797
Short term liabilities	13	1,665	1,931
Trade liabilities		643	1,048
Short-term financial liabilities		-	1
Other liabilities		1,022	882
Total equity and liabilities		14,234	8,838

3.2 Interim condensed consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	NOTES	1.01.2020 – 30.06.2020 PLN '000	1.01.2019 – 30.06.2019 PLN '000
Continued operations			
Sales	14	936	1,592
Revenue from research and development services	23	20	-
Revenue from the sale of products	23	23	-
Revenue from grants		893	1,592
Cost of sales		1,926	4,557
Research and development expenses	15	1,926	4,557
Cost of finished goods sold		-	-
Gross profit (loss)		-990	-2,965
General and administrative expenses	15	4,704	13,716
Other operating income		136	4
Other operating costs		14	228
Operating profit (loss)		-5,572	-16,906
Financial revenues		104	15
Financial expenses		3	69
Profit/ loss before tax		-5,471	-16,960
Income tax		1	23
Net profit (loss) on continued operations		-5,472	-16,983
Discontinued operations		-	-
Net profit (loss) on discontinued operations		-	-
Net profit (loss) on continued and discontinued operations		-5,472	-16,983
Profit (loss) of non-controlling interests		-	-401
Profit (loss) attributable to shareholders of the parent		-5,472	-16,582
Other comprehensive income		-90	15
Items that can be transferred to profit or loss in subsequent reporting periods		-90	15
FX differences arising on conversion of foreign affiliates		-90	15
Items that will not be transferred to profit or loss in subsequent periods		-	-
Total comprehensive income		-5,562	-16,968
Total comprehensive income attributable to non-controlling shareholders		-	-401
Total comprehensive income attributable to the parent company		-5,562	-16,567
Net profit (loss) per share (in PLN)			
On continued operations			

Ordinary		-2.87	-9.07
Diluted		-2.87	-9.07
On continued and discontinued operations			
Ordinary		-2.87	-9.07
Diluted		-2.87	-9.07
<hr/>			
number of shares		1,904,222	1,826,222

3.3 Interim condensed consolidated statement of changes in equity

STATEMENT OF CHANGES							
	Share capital	Supplementary capital	Reserve capital	FX differences arising on translation	Retained profit (loss carried forward)	Non-controlling interests	Total
IN EQUITY							
As at 1 January 2020	190	18,726	12,150	10	-24,169	-	6,907
Comprehensive income:	-	-	-	-90	-5,472	-	-5,562
Profit (loss) after tax	-	-	-	-	-5,472	-	-5,472
Other comprehensive income	-	-	-	-90	-	-	-90
Transactions with owners:	-	-11,652	-1,802	-	24,678	-	11,224
Issue of shares	-	-	9,250	-	-	-	9,250
Incentive scheme	-	-	1,974	-	-	-	1,974
Distribution of profit	-	-11,652	-13,026	-	24,678	-	-
As at 30 June 2020	190	7,074	10,348	-80	-4,963	-	12,569
As at 1 January 2019	178	16,341	-	-	-7,581	-	8,938
Comprehensive income:	-	-	-	15	-16,582	-401	-16,968
Profit (loss) after tax	-	-	-	-	-16,582	-401	-16,983
Other comprehensive income	-	-	-	15	-	-	15
Transactions with owners:	4	-7,209	10,711	-	7,209	401	11,116
Issue of shares	4	-	-	-	-	-	4
Incentive scheme	-	-	11,587	-	-	-	11,587
Non-controlling interests arising after taking control of XTPL Inc.	-	-	-	-	-	-475	-475
Acquisition of shares of XTPL Inc. without changing the level of control	-	-	-876	-	-	876	-
Distribution of profit	-	-7,209	-	-	7,209	-	-
As at 30 June 2019	182	9,132	10,711	15	-16,954	-	3,086

