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QUARTERLY REPORT FOR Q3 2021

XTPL S.A.

Wrocław, 25 November 2021

LETTER FROM THE MANAGEMENT BOARD

Ladies and Gentlemen, Dear Shareholders and Investors,

It is our great pleasure to welcome you to our Quarterly Report that summarizes the most important events and achievements of XTPL in the third quarter of 2021.

Last quarter, we continued work on development of our technology, securing our intellectual property and commercializing the solutions created by XTPL. We are delighted to inform you that we have been successful in all these areas. The attractiveness of the solutions proposed by XTPL, the constantly developed network of business and scientific relations, intensive sales activities and the growing awareness of our technology and brand on the market, have resulted in further contracts being signed for the supply of the Delta Printing System and recurring orders for conductive inks. All these activities bring us closer to achieving the first successes in the business line that we find the most important, namely the implementation of the XTPL technology on the production lines of global electronics manufacturers. We are doing nine such projects, which are at various stages of evaluation, together with global players in new generation electronics. We are extremely proud that our partners, market giants, have invited us to cooperation, and we feel excited that our technology can contribute to the innovation of their products.

The essential part of globalization of XTPL's breakthrough technology is its acceptance by key global R&D centers, which are often the first to incorporate new, most promising solutions into their development projects. Positive recommendations of opinion leaders from the world of new technologies have a tremendous impact on the acceptance of those solutions by corporate clients. On 2 July 2021, we entered into an agreement for the sale of the Delta Printing System with the Karlsruher Institut für Technologie – Lichttechnisches Institut in Germany. The Company's efforts in the third quarter also resulted in further agreements being signed in the subsequent reporting period: with Bendable Electronics and Sensing Technologies at the University of Glasgow and with the Łukasiewicz Research Network – PORT Polish Center for Technology Development. They are opinion-forming clients with excellent reputation, working closely with their industrial partners. Particularly notable is the fact that each of these entities specializes in a different area of printed electronics, which allows us not only to generate income, but also gives us the opportunity to expand awareness and knowledge of the XTPL technology.

As providers of unique technology, we are no longer alone on the market. In our efforts, we are supported by external distributors. In the third quarter, we started cooperation with a new business partner from the British Isles – Semitronics Sales Ltd., which, among other things, will search for new application areas for our technology and products at R&D centers, research institutions, and technology corporations in Great Britain and Ireland.

Last quarter, we also continued work related to the development of our technology, checking which outputs may have a significant and unique market potential, and thus would require patent protection. In this way, we identified and prepared for patenting the method developed by our R&D team for printing conductive mesh that can be transferred onto other, also flexible, substrates. Our patent application was submitted after the end of the third quarter – at the beginning of October this year. It should added that the Company's technology is now unique on a global scale

and so far unattainable by any available method. We currently have a total of 24 patent applications that protect our solutions from the moment they are submitted to the appropriate office.

In addition to the events related to the commercialization of the XTPL technology and products, in the third quarter of 2021, we also continued to increase our visibility and promote our technology at industry events. We were present at Nanotexnology 2021 (6 July 2021), the conference in Seoul (South Korea) "21st International Meeting on Information Display – IMID 2021" (25 August 2021), the "Connecting Heterogeneous Systems Summit" (1 September 2021), the 30th Economic Forum in Karpacz (7 September 2021) and the Pro Flex fair (20 September 2021). After the end of the quarter, since 1 October 2021, we have also been present in Dubai at the EXPO 2020 conference, which will last until 31 March 2022. It should be emphasized that participation in such events – with most of them taking place online due to the current pandemic restrictions – helps us in promoting and showcasing our technology. This is also an opportunity to reach potential clients who are looking for innovative solutions responding to their needs and production problems. It is at and after such events that we commence new talks with interested business partners who see value in our solutions.

In September, we also organized the XTPL Online Investor Day. The purpose of the event, dedicated to our shareholders, was to present our activities, capabilities and the potential of XTPL technology and solutions. During the meeting, the investors could also meet our key employees who are instrumental to XTPL success, as well as selected business partners. Nearly two hundred people attended the event. You are welcome to see the video of this meeting, which is available here: XTPL INVESTOR DAY

Effort, commitment and determination in our business are already bringing tangible results with regard to the commercialization of the XTPL technology. The sale of further Delta Printing System devices, the acquisition of the new partner from Great Britain and Ireland, and the achievement of further milestones in the development of the technology are clear evidence that we are making strong progress in this area. We intend to maintain our momentum, gradually entering new levels of development.

Enjoy reading this Report, and remember that if you have any questions, you can contact us via email at investors@xtpl.com or use other contact channels. All the necessary details are also available in the investor relations section on our website.

Kind regards,

Filip Granek, PhD Jacek Olszański

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 September 2021 ("**Balance Sheet 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**").

This document ("**Report**") contains the Report of the Management Board of XTPL S.A. on the activities of XTPL Group ("**Group**", "**XTPL Group**") and on the activities of XTPL S.A. for the third quarter of 2021 ("**Management Report**") and the standalone and consolidated financial statements of XTPL S.A. and the Group XTPL.

The Group includes the parent company and subsidiaries: XTPL Inc. with its registered office in the USA, and TPL Sp. z o.o. with its registered office in Wrocław, fully controlled by XTPL S.A. ("**Subsidiaries**", "**Subsidiary Undertakings**", "**XTPL Inc.**", "**TPL sp. z o.o.**").

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date ("**Report Date**") is 25 November 2021.

The consolidated financial statements mean the condensed consolidated financial statements (including the Company and the Subsidiaries) for the period from 1 January to 30 September 2021 prepared in accordance with the International Financial Reporting Standards approved for application in the EU. The standalone financial statements contained in the Report mean the Parent Company's financial statements for the period from 1 January to 30 September 2021 ("**Reporting Period**"), prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

"**WSE**" – Warsaw Stock Exchange: Giełda Papierów Wartościowych w Warszawie S.A.

"**CCC**" – the Act of 15 September 2000 – Commercial Companies Code.

"**Regulation on current and financial reports**" – the Finance Minister's Regulation of 29 March 2020 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.

"**Articles of Association**" – the articles of association of XTPL S.A. available to the public at https://ir.xtpl.com/pl/materialy/korporacyjne/.

"**Public Offering Act**" – the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organized trading and public companies.

"**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 relates to both to XTPL S.A. and XTPL Group, unless stated otherwise.

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

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Financial highlights

1 Financial highlights

1.1 Selected standalone figures

	1 January – 30 September 2021 (PLN '000)	1 January – 30 September 2020 (PLN '000)	1 January – 30 September 2021 (EUR '000)	1 January – 30 September 2020 (EUR '000)
Net revenue from the sale of products and services	213	44	47	10
Revenue from grants	1,039	2,057	228	463
Profit (loss) on sales	-1,556	-424	-341	-95
Profit (loss) before tax	-6,599	-6,444	-1,448	-1,451
Profit (loss) after tax	-6,599	-6,444	-1,448	-1,451
Depreciation/amortization	270	337	59	76
Net cash flows from operating activities	-3,023	-3,717	-663	-837
Net cash flows from investing activities	-2,540	-518	-557	-117
Net cash flows from financing activities	-4	12,861	-1	2,895
	30 September 2021 (PLN '000)	31 December 2020 (PLN '000)	30 September 2021 (EUR '000)	31 December 2020 (EUR '000)
Owner's equity	5,287	10,737	1,141	2,327
Short-term liabilities	1,764	1,097	381	238
Long-term liabilities	3,252	3,198	702	693
Cash and cash equivalents	4,730	10,298	1,021	2,232
Short-term receivables	508	735	110	159
Long-term receivables	463	33	100	7

	2021 – January – September		2020 - January – September/ December 2020	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for balance sheet items	4.6329	3.9925	4.6148	3.7584
for profit or loss and cash flow items	4.5585	3.8179	4.4420	3.9337