3.4 Interim condensed consolidated statement of cash flows

STATEMENT OF CASH FLOWS	NOTE	1.01.2020	1.01.2019
		30.06.2020	30.06.2019
		PLN'000	PLN'000
Cash flows from operating activities			
Profit (loss) before tax		-5,471	-16,960
Total adjustments:		2,065	11,634
Depreciation/amortization		257	286
FX gains (losses)		-93	16
Interest and profit distributions (dividends)		-13	2
Profit (loss) on investing activities		-1	-
Change in the balance of provisions		45	118
Change in the balance of receivables		232	-52
Change in short-term liabilities, except bank and other loans		-309	209
Change in prepayments/accruals		-27	-53
Income tax paid		1	
Other adjustments		1,974	11,108
Total cash flows from operating activities	16	-3,406	-5,326
Cash flows from investing activities			
Inflows		57	7
Disposal of tangible and intangible assets		2	-
Repayment of long-term loans		50	-
Interest on financial assets		5	7
Outflows		3	59
Acquisition of tangible and intangible fixed assets		3	59
Total cash flows from investing activities	16	54	-52
Cash flows from financing activities			
Inflows		9,250	2,325
Contributions to capital		9,250	825
Bank and other loans		-	1,500
Other financial inflows		-	-
Outflows		1	1,529
Repayment of bank and other loans		-	1,500
Finance lease payments		1	12
Interest		-	17
Total cash flows from financing activities	16	9,249	796
Total cash flows from investing activities		5,897	-4,582
Change in cash and cash equivalents:		5,898	-4,583
– change in cash due to FX differences		-1	1
Cash and cash equivalents at the beginning of the period		4,207	5,537
Cash and cash equivalents at the end of the period, including:		10,104	955
– restricted cash		-	-

3.5 Notes

Note 1 Intangible fixed assets

OTHER INTANGIBLE ASSETS	figures in PLN thousand	30.06.2020	31.12.2019
Acquired concessions, patents, licenses and similar rights		15	23
Intellectual property rights		-	108
In-process development expenditure		2,618	2,591
Total (net)		2,633	2,721
Previous write-off		1,156	1,040
Total (gross)		3,789	3,761

All intangible assets are the property of the Group; none of these assets are used based on any rental, lease or a similar contract. The intangible assets are not used as collateral by the Group. As at 30 June 2020, the Group did not have any agreements whereby it would be required to purchase any intangible assets. In 2020 and 2019, no impairment charges were posted for intangible assets.

Note 2. Property, plant and equipment and significant acquisitions

PROPERTY, PLANT AND EQUIPMENT	figures in PLN thousand	30.06.2020	31.12.2019
Technical equipment and machines		268	387
Vehicles		-	1
Other fixed assets		212	258
Total (net)		480	646
Previous write-off		1,210	1,041
Total (gross)		1,690	1,687

All tangible assets are the property of the Group; none of these assets are used based on any rental, lease or a similar contract. The Group did not use its tangible assets as collateral. In 2020 and 2019, no impairment charges were posted for tangible assets.

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS	figures in PLN thousand	01.01.2020 - 30.06.2020	01.01.2019 - 31.12.2019
XTPL printers		-	273
Computer sets		3	26
Server with software		-	-
Pressure control system and other		-	17
Anti-vibration system and laminar chamber		-	140
Office equipment		-	64
Total significant acquisitions		3	520

Note 3. Significant liabilities on account of purchase of tangible assets

In the reporting period, neither the Group nor the Company incurred any significant liabilities on account of purchase of tangible assets.

As at 30 June 2020, the Group companies did not have any agreements whereby they would be required to purchase any tangible assets.

Note 4. Changes in the classification of financial assets as a result of a change in the purpose or use of these assets

In the reporting period no changes were made in the classification of financial assets.

Note 5. Impairment allowance for financial assets, tangible assets, intangible assets or other assets and reversal of the impairment allowance

In the reporting period no impairment allowances for financial assets, tangible assets, intangible assets or other assets were created or reversed.

Note 6. Long-term receivables

Long-term receivables	figures in PLN thousand	30 June 2020	31 December 2019
Loans granted		197	229
Security deposits		33	33
Shares		-	-
Total long-term receivables		230	262

Note 7. Write-down of inventories to their net recoverable amount and reversal of the write-down

In the reporting period no write-down for inventories was created or reversed.

Note 8. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	figures in PLN thousand	01.01.2020 - 30.06.2020	01.01.2019 - 31.12.2019
Balance at the beginning of the period		302	292
increased/ created		403	956
utilisation		16	374
release		343	572
Balance at the end of the period		346	302

The change in provisions presented in the table above relates to provisions created for unused annual leave by employees of the Group and provisions for business travel expenses. The above provisions are presented in the statement of financial position under other liabilities.

Either in the reporting period or in prior years, the Group did not create any provisions for restructuring costs.

Note 9. Types and amounts of changes in estimates presented in prior interim periods of the present financial year or changes to estimates presented in prior financial years

In the reporting period no changes in estimates were made.