1.2 Selected consolidated figures

	1 January – 30 September 2021 (PLN '000)	1 January – 30 September 2020 (PLN '000)	1 January – 30 September 2021 (EUR '000)	1 January – 30 September 2020 (EUR '000)
Net revenue from the sale of products and services	213	44	47	10
Revenue from grants	1,039	2,057	228	463
Profit (loss) on sales	-1,556	-424	-341	-95
Profit (loss) before tax	-6,481	-6,424	-1,422	-1,446
Profit (loss) after tax	-6,485	-6,428	-1,423	-1,447
Depreciation/amortization	270	337	59	76
Net cash flows from operating activities	-3,153	-4,137	-692	-931
Net cash flows from investing activities	-2,187	-98	-480	-22
Net cash flows from financing activities	-320	12,861	-70	2,895
	30 September 2021 (PLN '000)	31 December 2020 (PLN '000)	30 September 2021 (EUR '000)	31 December 2020 (EUR '000)
Owner's equity	4,961	10,386	1,071	2,251
Short-term liabilities	1,786	1,443	386	313
Long-term liabilities	3,252	3,198	702	693
Cash and cash equivalents	4,817	10,478	1,040	2,271
Short-term receivables	519	530	112	115
Long-term receivables	33	33	7	7

	2021 – January – September		2020 - January – September/ December 2020	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for balance sheet items	4.6329	3.9925	4.6148	3.7584
for profit or loss and cash flow items	4.5585	3.8179	4.4420	3.9337

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Management Report

2 Management Report

DEFINITIONS:

Ω (ohm) means a unit of electrical resistance

Ω / □ means resistance per square, or surface resistance

µm means micrometer, i.e. one millionth of a meter (1/1,000,000 m)

nm means nanometer, i.e. one billionth of a meter (1/1,000,000,000 m)

Adhesion means the tendency of different materials to stick together

Particle agglomeration means joining fine particles into larger parts

AMOLED (active-matrix organic light-emitting diode) means OLED diode with an active matrix

CAD means Computer Aided Design

CAGR means Compound Annual Growth Rate – the average rate of annual growth over the period under analysis, assuming that annual increases are added to the base value of the next period

Deposition means depositing a material locally

Ink formulation means precise formulation of the ink, giving it the desired physicochemical properties

FHE (Flexible Hybrid Electronics) means an electronic circuit made on a flexible substrate containing rigid electronic components, i.e. components not susceptible to bending

FPD (Flat-Panel Display) means a flat display

IP (Intellectual Property) means intellectual and industrial property

Conductance means electrical conductivity, which is the inverse of resistance

Hydrophilic material means a material whose tendency is to attract water molecules

Hydrophobic material means a material whose tendency is to repel water molecules

Additive method means adding material to obtain a specific structure; it is the opposite of the subtractive method whereby material is subtracted to obtain a specific structure

NDA (Non-Disclosure Agreement) means a confidentiality agreement

ODR (Open Defect Repair) means repairing defects in the form of broken conductive paths in the electronic system

OLED (organic light-emitting diode) means an LED based on organic material

UPD (ultra-precise deposition) means a technology of ultra-precise printing of structures developed by the Company

Sintering process means mutual binding of particles after heating them to a temperature lower than the temperature need to needed to melt them

Proof of concept means one of the first phases of cooperation involving the implementation of a client's idea to prove that it is fit for purpose

R&D means Research and Development

Resistance means electrical resistance

SEM means scanning electron microscope

TEA means a Technology Evaluation Agreement

2.1 Summary of activities related to the commercialization of the XTPL technology

In the third quarter of 2021, the Company continued activities aimed at closing further sales transactions within all business lines.

Delta Printing System:

On 2 July 2021, an agreement was signed for the sale of the Delta Printing System with the Karlsruher Institut für Technologie – Lichttechnisches Institut, as communicated in ESPI Current Report no. 14/2021. This cooperation with one of the most prestigious global scientific institutions opens up for the Company another channel whereby it can reach manufacturers from the electronics industry with its proprietary technology. This transaction is also another proof of the significant commercialization potential of the Company's technology.

The active sales activities relating to laboratory printers helped in creating a major base and sales funnel with a high potential. In consequence, after the Balance Sheet Day, two more Delta Printing sales agreements were signed with prominent research institutes: Bendable Electronics and Sensing Technologies at the University of Glasgow and the Łukasiewicz Research Network – PORT Polish Center for Technology Development.

During the Reporting Period, the Management Board also acquired new business partners who became responsible for the distribution of XTPL technologies on new markets. On 6 July 2021, an agreement was signed with Semitronics Sales Ltd. for the distribution of the Issuer's technology solutions in Great Britain and Ireland, as communicated in ESPI Current Report no. 15/2021. British Isles are among the largest potential markets in Europe for the XTPL technology, so the distribution agreement will accelerate commercialization of the XTPL technology in that territory. Thanks to the cooperation with Semitronics, the Company's technology and products will continue to gather momentum at R&D centers, scientific institutions and technological corporations operating in Great Britain and Ireland. The partnership is also expected to increase visibility of the Company's solutions among global market players. One of the first important results of this cooperation was the new distributor's support for the sale of the Delta Printing System printer to the research team from the University of Glasgow (ESPI Current Report no. 20/2021 of 5 November 2021). After Bandi Consortia and Yi Xin Technology, Semitronics Sales Ltd. is the third distributor of XTPL technological solutions in the world.

Metallic nanoinks:

The positive market response to the conductive inks offered by XTPL has inspired the decision to expand the proposition to include new products adapted to further printing technologies, and products based on metals other than silver. The third quarter of the year was another period of sales development under this business line. Inks are already generating growing sales, and the Company has an increasing number of recurring orders from satisfied clients. In the third quarter alone, half of the completed orders came from customers acquired in earlier periods. In addition to returning clients, an important role in the sales structure is played by inbound leads, i.e. product inquiries that the Company receives directly from the market.

Currently, two-thirds of nanoink orders come from corporate clients, and one-third from academic clients. Products for ink-jet printing and for high-viscosity ink micro-dispensing technology enjoy the highest popularity.

As well as developing the currently offered products based on silver nanoparticles, during the reporting period the Company stepped up its efforts related to the development of ink based on copper and gold nanoparticles. These materials are expected to be added to the Company's offering in 2022, which will have an impact on a sales increase in this business line.

Industrial implementations of the Company's technological solutions

As regards the Issuer's third and key business line – implementation of the XTPL technology on the production lines of global electronics manufacturers – work was conducted on nine projects from the Company's pipeline. These are standalone projects, and the list includes those that are at least at the second stage in terms of the commercialization process leading to industrial implementation. In addition to the reported pipeline, the Company intends to have up to five projects that will be developed to bring them to a higher level of evaluation. This strategy allows XTPL to replace projects that will be taken off the current project portfolio at a particular stage following their implementation or a decision of one of the parties to stop further evaluation.

Furthermore, in the Reporting Period the Company maintained its focus on the tasks related to the commercialization of the UPD technology in industrial applications. The most advanced talks and efforts are focused on selected applications related to the precise deposition of functional inks for:
(a) yield management in the area of high-resolution OLED displays;
(b) yield management in the semiconductor industry, in the area of back-end semiconductor chip processing; and
(c) depositing metallic inks to make high density metallic interconnections of the advanced PCBs.

At the same time, the Company also engaged in talks with industrial entities regarding the use of the UPD technology to repair other types of advanced devices. This applies to the repair of displays made in micro-LED technology and the repair of defects in advanced integrated circuits. For both described applications, low production efficiency was one of the biggest challenges to further commercialization and to reduction of the unit price of the end product. The technology presented by the Company may solve this problem and help popularize new products (micro-LED displays and more efficient integrated circuits).

2.2 Intellectual and industrial property

In the third quarter of 2021, the Company continued work on securing its intellectual and industrial property. R&D carried out during this period resulted in the submission to the United States Patent and Trademark Office of a patent application for the development of a conductive mesh printing method whereby the mesh can be transferred onto other substrates. The application was filed after the Balance

Sheet Day on 8 October 2021 (ESPI Current Report No. 18/2021 of 8 October 2021). As at the Report Date, the Company had 24 patent applications in its patent cloud.

The method described in the above application concerns printing conductive mesh on a substrate, from where it can be subsequently transferred onto another substrate. XTPL's solution for transferring the printed mesh from one substrate onto another is currently unique on a global scale, and so far unattainable by any other existing method. Composed of longitudinal and transverse conductive lines, the mesh is used to create transparent conductive layers that while conducting electricity do not absorb light and can be used as electrodes, for example in OLED displays. The invention affords considerable freedom in the design of devices incorporating conductive mesh. For example, it will be possible to print conductive mesh on a glass substrate and then transfer it onto flexible substrate. Once implemented, the method will simplify the current industrial production of microelectronic devices using conductive mesh.

The Company has adapted its process of filing patent application to the recommendations of the patent offices cooperating with it, an independent patent advisor and the advisors from the executive board of XTPL Inc. based in the United States. The recommendations concern, *inter alia*, an appropriate combination of new technological solutions and inventions into a single patent application.

As at the Report Date, the Company had one patent approved, covering the territory of China, South Korea, Germany and the USA. As at the Report Date, the Company had trademarks registered with the Patent Office of the Republic of Poland and the European Union Intellectual Property Office, as well as in China.

2.3 Achievements and progress in research and development

During the Reporting Period, the Company's R&D department worked on further development of the printing technology using highly concentrated conductive ink based on silver nanoparticles. The new nanoink formulation keeps the physicochemical parameters that are key to the UPD technology, associated with, e.g. high homogeneity of nanoparticle size and the prevention of agglomeration (the sticking of nanoparticles) during the printing process. At the same time, due to the high concentration, the printed lines have a very high aspect-ratio, i.e. the height-to-width ratio after the printing head has deposited a single layer of ink, i.e. after a single “pass”. This is a distinguishing feature of the Company’s technology as in order to obtain a similar result by competitive methods it would be necessary to deposit conductive material multiple times at the same point with multiple “passes”, thus extending process duration.

As well as developing the ink based on silver nanoparticles, during the reporting period the Company stepped up its efforts related to the development of ink based on copper and gold nanoparticles. The introduction of these materials is of major importance in the context of achieving optimal parameters for industrial applications and new market areas.

All inks developed by the Company’s R&D department, based on silver, copper and gold nanoparticles, are highly-concentrated, and thus enable printing on non-planar substrates with a complex topography. It allows the continuity of the structure to be maintained even if it was printed, for example, on a “step”, when

the substrate is not homogeneous and its layers are at different height levels. An additional advantage of using the ink in question is the negligible influence of the material on which printing takes place.

In practice, this means that whether hydrophobic or hydrophilic material is used for printing, the width and height remain almost unchanged, and so does adhesion. When using inks with a more fluid consistency (inks with a lower viscosity), the shape of the printed features depends largely on the type of substrate on which it was printed. Lower viscosity ink that will be used on a hydrophilic substrate will "spill", increasing the track width compared with what is achieved with same parameters on the hydrophobic material.

During the reporting period, the Company continued activities related to the development of the Delta Printing System (DPS), which is a complete device enabling the use of UPD technology in research, prototyping and small-lot production. The installation of the first device at the University of Stuttgart at the beginning of 2021 and its use by the client allowed us to gather valuable input into building the product development roadmap. In the third quarter of 2021, together with the client, new functionalities were developed and implemented, enriching the existing capabilities of the DPS device, including delivery of software that enables automatic conversion of CAD files into a script language that can be read by device drivers.
The new improvements and updates of the device are introduced to devices created for new customers.

One of the first breakthrough technological achievements of XTPL's R&D team related to printing 3D substrates included the demonstration, for two different clients from the microelectronics and integrated circuits industry, of electronic connections on steps with a height of 350 µm, while maintaining high print resolution and structure conductivity. The current research in this area is focused on increasing the repeatability and speed of printing connectors on substrates with advanced topography. This is achieved by optimizing printing parameters, modifying the conductive ink, fully automating the printing process, and using a script for automatic movement in 3D. As a result, the time needed to print a single conductive connection on steep edges was reduced to less than 1 second.

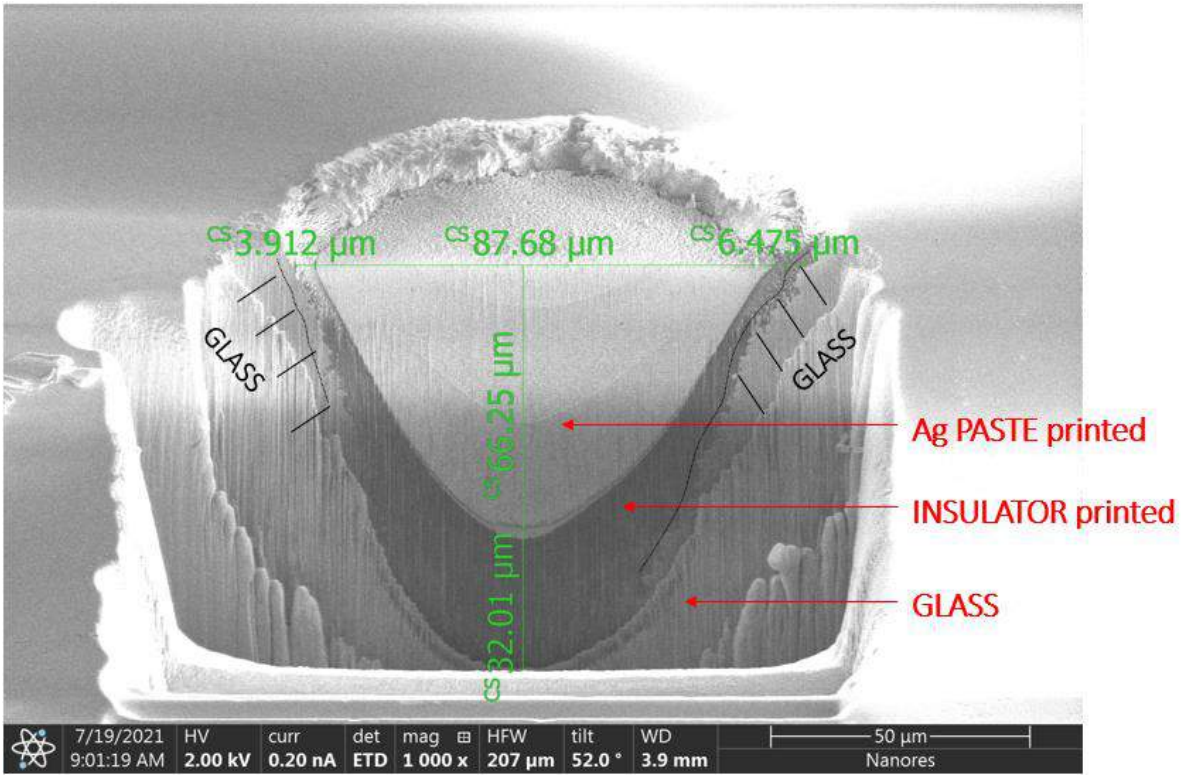
During the Reporting Period, the R&D team implemented two projects co-financed by the National Center for Research and Development (NCBR): "Innovative technology for precise deposition of conductive mesh for application in new generation OLED displays" – under the 1/1.1.1/2020 – "Fast Track" competition, and the "Development of breakthrough printing technology of 3D micrometric conductive structures using an innovative printhead capable of printing on non-planar substrates and compatible ink for printed electronics applications" – under the 6/1.1.1/2020 – "Fast Track" competition. In Reporting Period, the Company received financing of PLN 2,598 thousand towards those projects, including PLN 1,039 thousand in the form of a refund, PLN 1,115 thousand as grants to assets, and PLN 444 thousand as advance payments. The tasks carried out by the XTPL R&T team under both projects are focused on the further development of technology within the area of printed electronics.

Another research area that arouses great interest from industrial players and academic institutions is the possibility of filling gaps in semiconductor structures using selected materials. This applies to both

making electronic connections between layers in advanced integrated circuits – TSVs (Through Silicon Vias), as well as filling gaps in insulating layers created at the production stage.

For the Company, this opens further application areas related to advanced electronic circuits or integrated circuits. The use of the UPD technology in these markets fits with the strategy adopted by a group of experts from the semiconductor industry (from the United States, Europe, Japan, China, South Korea and Taiwan) laid down in the documents of the National Technology Roadmap for Devices and Systems (IRDS), which provides for integration of individual electronic circuits into one integrated circuit. The precise deposition of material with a high concentration of nanoparticles started to be used in the Company's several new technological and business streams. This is testament to the uniqueness of the developed solution and its potential to be used in new technologies.