Note 10. Significant liabilities on account of purchase of tangible assets

In the reporting period, neither the Group nor the Company incurred any significant liabilities on account of purchase of tangible assets.

Note 11. Correction of errors from previous periods

In the first half of 2020, no corrections were made on account of errors from previous periods.

Note 12. Transfers between individual fair value hierarchy levels in respect of financial instruments

In the reporting period no transfers took place between individual fair value hierarchy levels in respect of financial instruments.

Note 13. Fair value of the individual classes financial assets and liabilities

	Category as per IFRS 9	Book value		Fair value	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
Financial assets					
Loans granted	WwgZK	197	239	197	239
Trade receivables	WwgZK	11	-	11	-
Other receivables	WwgZK	692	935	692	935
Cash and cash equivalents	WwWGpWF	10,103	4,206	10,103	4,206
Total		11,003	5,380	11,003	5,380
Financial liabilities					
Finance lease liabilities	PZFwgZK	-	1	-	1

Trade liabilities	PZFwgZK	643	1,048	643	1,048
Other liabilities	PZFwgZK	1,022	882	1,022	882
Total		1,665	1,931	1,665	1,931

Abbreviations used:

WwgZK – measured at amortized cost

PZFwgZK – Other liabilities measured at amortised cost

WwWGpWF – Financial assets/ liabilities measured at fair value through profit or loss

Fair value of financial instruments that the Group held as at 30 June 2020 and 31 December 2019 was not materially different from the values presented in the financial statements for the respective years:

- with regard to short-term instruments, the potential effect of the discount is not material;
- the instruments relate to the transactions concluded on market terms.

As at 30 June 2020, the Group did not have any financial instruments measured at fair value.

Note 14. Net revenue from sales

NET REVENUE FROM SALES	figures in PLN thousand	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Revenue from research and development services		20	-
Revenue from the sale of products		23	-
Revenue from grants		893	1,592
Total net revenue from sales		936	1,592

Note 15. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Depreciation/ amortization, including		285	314
– depreciation of tangible assets		169	199
– amortization of intangible assets		116	115
Use of raw materials and consumables		422	359
External services		1,706	2,782
Cost of employee benefits		4,101	14,270
Taxes and charges		29	103
Other costs by type		113	472
Value of goods and materials sold		-	-
Total costs by type, including:		6,656	18,300
Items reported as research and		1,926	4,557

development costs		
Items reported as cost of finished goods sold		
Items reported as general and administrative expenses	4,703	13,716
Change in finished goods		
Cost of producing services for internal needs of the entity	27	27

Recognition of costs related to the valuation of the incentive scheme in the total amount of PLN 1,974 thousand (PLN 395 thousand recognized in the cost of research & development, and PLN 1,579 thousand in general and administrative expenses) has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the Group's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

Note 16. Explanations to the statement of cash flows

	figures in PLN thousand	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
PBT presented in the statement of comprehensive income		-5,471	-16,960
PBT presented in the statement of cash flows		-5,471	-16,960
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS			
Realized interest on financing activities		-5	10
Realized interest on investing activities		-	-10
Unrealized interest on financing activities		-	2
Unrealized interest on financing activities		-8	-
Total interest and dividends:		-13	2
CHANGE IN THE BALANCE OF RECEIVABLES			
Change in the balance of trade receivables		-10	7
Other receivables		242	-59
Total change in the balance of receivables		232	-52
CHANGE IN THE BALANCE OF LIABILITIES			
		01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019

Change in the balance of trade liabilities	-405	-105
Other liabilities	96	314
Total change in the balance of liabilities:	-309	209
<hr/>		
Cash and cash equivalents at the end of the period	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Statement of cash flows	10,104	955
Statement of financial position	10,103	954

The amount of PLN 1,974 thousand presented in the 2019 statement of cash flows as “other adjustments” refers to the cost of remuneration included in the statement of comprehensive income in respect of the valuation of the incentive scheme.

In the statement of cash flows the Company recognizes inflows and expenses related to received grants to its operating activities.