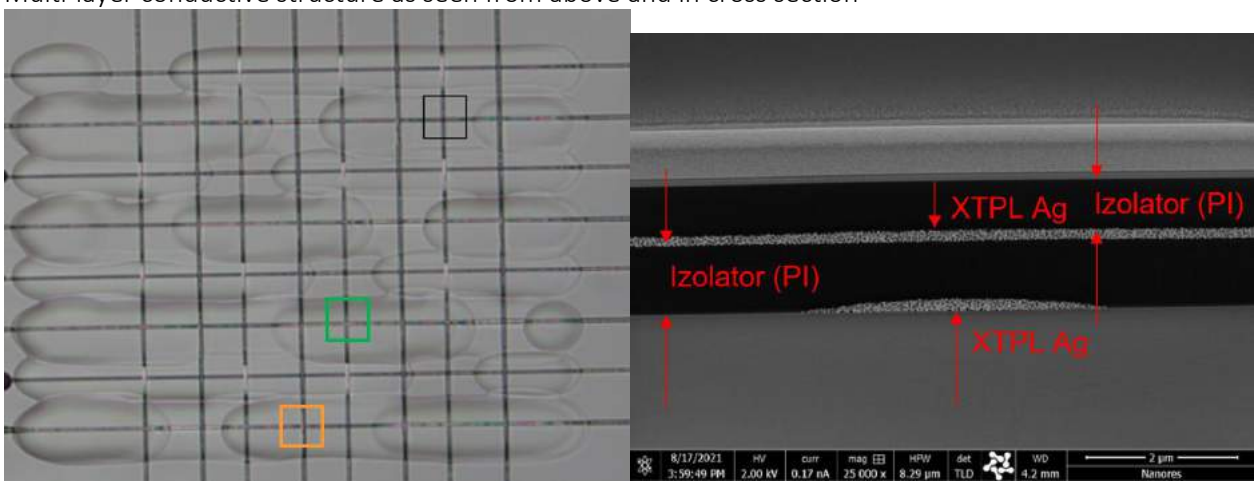
In the third quarter of 2021, the Company's R&D team went a step further in the development of technology for applications in printing electronic connections in advanced integrated circuits, as it presented a structure filled with insulating material on the outside and conductive material inside. In practice, end users of the XTPL technology will be able to isolate electronic connections made on conductive and semiconductive substrates. Until now, such structures could only be achieved by traditional, multi-stage production methods used in the semiconductor industry. The introduction of this technological solution by the Company's customers will allow them to cut the costs of small-lot production of advanced integrated circuits, and once the technology has been scaled to production efficiency, it will help reduce material consumption.



In addition to the above example, the printing of multiple materials one after another allows advanced functional structures to be achieved. This is perfectly exemplified by the implementation of a high-resolution

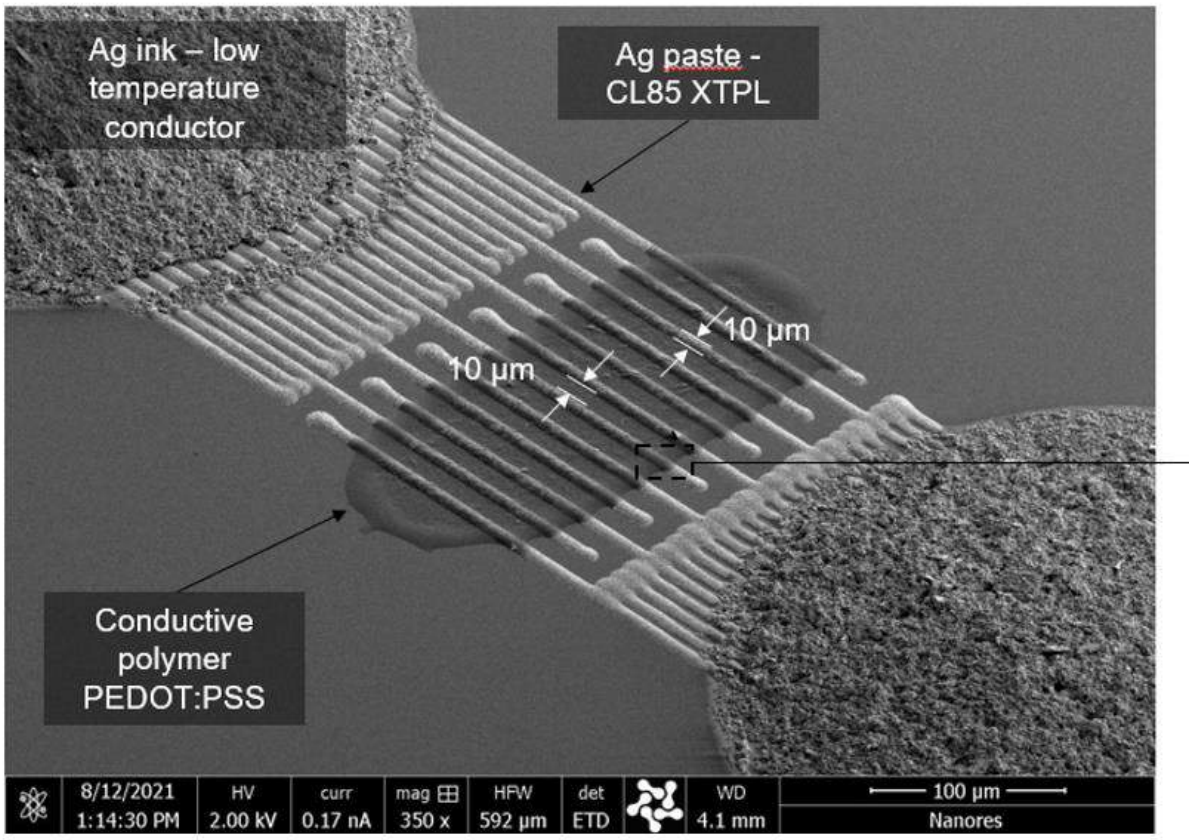
redistribution layer (RDL) for integrated circuits. Ultimately, this will enable the prototyping of the structures whose production using traditional methods is time-consuming and costly.

Multi-layer conductive structure as seen from above and in cross section



Another example of printing functional structures composed of multiple materials (the example presented below uses low-temperature conductive ink, and PEDOT conductive polymer: PSS and Ag CL85 nanopaste). This made it possible to make a simple transistor for detecting organic materials.

Transistor for detecting organic materials fully printed by XTPL



2.4 Other events

2.4.1 Best Practice 2021

1 July 2021 saw the entry into force of a new set of corporate governance principles "Best Practice GPW Listed Companies 2021". In EBI Current Report No. 1/2021 of 30 July 2021, the Company advised about the status of its application of the above principles.

2.4.2 Recommendation from Stifel Europe Bank AG

In September 2021, Stifel Europe Bank AG from Germany issued a "BUY" recommendation for the shares of XTPL S.A. In its update note, Stifel AG maintained the recommendation for XTPL shares with a price target of PLN 225.
The Stifel Group is particularly strong when it comes to cooperating with technology investors from many countries, including the United States. XTPL is the first company from Poland and Central and Eastern Europe for which the broker published an analysis.

2.4.3 Presentation of the XTPL technology at international industry events

In the third quarter of 2021, XTPL took part in industry events are an excellent opportunity to showcase the Company's unique technology to leading representatives of industry and science from around the globe. During the pandemic, conferences and shows are held primarily online, or in hybrid form. Only in some cases do they return to stationary form. As of the first half of 2020, XTPL has been adapting its activities to the prevailing trend.

The Company started the third quarter by participating in the Nanotexnology 2021 conference – an event focused on nanotechnology, organic and printed electronics and nanomedicine. During the conference, Filip Granek gave a presentation "Ultra-precise deposition of materials for flexible organic electronics".

On 27 August 2021, XTPL took part in the International Meeting on Information Display conference. During the event, Filip Granek presented the Company's latest technological achievements in the presentation "Ultra-precise deposition for the production of displays: from rapid prototyping to mass production".

Another event on the Company's calendar was the Connecting Heterogeneous Systems Summit, which took place on 3 September 2021. During this event, Łukasz Kosior, XTPL Product Development Manager, gave a presentation "Ultra-precise deposition of nanomaterials for heterogeneous integration".

Next, on 8 September 2021, at the invitation of the Polish Investment and Trade Agency, Filip Granek took part in a debate during the 30th Economic Forum in Karpacz. The debate concerned foreign investments and investors' cooperation with the SME sector and the scientific community.

The Pro Flex 2021 conference was the last industry conference in which XTPL took part in Q3 2021. The event's agenda included topics related to processing and coating of flexible materials, like polymer films, metal foils, ultra-thin glass, membranes, and textiles.

Furthermore, in the third quarter, the Company made preparations to contribute to the creation of Poland's exhibition zone at Expo 2020 in Dubai: "Poland. Creativity Inspired by Nature". The exhibition was officially opened on 1 October. Information about XTPL can be seen in the materials promoting Polish technology companies in the Polish Pavilion.

In 2021, XTPL actively participated in 15 international industry events. At the same time, the Company keeps track of and analyzes upcoming industry events and scientific conferences at which it could present its technology and products next year.