Note 17. Related party transactions

01.01.2020 - 30.06.2020	figures in PLN thousand	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		-	-	-	2
Loans granted		-	-	-	-
Financial expenses – interest on loans		-	-	-	8
<hr/>					
01.01.2019 - 30.06.2019	figures in PLN thousand	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		-	-	-	10
Loans granted		-	-	-	-
Financial expenses – interest on loans		-	-	-	-

* the item includes persons who have the authority and responsibility for planning, managing and controlling the company's activities

** the item includes entities linked through key management

Terms of related party transactions

Sales to and purchases from related parties are made on an arm's length basis. Any overdue liabilities/ receivables existing at the end of the period are interest-free and settled on cash or non-cash basis. The Group does not charge late interest from other related entities. Receivables from or liabilities to related parties are not covered by any

guarantees given or received. They are not secured in any other way either. At the end of the reporting period, i.e. 30 June 2020, the Group did not create any allowances for doubtful receivables from related parties. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

Note 18. Deferred tax assets

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.06.2020	31.12.2019	01.01.2020 - 30.06.2020
Due to differences between the tax value and the carrying amount:			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	-	14	-14
Accruals for unused annual leaves	35	10	25
Provision for the cost external services	18	-	18
Total deferred tax assets	53	24	29
Set-off with a deferred tax liability	53	24	29
Net deferred tax assets	-	-	-

Note 19. Objectives and rules of financial risk management

The Group is exposed to risk in each area of its operations. With understanding of the threats that originate through the Company's exposure to risk and the rules for managing these threats the Group can run its operations more effectively. Financial risk management includes the processes of identification, assessment, measurement and management of this risk. The main financial risks to which the Group is exposed include:

Market risks:

- The risk of changes in market prices (price risk)
- The risk of changes in foreign exchange rates (currency risk)
- The risk of changes in interest rates (interest rate risk)
- Liquidity risk
- Credit risk.

The risk management process is supported by appropriate policies, organizational structure and procedures.

MARKET RISK

The Group actively manages the market risk to which it is exposed. The objectives of the market risk management process are to:

- limit the volatility of pre-tax profit/loss
- increase the probability of achievement of the budget plan

- maintain the Group in good financial condition
- support the strategic decision-making process in the area of investment activity taking into account the sources of investment financing

All market risk management objectives should be considered jointly, and their achievement is primarily dependent on the Group's internal situation and market conditions.

PRICE RISK

In the period from January to June 2020, the Group did not invest in any debt instruments and, therefore, is not exposed to any price risk.

CURRENCY RISK

The Group is exposed to currency risk in respect of the transactions it concludes. Such risk arises when the Company makes purchases in currencies other than the valuation currency.

INTEREST RATE RISK

Deposit transactions are made with institutions with a strong and stable market position. The instruments used – short-term, fixed-rate transactions – ensure full security.

LIQUIDITY RISK

The Group monitors the risk of a lack of funds using the periodic liquidity planning tool. This tool takes into account the maturity dates of both investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operating activities.

The Group seeks to maintain a balance between continuity and flexibility of financing by using different sources of financing, such as finance leases.

The Group is exposed to financing risk due to the possibility that it in the future it will not receive sufficient cash to fund commercialization of its research and development projects.

CREDIT RISK

In order to mitigate the credit risk related to cash and cash equivalents deposited in banks, loans granted, deposits paid in respect of rental contracts and performance security as well as trade credit, the Group:

- cooperates with banks and financial institutions with a known financial position and established reputation
- analyzes the financial position of its counterparties based on publicly available data as well as through business intelligence agencies
- in the event of a customer's insolvency risk, the Group secures its receipts through bank guarantees or corporate guarantees.

Note 20. Material settlements on account of court cases

At the reporting date there are no court proceedings pending whose value would be considered material. Furthermore, in the period covered by the interim report no material settlements were made on account of court cases.

Note 21. Information about changes in the economic position and operating conditions which might have a material impact on the fair value of the Group's financial assets and liabilities, whether those assets and liabilities are recognized at fair value or at adjusted purchase price (amortized cost)

In the first half of 2020, no significant changes were identified in the economic position or operating conditions which would have a material impact on the fair value of the Group's financial assets and liabilities.

Note 22. Information about changes in contingent liabilities and contingent assets and non-disclosed liabilities arising from contracts in relation to the last reporting period

Contingent liabilities granted by the Parent Company were in the form of promissory notes together with promissory note declarations to secure the contracts for co-financing projects financed by the EU as well as a bank loan agreement. All the Group's contingent liabilities originated before 31 December 2018.

The change in the value of contingent liabilities in relation 31 December 2019 amounts to PLN 893 thousand. It is caused by the payment of the next two tranches of subsidies totaling PLN 893 thousand. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in materialization of the above contingent liabilities. As at the date of approval of the financial statements there were no undisclosed liabilities resulting from any agreements of material value.

CONTINGENT LIABILITIES	30.06.2020	31.12.2019
Promissory notes	7,050	6,157
Total contingent liabilities	7,050	6,157

Note 23. Incentive scheme

In the reporting period, in the statement of comprehensive income the Group recognized the cost the incentive scheme for employees and collaborators based on the Parent Company's shares, in the portion relating to the period ended 31 December 2019. The date of recognition of costs was the moment when the persons covered by the scheme were offered the purchase of the shares. The cost of the scheme (fair value of the shares issued) was estimated at PLN 1,974 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,974 thousand has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

The table below presents the Group's result with and without the effect of the incentive scheme valuation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	WITHOUT THE INCENTIVE SCHEME	WITH THE INCENTIVE SCHEME
	PLN`000	PLN`000
Continued operations		
Sales	936	936
Revenue from research and development	20	20

services		
Revenue from the sale of products	23	23
Revenue from grants	893	893
Cost of sales	1,530	1,926
Research and development expenses	1,530	1,926
Cost of finished goods sold	-	-
Gross profit (loss)	-594	-990
General and administrative expenses	3,126	4,704
Other operating income	136	136
Other operating costs	14	14
Operating profit (loss)	-3,598	-5,572
Financial revenues	104	104
Financial expenses	3	3
Profit/ loss before tax	-3,497	-5,471
Income tax	1	1
Net profit (loss) on continued operations	-3,498	-5,472

Note 24. Information about seasonality of business and cycles

The Group's activity is not subject to seasonality or business cycles.

Note 25. Extraordinary factors which occurred in the reporting period with an indication of their impact on the financial statements

In the reporting period, no extraordinary events occurred that would affect the financial statements.

Note 26. Information on issue, redemption and repayment of debt and equity securities

In the reporting period no events took place in connection with an issue, redemption or repayment of debt or equity securities.

Note 27. Dividend paid or declared, in total and per share, with a division into ordinary and preference shares

In the reporting period the Company did not pay or declare any dividends.

Note 28. Operating segments

The entity's reporting segments are based on product groups.
 As at the Reporting Date, the Group distinguished two product groups:
 – silver-based conductive nanoinks;

– research services related to printing on client-supplied substrates in the manner specified by the client, in order to demonstrate the suitability of the XTPL technology to solve technological production problems (Proof of Concept).

SALES REVENUE BY SEGMENTS	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Nanoinks	23	-
Research and development services	20	-
TOTAL	43	-

Note 29. Information about the influence of changes in the composition of the entity during the interim period, any business combinations, acquisition or loss of control over subsidiaries, long-term investments, restructures or discontinued businesses.

During the first half of 2020, there were no changes in the composition of XTPL Group as compared to the previous reporting periods.

Note 30. Information on default on any bank and other loans or a breach of material provisions of bank and other loan agreements where no remedial actions have been taken before the end of the reporting period

No such events occurred in the reporting period.

Note 31. Date of approval of the financial statements for publication

This financial report for the period from 1 January 2020 to 30 June 2019 was approved for publication by the Parent Company's Management Board on 25 September 2020.

Note 32. Deferred tax liability

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.06.2020	31.12.2019	01.01.2019 - 30.06.2019
In respect of:			
Interest on loans and deposits	53	14	-39
Total deferred tax liability	53	14	-39
Set-off with deferred tax assets	-53	-14	39
Net deferred tax liability	-	-	-

Note 33. Events after the balance sheet date that have not been reflected in the interim financial statements

Closing the bond issue:

On 30 July 2020 (ESPI Current Report No. 29/2020) XTPL announced the issue of series A registered bonds.

In conjunction with Resolution No. 04/06/2020 of the Extraordinary General Meeting of XTPL S.A. of 8 June 2020 on the issue of bonds convertible into series U shares, and a conditional share capital increase by issuing series U shares, depriving shareholders of all their preemptive rights to the convertible bonds and series U shares, on 30 July 2020 the Management Board of XTPL S.A. adopted a resolution on the allocation of 48,648 series A registered bonds convertible into the Company's series U shares with a nominal value of PLN 74 per bond, and a total nominal value of PLN 3,599,952. The bonds were issued at an issue price equal to their nominal value. The bonds are to be redeemed on 30 July 2022. They have a fixed rate of interest of 2% (two percent) per annum, calculated on their nominal value as of the allocation date (excluding that date) until the redemption date or an early redemption date (including that date). The interest will be paid on one of those dates. The bonds will be converted into the Issuer's series U shares in such a way that there will be one series U share allocated to each bond, and the conversion price will be equal to the nominal value of one bond. The Bondholder has the right to demand conversion of the Bonds into the series U shares no earlier than 1 (one) month before the redemption date and no later than 11 (eleven) working days before the redemption date. The Issuer is not entitled to redeem all or a part of the Bonds before the redemption date. The bonds will not be listed on a regulated market or in an alternative trading system.