2.4.4 Nanoink sales

During the Reporting Period, the Company completed deliveries of all types of nanoink on offer, intended for use in both its proprietary UPD technology and other technologies, including: Aerosol Jet, LIFT and Ink Jet.

2.4.5 Revenue from the sale and lease of printers

During the Reporting Period, the Company achieved revenue from leasing its XTPL Delta Printing System printer under an agreement with the University of Stuttgart, Institute for Large Area Microelectronics. In addition, the Company signed an agreement for the sale of the printer with the Karlsruher Institut für Technologie – Lichttechnisches Institut in Germany. The related revenues will be recognized once the device is delivered to the Institute.

After the Reporting Period, the Company signed another two agreements for the sale of the Delta Printing System with:

- the Łukasiewicz Research Network – PORT Polish Center for Technology Development and;
- Bendable Electronics and Sensing Technologies from the University of Glasgow.

The revenue from the above orders will have a positive impact on XTPL's financial performance in the subsequent quarter of 2021.

2.4.6 Achieving further milestones in technology development

XTPL continues to attach great value to the development of its proprietary UPD technology. Critical milestones were achieved in Reporting Period.

The first is a test printing of thin, high-density conductive lines on client-supplied substrates and based on the client's design. One of the tasks was to print 5 µm wide conductive lines with a 5 µm gap between them.

Furthermore, the proposed pattern consisted of five independent paths. This not only made it possible to measure their conductivity, but ensured there was no short circuit between them. Both tests provided highly competitive results, paving the road to further stages of the talks.

Another, and one of the most important technological milestones is the achievement of a very high degree of repeatability of conductive line printed on the electrical layer of high-resolution OLED displays. These substrates have very complex topography due to the high number of layered conductive paths manufactured during the production process. The confirmed technological capability of depositing thin (1 µm wide) conductive lines in a repeatable manner increases technological readiness of the Company's solution to repair open defects in electrical structures of new generation OLED displays.

Another milestone in the development of the Company's technology is the implementation of a functional microelectric device using only the XTPL printing technology. This milestone will boost the attractiveness of the Delta Printing System for R&D purposes of companies and leading scientific institutes.

2.4.7 Investor events

The Company attaches great importance to communication with capital market participants. In order to implement the corporate governance and communication standards and to ensure constant and equal access to information about the Company for all stakeholders, and to meet their needs, the Company undertakes numerous activities in the area of investor relations. Below is a description of the key events and activities from the third quarter of 2021 addressed to the capital market.

In connection with the publication of the semi-annual report for H1 2021 on 28 September 2021, two earnings calls were held with the Management Board of XTPL S.A. The first meeting took place on 29 September 2021, and was in Polish. The second meeting, for foreign investors, was held on 30 September 2021 in English. During both calls, the Company’s Management Board presented and discussed the financial results and the key events and achievements in H1 2021.

At the same time, in Q3 2021, the Company took part in several important international conferences and events with the participation of investors and analysts. Those events are summarized in the table below.

Investor conferences in Q3 2021:

Event	Date	Idea
Equity Forum Fall Conference	6-7.09.2021	Fall edition of the annual conference focused on the capital market in Germany. During the event, the XTPL Management Board held meetings with investors, analysts and journalists, presenting the Company's latest technological achievements, business model and financial results.
Investor Day	14.09.2021	An online meeting organized at the initiative of the Company with the XTPL Management Board. During the meeting, investors could not only find out about the Company's operations, but also see the laboratories where the Issuer's technology and products are developed, as well as meet key team members, learn the opinions of the Company's foreign distributors and expand their knowledge of the market in which the Company is involved. In total, nearly 200 investors participated in the meeting.

The Company is identifying further investor events in which it could actively present its technology and financial results.

In addition, the Company focuses on regular communication with the capital market, including through a constantly updated website with a separate investor relations section; publication of short information from the life of XTPL in social media channels (Facebook, LinkedIn, Twitter), and publication of selected video materials on YouTube. Furthermore, the Company tries to provide fast and reliable answers to the questions received from individual investors. In order to facilitate contact with the Company, the "Contact" tab on the investor relations site contains contact details for individual investors, institutional investors, analysts and journalists.

2.4.8 Impact of the SARS-CoV-2 pandemic on the Company's and Group's operations

Since the outbreak of the Covid-19 pandemic, the Company has complied with all sanitary requirements announced by state institutions. Due to the safety measures applied at XTPL, the Company went through the peak wave of the pandemic basically unscathed. Several cases of Covid-19 were reported among

the Company's employees. Preventive measures (including remote work, mandatory testing for each employee returning from business or leisure travel) turned out to be fully effective. The continuity of the Company's operations was not affected at any time during the pandemic.

Nevertheless, the Company is aware that an outbreak of Covid-19 among XTPL employees and an increase in cases on a global scale is the most serious risk connected with subsequent waves of the pandemic. Should this be the case, due to the specific nature of the operations of the Company's technological departments, it will be necessary to suspend any work that cannot be performed remotely. In the event of an increase in contagions and announcement of a new wave of the pandemic, the Management Board will again identify employees whose presence at the Company's headquarters is necessary for the performance of laboratory tasks, while the rest will be assigned to work from home. The Company is well prepared for remote work. The XTPL team members are provided with laptops and company phones with internet access. They can use the online apps to smoothly continue work from home.

As at the Report Date, technological work is continued at the Company's headquarters while maintaining all sanitary requirements announced by state institutions. Furthermore, the Company still applies the procedure implemented by the Management Board that requires testing for each employee returning from business or leisure travel. Until the result is obtained, each tested employee must work from home.

All contacts and business meetings with partners are held in the form of teleconferences. The planned actions (e.g. shipping the ink to buyers, and preparation and dispatch of samples under the technology evaluation agreements) are continued and are on track.

At the same time, the technology and business departments are intensively working on acquiring new customers. So far the cooperation within the Company and with external partners has been running without any major disruptions. It should be noted that the XTPL business model is not based on operations in the sectors most exposed to the adverse impact of the epidemic and the global crisis. The Company is monitoring the situation on an ongoing basis, remaining in constant contact with its partners.

As the previous waves have shown, the pandemic had no significant impact on the development of the printed electronics market. The previously planned activities are being continued and proceed without any significant disruptions. The biggest problems were experienced by logistics operations, which severely hinder purchases from Asia and the USA. In addition, some partners, notably from the United States, saw a significant slowdown in their business due to limited access to laboratories.

On the other hand, the supply chain problem, especially in the semiconductor industry, has strongly stimulated the European Commission to develop a European production ecosystem to maintain the EU's competitiveness and self-sufficiency. Industry Commissioner Thierry Breton has announced that the Chip Act will be developed, covering research, production and international collaboration. In addition, according to Breton, the EU should consider establishing a European Semiconductor Fund. This fact and Intel Co's plans to invest EUR 80 billion in new semiconductor production capacity in Europe can significantly increase the Company's commercialization potential.

The Company has also developed a number of protocols to use depending on how the outbreak unfolds. By the Report Date, more than 90% of the XTPL team had been vaccinated with two doses of the vaccine.

2.5 Events occurring after the balance sheet date

2.5.1 Agreement for the sale of the Delta Printing System with the Łukasiewicz Research Network – PORT Polish Center for Technology Development

On 3 November 2021, the Company signed an agreement for delivery of a system for the integration of raw materials in photonic applications with the Łukasiewicz Research Network – PORT Polish Center for Technology Development. The agreement was finalized after the Buyer had selected the Company's offer in a public procurement procedure conducted as an unlimited tender held on 4 October 2021. The Agreement concerns the sale, delivery, commissioning of, staff training and maintenance support for the system for integrating raw materials in photonic applications. As part of the Agreement, the Issuer is to supply its proprietary Delta Printing System.
The PORT Polish Center for Technology Development is a research institute that conducts fundamental and applied research in materials engineering and biotechnology. It is also part of the Łukasiewicz Research Network, which brings together 32 research institutes in 12 Polish cities, employing eight thousand people, which makes it the third largest research network in Europe.