Additional information

4 Additional information

4.1 General information and basis of preparation

The consolidated financial statements of XTPL Group cover the period of six months ended 30 June 2020, and the comparative data for the period of six months ended 30 June 2019, and as at 31 December 2019, and were prepared using the historical cost convention.

The financial statements have been prepared on the assumption that the Group will continue in operation for at least a year from the Balance Sheet Date.

Given the Group's market development stage (the Group does not yet generate significant revenues from the sale of products and services, and its activity is financed primarily from equity and grants, and from the issue of convertible bonds), the ability to continue operations depends to a large extent on the ability to raise further financing, primarily through the issue of shares to finance subsequent stages of commercialization of the technology developed by the Group. Late in June/ early in July, XTPL S.A. successfully conducted a financial round, as a result of which it raised PLN 9,250 thousand from the issue of shares and PLN 3,600 thousand from the issue of bonds convertible into shares. The total amount raised in the financial round was PLN 12,850 thousand, which will allow the Group to continue commercialization processes, research and development work and expansion of its patent portfolio until the beginning of 2022.

At the date of approval of these financial statements, the Management Board of the Parent has not identified any circumstances which would point to a risk to continuity of operations in the above period.

The financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Company's financial statements for the year ended 31 December 2019.

The financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting and in accordance with the Finance Minister's Ordinance on current and financial information.

4.2 Currency of the financial statements

The functional currency and reporting currency of these financial statements is the Polish zloty (PLN), and the data contained in the financial statements are presented in thousands of Polish zlotys.

4.3 Exchange rates used in the financial statements

exchange rates used in the financial statements	2020 – January – June		2019 – January – June	
	EUR	USD	EUR	USD
for the balance sheet items	4.4660	3.9806	4.2585	3.7977
for profit or loss and cash flow items	4.4413	4.0214	4.2880	3.7936

4.4 Description of significant accounting principles

For the purpose of preparing the interim condensed financial statements, the same accounting principles and calculation methods have been used as in the last annual financial statements, and in the last quarterly financial statements prepared as at 31 March 2020 (report for Q1 2020 of 27 May 2020).

Signatures of all Management Board members

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu



Person responsible for preparing the consolidated financial statements

Chief Accountant
Katarzyna Kulik

Wrocław, 25 September 2020

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54-066 Wrocław, Poland
xtpl.com



shaping global nanofuture

Other

5 Management Board's statements

The Management Board of XTPL S.A. declares that to the best of its knowledge the interim condensed financial statements and the comparable data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear view of the assets, financial position and profit or loss of XTPL Group.

Signatures of all Management Board members

Filip Granek
Prezes Zarządu

A handwritten signature in blue ink, appearing to read 'Filip Granek'.

Jacek Olszański
Członek Zarządu

A handwritten signature in blue ink, appearing to read 'Jacek Olszański'.

Wrocław, 25 September 2020

6 Management Board's statement on the statutory auditor

The Management Board of XTPL S.A. hereby declares that the audit firm authorized to examine financial statements and entrusted with review of the interim considered financial statements was selected in accordance with the applicable law. The audit firm and the statutory auditors performing the review met the conditions for issuing an unbiased and independent report on the review of the interim condensed financial statements, in accordance with the applicable regulations and professional standards.

Signatures of all Management Board members

Filip Granek
Prezes Zarządu

A handwritten signature in blue ink, appearing to read 'Filip Granek'.

Jacek Olszański
Członek Zarządu

A handwritten signature in blue ink, appearing to read 'Jacek Olszański'.

Wrocław, 25 September 2020

7 Management Board's opinion

Not applicable. The auditor has not issued any qualified opinion, adverse opinion or a disclaimer of opinion about the interim condensed consolidated financial statements.

8 Approval for publication

The half-yearly report for the first half of 2020 ended on 30 June 2020 was approved for publication by the Management Board of the Parent Company on 25 September 2020.

Signatures of all Management Board members

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu



Wrocław, 25 September 2020