2.5.2 Agreement for the sale of the Delta Printing System with the University of Glasgow

On 5 November 2021, the Company accepted and confirmed an order from the Bendable Electronics and Sensing Technologies research group from the University of Glasgow, Scotland, for delivery of the Company's technology demonstrator: the Delta Printing System printer. The Company will deliver and commission the device by the end of 2021. BEST will use it for research and development related to bendable electronics. BEST is a multidisciplinary research group with over 30 PhDs in science (chemistry, physics, materials) from over 25 countries. The group's research revolves around the development of high-performance electronics and sensing systems on large area flexible substrates. In addition, the group investigates advanced materials for next generation flexible, printed, and stretchable electronics. To this end, BEST researchers are looking for possibilities to develop novel fabrication and manufacturing techniques. In its research, BEST uses tailored state-of-the-art micro/nanofabrication tools.

2.5.3 Patent applications

On 8 October 2021, the Issuer submitted to the United States Patent and Trademark Office a patent application concerning its proprietary technology solution: a method of printing conductive mesh whereby the mesh can be transferred onto other substrates. The Management Board announced this in ESPI Current Report No. 18/2021 of 8 October 2021). The method described in the above application concerns printing

conductive mesh on a substrate, from where it can be subsequently transferred onto another substrate. At present, XTPL's solution for transferring the printed mesh from one substrate onto another is unique on a global scale, and so far unattainable by any other existing method. Composed of longitudinal and transverse conductive lines, the mesh is used to create transparent conductive layers that while conducting electricity do not absorb light and can be used as electrodes, for example in OLED displays. The invention affords considerable freedom in the design of devices incorporating conductive mesh. For example, it will be possible to print conductive mesh on a glass substrate and then transfer it onto flexible substrate. Once implemented, the method will simplify the current industrial production of microelectronic devices using conductive mesh.
We currently have a total of 24 patent applications that protect our solutions from the moment they are submitted to the appropriate office.

2.5.4 Participation in industry conferences

After the balance sheet date, the Company took part in the Flex China 2021 symposium as part of the 2021 China Nano Conference & Expo (Chinano), which was held on 27-29 October in Suzhou (China). During the event, Filip Granek gave a presentation "Ultraprecise deposition of micrometric conductive structures for flexible electronics".

Another event attended by XTPL in the fourth quarter was the TechConnect Europe Innovation Conference. The conference was held on 15-17 November in Malmö (Sweden). During the event, Łukasz Witczak, XTPL R&D Engineer, gave a presentation "Ultraprecise deposition of nanoparticle-based inks in printed and flexible electronics".

In 2021, the Company will take part in two more events to present its latest technological achievements. On 26 November 2021, Filip Granek will give a presentation at the International Meeting on Information Display iMiD 2021. In addition, on 3 December 2021, the Company's CEO will take part in The 28th International Display Workshops. It is an event that brings together experts from the global electronic display industry. The conference will be held in virtual form.

2.6 Factors which may affect the results in the subsequent quarters

The Company develops its range of nanoinks, supplementing the offer with products that could be applied in technologies other than the UPD. This can significantly increase the number of clients in a relatively short period of time. Moreover, this year the Company signed agreements for the supply of the Delta Printing System laboratory printer with three research institutes: Karlsruher Institut für Technologie – Lichttechnisches Institut in Karlsruhe, Bendable Electronics and Sensing Technologies at the University of Glasgow, and the Łukasiewicz Research Network – PORT Polish Center for Technology Development. They are opinion-forming clients with excellent reputation, working closely with their industrial partners. Particularly notable is the fact that each of these entities specializes in a separate area of printed electronics, which allows the Company not only to generate income, but also to expand awareness and knowledge of its technology across the industry. The Company consistently builds a base of potential clients, strengthens

relationships and develops the sales funnel for both laboratory printers and inks. These activities coupled with the activity of distributors in three local markets (China, South Korea, Great Britain and Ireland), increase the odds for the Company to generate recurring revenues from the sale of its devices, additionally supported by orders for consumables.

At the same time, the Company carries out industrial implementation projects for its technology targeted at manufacturers from display, semiconductor and advanced PCB industries. The intended outcome for each of these projects is the implementation of the Company's technological solutions on production lines. These projects have high profit potential, but require multi-stage and time-consuming execution.

The COVID-19 pandemic is an external factor that cannot be ignored here. As the previous waves have shown, the pandemic had no significant impact on the development of the printed electronics market. The biggest problems were experienced by logistics operations, which severely limited purchases from Asia and the USA. In addition, some partners, notably from the United States, saw a significant slowdown in their business due to limited access to laboratories. On the other hand, the supply chain problem, especially in the semiconductor industry, has strongly stimulated the European Commission to develop a European production ecosystem to maintain the EU's competitiveness and self-sufficiency. Industry Commissioner Thierry Breton has announced that the Chip Act will be developed, covering research, production and international collaboration. In addition, according to Breton, the EU should consider establishing a European Semiconductor Fund. This fact and Intel Co's plans to invest EUR 80 billion in new semiconductor production capacity in Europe can significantly increase the Company's commercialization potential.

As far as the Company is concerned, COVID-19 did not stop or slow down the development or commercialization of the XTPL technology. All contacts and business meetings with partners are held in the form of teleconferences. The previously planned activities are being continued and proceed without any significant disruptions. In addition, the Company has established relationships with local distributors in China, South Korea, Great Britain and Ireland, who maintain direct contacts with XTPL's partners.

The Company has also developed a number of protocols to use depending on how the outbreak unfolds. By the Report Date, more than 90% of the XTPL team had been vaccinated with two doses of the vaccine.

2.7 Description of operations and basic products and services

XTPL operates in the nanotechnology and microelectronics segment. The Company develops and commercializes its globally innovative platform technology of ultra-precise printing of nanomaterials, protected by an international patent application. The breakthrough nature of the XTPL method is based on the unique combination of features such as additive material deposition, deposition accuracy, inks with high concentration of silver nanoparticles, and no need to use an electric field on the substrate during the printing process. In addition, the method ensures major time and material savings, and uses the traditional advantages of printing such as scalability, cost effectiveness, simplicity and speed. Thanks to dedicated inks, the XTPL method can be used to make prints that are have been so far unachievable by means of any other

methods. Due to its platform character, the Company's solution will find application in the broadly understood printed electronics industry.

TECHNOLOGY:

One of the biggest achievements of XTPL is the innovative Ultra Precise Deposition (UPD) technology. The XTPL printing head, equipped with a special nozzle, applies ink to the substrate to create designed structures with a width as small as 1 µm. For comparison, most of the methods of printing electronic materials available on the market with difficulty reach the value of 20 µm, and only single manufacturers declare that they achieve values around 10 µm. The Company's solution can be used on most typical substrate materials, including flexible or curved ones. The UPD technology can be used to print both simple lines as well as patterns and microdots. Simplicity, unparalleled precision, speed and versatility are the features that make the Company's solution unique.

PRINTING SYSTEM WITH UPD TECHNOLOGY

At the end of 2020, XTPL unveiled its offer of the Delta Printing System, a printing device designed for use in research & development and prototyping. The Delta Printing System uses the XTPL-developed UPD technology distinguished by its platform character. As a result, the device will afford its future users a great degree of freedom in project management, which might open the door to new application areas. In the first quarter of 2021, the first device was put in place at the University of Stuttgart, and at the beginning of the third quarter (2 July 2021), the Company announced the sale of the printer to the Karlsruhe Institute of Technology.

The purchase of the device by the two institutions additionally boosted interest in the printing system offered by XTPL. Based on the level of advancement of the ongoing talks, we believe that subsequent devices will be sold by the end of 2021.

NANOINKS:

Nanoinks with a unique formulation are one of the elements of XTPL's ultra-precise printing method. The materials developed by the in-house R&D department have dedicated physicochemical properties enabling full utilization of the UPD method's potential. In this way, the Company can develop the additive technology comprehensively, with concurrent work on the ink deposition head and constant adaptation of the deposition material. Most of the inks developed and used by XTPL are based on silver nanoparticles. Other elements are also used, including gold, copper and platinum, as well as quantum dots, for example. Owing to the diversity of materials, XTPL can flexibly respond to the needs of the market and individual clients. The XTPL method can also accommodate many commercially available materials, which may expand the area of its application in the future, giving customers real technological versatility. With the small size of silver nanoparticles, in the range of 35 to 50 nm, their high stability and high electrical conductivity after the sintering process, the product is attractive for the ongoing development projects in the field of printed electronics.

APPLICATION:

At present, the Company is focusing on commercialization of its technology in selected application fields. The first field is displays, where XTPL intends to offer open defect repair (ODR) in the first place. Along with the development of displays, increasing their resolution and functionality, the level of their miniaturization and the density of conductive paths also increases. A side effect of this development is a greater likelihood of critical defects, including broken conductive paths. For manufacturers, this means losses generated already on the production line as a result of the need to reject panels that fails quality tests. XTPL stands the chance to be the first and, for the time being, the only market player to introduce a proprietary solution, which will ensure a significant reduction of production losses without compromising the quality of the repaired displays. Next, the Company plans to provide the display industry with solutions that will help achieve a significant increase in the resolution of a new class of displays, also for new, flexible substrate types.

In the long run, the Company intends to develop its solution for new market segments. The XTPL technology may be implemented in the semiconductor industry also as a sought-after alternative for photolithography or in new types of connecting integrated circuits with PCBs, and, for example, facilitate the fabrication of innovative security printing solutions, functional and effective biosensors and high-performance photovoltaic panels. The technological revolution in which the Company is to play a vital role is about enabling the manufacture of complex and complicated electronic devices using cheap and scalable printing methods.

2.8 Business model, strategy and development outlook

XTPL is a supplier of advanced ultra-precise technology for nanomaterials printing. It develops and commercializes the technology in a way dedicated to a specific application field, and will rely primarily on the selected model:

- LICENSING:
  The Company develops a technological solution dedicated to a particular application field, which is licensed to a partner who on its basis builds devices that allow the technology to be used in industry. In this case, the Company generates revenue from license fees related to the sale of devices equipped with the developed technology.

- STRATEGIC PARTNERSHIP AND DISTRIBUTION AGREEMENTS:
  The Company develops a technological solution dedicated to a particular application field; the solution is then commercialized in cooperation with a strategic partner under a joint venture agreement.
  In this case, commercialization tasks are divided between the partners in accordance with their competencies and potential. The Company participates in profits achieved through the joint venture. Another possible option is to acquire a distributor for the Company's technology and products in a particular geographical region. In this case, the terms of cooperation and contracts will be determined depending on the market, the distributor's position, and the obligations agreed by the Parties.

- SALE OF PRODUCTS
  The Company also develops sales of its proprietary products: Conductive nano-inks, based on silver nanoparticles, intended for use in printed electronics, and also adapted to other printing methods such as Ink Jet, Aerosol Jet and LIFT, and laboratory and prototyping printers complete with the necessary consumables. A lab printer can be both a revenue source when sold to research institutes and industrial R&D departments, and an intermediate step towards licensing revenue in deals with business partners. Cooperation in the two areas will be based on a mutual exchange of experiences and knowledge, while the device will be delivered on commercial terms. In addition, each demonstrator sold will generate a stream of revenue from consumables, such as ink, cartridges, capillaries, as well as services, including consulting, research and maintenance (for the machines and software).

The choice of the optimal business model depends on the specific customer in the particular application field. Current talks take into account both of the above-mentioned business models, and the appropriate model is selected during the relationship-building process.

The market the Company wants to reach with its technology is growing rapidly. In 2020, the value of the entire printed, flexible and organic electronics market was estimated at more than USD 37.1 billion. Notably, the value of the market is to reach USD 74 billion by 2030 (source: IdTechEx).

XTPL's strategic goal is wide commercialization of its platform technology of ultra-precise printing of materials in the area of advanced electronics. The company seeks to adapt its technology for various application fields, and then offer the technological solution to industrial partners through various mechanisms: licensing, strategic partnerships and joint ventures.
The overarching objective of XTPL's operations is to implement nanoprinting solutions adapted to market needs in selected industry sectors.

DEVELOPMENT DIRECTIONS AND FOCUS AREAS

An exceptional feature of the XTPL technology is the possibility of its application in many fields of industry. Presented below are applications in the areas that are currently key for the Company:

Displays:
Currently, commercialization is carried out in a subsector of this market, namely the open defect repair. XTPL offers a new breakthrough solution that allows defects in conductive paths to be repaired at low cost, with precision and speed unparalleled to any other existing solution. The technology developed by the Company will help display manufacturers increase production efficiency and reduce costs associated with material losses.

The Company also started talks with producers who plan to introduce a new type of displays based on the microLED technology. This next generation of displays guarantees even greater contrast compared to current OLED screens and has a longer life. When implemented on the production lines of this new product, the XTP technology will ensure greater product efficiency and facilitate its commercialization by reducing production cost.

2.9 Target markets

XTPL's ultimate goal is to commercialize its technology in many segments of the broadly understood printed electronics market. According to IDTechEx, the value of the global market of printed, flexible and organic electronics exceeded USD 41 billion in 2020. In 2030, the market is forecast to grow to USD 74 billion, with a CAGR at 6.1% in 2020–2030.

The Company chose the first three application fields to implement strategic business partnerships commercializing the UPD technology:

Display sector (repairing broken metallic connections in thin-film transistors):

Defects in conductive structures (broken metallic connections) are a serious challenge for manufacturers from many industries. The defects are one of the reasons for dead pixels particularly occurring in high resolution matrices. The technologies for repairing these structure available in the market today have serious limitations, are complicated and costly. The XTPL nanoprinting technology will enable open defect repair already at the production stage, reducing costs, ensuring precision and speed that none of the existing methods can offer.

FHE (flexible hybrid electronic) sector:

Flexible hybrid electronics is another new market that is in the focus of the Company's attention. Companies such as Boeing, Lockheed Martin, Applied Materials and research centers including Dutch Holst Centre, Belgian IMEC and German Fraunhofer have already confirmed their activities in that field. In the United States, Next Flex was formed, an institution bringing together 90 representatives of the industry and 28 representatives of research universities. This is the largest agency investing in the FHE sector. According to an analysis by Mordor Intelligence, the FHE market in 2019 was valued at USD 95 million, but in 2025 it may reach USD 235 million. According to IDTechEx, FHE is expected to become so "ubiquitous" in 2030, with a value of even USD 3 billion.

Semiconductors market

Another market for the Company's technology is the semiconductor market. Its special application areas include making electronic connections on complex 3D topographies and heterogeneous substrates in advanced integrated circuits or microelectromechanical systems (MEMS). According to an analysis carried out by Mordor Intelligence that takes into account the impact of the COVID-19 pandemic, in 2020, the global

market for advanced integrated circuits reached USD 24.93 billion, and by 2026 is expected to grow even to USD 38.62 billion. The size of this market shows great possibilities: not only in terms of potential application of the UPD technology in new use cases, but also in the research and prototyping of new systems.

In addition to the main target markets, the Company plans to start commercialization by providing a laboratory device containing the UPD technology. According to the competitive environment analysis conducted within the Company, there is currently no commercially available additive technology that would offer print parameters comparable to those ensured by the UPD technology developed by XTPL. Firms operating in XTPL's close competitive environment are defined in the 3D Printed Electronics market. This market is to develop rapidly in subsequent years (with projected CAGR at 27.8% according to Business Wire) and in 2029 it is expected to exceed USD 2 billion (according to IDTechEx).

An important element that fosters development of the electronics market is the growing number of new applications of printed, flexible and organic electronics in various fields. Ultimately, the Company will seek to ensure that its technology can be used in many existing areas of the printed electronics industry and – thanks to the unprecedented precision of printing – will lead to the emergence of new areas within this sector. The Company wishes to develop its technology in such a way that it can be used to manufacture complex and complicated devices with cheap and scalable printing methods.

The new, already identified and pre-verified application areas include:

- display market (in addition to the above-mentioned use for open defect repair, the next step is to provide the industry with solutions that will significantly increase the resolution of a new class of displays, improving their output parameters, even on flexible substrates)
- semi-conductors market
- PCB (printed circuit boards) market
- security printing market
- biosensors market
- photovoltaic cells market.

2.10 Key information about the Issuer

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

The Company has the status of a public (listed) 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 and the Company use IASs/ IFRSs.

The Group's and the Company's financial year is from 1 January to 31 December.

Management Board

As at the Balance Sheet Date and the Report Date:

Name
Filip Granek, PhD – CEO
Jacek Olszański – Management Board Member

Supervisory Board

As at the Balance Sheet Date and the Report Date:

Name
Wiesław Rozłucki, PhD – Supervisory Board Chairman
Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
Andrzej Domański – Deputy Chairman of the Supervisory Board
Beata Turlejska-Zduńczyk – Supervisory Board Member
Piotr Lembas – Supervisory Board Member
Professor Herbert Wirth – Supervisory Board Member.

Audit Committee:

As at the Balance Sheet Date and the Report Date:

Name
Piotr Lembas – Chairman of the Audit Committee, independent Audit Committee member

Wiesław Rozłucki, PhD – independent Audit Committee Member
Professor Herbert Wirth – independent Audit Committee Member
Andrzej Domański – independent Audit Committee Member.

As required by the Best Practice for GPW Listed Companies 2021, on 26 May 2021, the Company's Supervisory Board changed the Chairman of the Audit Committee. Piotr Lembas was appointed to this role, replacing Wiesław Rozłucki. This was due to Principle 2.9 of the Best Practice 2021, which says that "The chairman of a supervisory board should not combine his function with managing the work of the supervisory board's audit committee". For the above reasons, the Company the changes described above.

2.11 XTPL Group

2.11.1 Group structure

The corporate group XTPL S.A. was established on 31 January 2019.

On 31 January 2019, XTPL S.A. acquired all shares in XTPL Inc., a newly formed entity based in the state of Delaware, United States. The share capital of XTPL Inc. is USD 5,000. XTPL S.A. acquired 100% of the stock at the nominal price. XTPL INC. is consolidated using the line-by-line method.

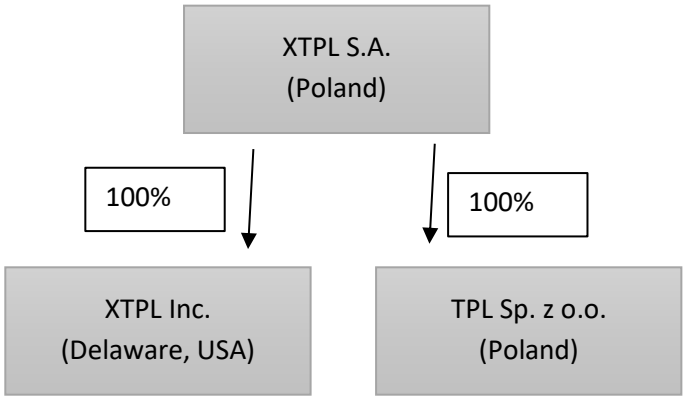
On 3 November 2020, the Issuer acquired all shares in TPL sp. z o.o. based in Wrocław. The shares in the share capital of TPL were acquired without remuneration, but as a donation from each of the TPL shareholders to the Issuer.

Under an agreement with the Issuer, TPL acts as the administrator of the Issuer's employee incentive scheme, which is an important part of managing and motivating the Issuer's employees and collaborators, contributing to the Issuer's business development and value generation.

No changes were made in the Group organization during the Reporting Period.

The Company has no plants or branches.

Structure of XTPL Group as at the Report Date:



2.11.2 Agreements that in the future might affect the proportion of shareholdings

In April 2019, the shareholders of XTPL S.A. adopted an incentive scheme for key employees and collaborators of the Group. The scheme may potentially bring about changes in the proportions of shares held by shareholders. The resolution introducing the scheme conditionally increased the Company's share capital, excluding preemptive rights of existing shareholders, by no more than PLN 18,262.20 through the issue of no more than 182,622 series R ordinary bearer shares with a nominal value of PLN 0.10 each. The series R Shares may be subscribed for by holders of Series A registered subscription warrants. Under the resolution on the issue of series A subscription warrants with exclusion of preemptive rights, maximum 182,622 warrants, at a price of PLN 165.84, may be taken up. The incentive scheme covers the years 2019–2021. The scheme participants will have the right to exercise the warrants by 23 April 2029. After this date, the warrants will expire.

ESPI Current Report No. 20/2019 of 24 April 2019 and previous current reports contain details on resolutions concerning establishment of the incentive scheme and the issue of shares and warrants. XTPL S.A. (Poland) XTPL Inc. (Delaware, USA) XTPL S.A.

Until the Report Date, in 2021, the Eligible Persons acquired the rights to take up 32,900 subscription warrants. Until the Report Date, the Eligible Persons did not exercise the rights attached to the warrants. Consequently, no series R share was acquired.

For 2020, the Supervisory Board awarded Filip Granek the right to acquire 5,000 Issuer's shares and 2,000 subscription warrants. For 2020, the Supervisory Board awarded the Management Board Member Jacek Olszański the right to acquire 3,000 Issuer's shares and 2,000 subscription warrants.

Moreover, it is noted that in accordance 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 are subject to redemption on 30 July 2022. The bondholders have the right to request the conversion of the Bonds into the Issuer's series U shares. The conversion will be based on the rule 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 Company communicated this in ESPI Current Report No. 29/2020 of 30 July 2020. Exercise of the Bondholders' right to convert the Bonds into series U shares might potentially change the proportions of shares held by shareholders.

2.11.3 Branches

Not applicable. Neither the Parent Company nor its Subsidiary have any branches.

2.11.4 Non-arms length transactions with related entities

Not applicable. As part of the group, no transaction was made with any related party on non-commercial terms.

2.11.5 Proceedings before courts and other bodies

No significant judicial, arbitration or administrative proceedings are pending in relation to liabilities or receivables of the Issuer.

2.11.6 Guarantees given

Not applicable. Neither the Issuer nor its Subsidiary provided any guarantees in the Reporting Period.

2.11.7 Extraordinary factors and events having a significant impact on the condensed financial statements

In the Reporting Period, in the statement of comprehensive income the Company recognized the cost of the incentive scheme for employees and collaborators based on the Parent Company's shares. 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 1,149 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,149 thousand has no impact on the Company'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 date of recognition of costs was the moment when the persons covered by the scheme were offered the purchase of financial instruments. The cost of the scheme (fair value of the financial instruments) was estimated at PLN 1,149 thousand and was fully taken to the profit or loss of the current period. Recognition of the scheme's costs of PLN 1,149 thousand has no impact on the Company's and the Group's assets or financial position, or their ability to service its obligations. The scheme's costs are non-cash in nature, and reflect the value of the financial instruments (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 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 PLN`000	WITH THE INCENTIVE SCHEME PLN`000
Continued operations		
Revenue from sales	**1,252**	**1,252**
Revenue from research and development services	7	7
Revenue from the sale of products	206	206
Revenue from grants	1,039	1,039
Cost of sales	**2,568**	**2,808**
Research and development expenses	2,568	2,808
Cost of finished goods sold	–	–
Gross profit (loss)	**-1,316**	**-1,556**
General and administrative expenses	3,910	4,819
Other operating income	1	1
Other operating costs	–	–
Operating profit (loss)	**-5,225**	**-6,374**
Financial revenues	156	156

Financial expenses	263	263
Profit/ loss before tax	**-5,332**	**-6,481**
Income tax	4	4
Net profit (loss) on continued operations	**-5,336**	**-6,485**

2.11.8 Achievement of financial forecasts

Not applicable. The Issuer has not decided to publish financial forecasts.

2.11.9 Explanation of seasonality or business cycles

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

2.11.10 Acquisition of own shares

Not applicable. None in the Reporting Period.

2.11.11 Other information

Employment as at the Balance Sheet Date – 33 people.

Shareholding structure

3 Shareholding structure

3.1 Significant shareholdings

As at the Report Date, the shareholding structure was as follows (shareholders holding at least 5% of the total number of votes at the General Meeting):

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek	316,998	15.62%	316,998	15.62%
2.	Deutsche Balaton Group	238,577	11.76%	238,577	11.76%
3.	Sebastian Młodziński	233,657	11.51%	233,657	11.51%
4.	ACATIS Investment	195,663	9.64%	195,663	9.64%
5.	Pankiewicz Venture	161,172	7.94%	161,172	7.94%
6.	Others	883,155	43.52%	883,155	43.52%
	TOTAL	**2,029,222**	**100.0%**	**2,029,222**	**100.0%**

3.2 A decrease in shareholding below 5% of the total number of votes in the Company

On 7 July 2021, XTPL received a notice – under Article 69(1)(2) in conjunction with Article 87(1)(2)(a) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies – from Rockbridge Towarzystwo Funduszy Inwestycyjnych S.A., an investment fund company with its registered office in Warsaw, acting for on behalf of the investment funds it manages, advising of reduction of the Funds' share in the total number of votes at the General Meeting of XTPL S.A. based in Wrocław below the 5% threshold. According to the notice, the decrease in the total number of votes in the Company below the 5% threshold was a result of the transaction of 2 July 2021 whereby the Funds sold 4,705 (four thousand seven hundred and five) shares of the Company on the regulated market operated by the Warsaw Stock Exchange. The transaction was settled on 6 July 2021, prior to the Transaction, the Funds held a total of 101,584 (one hundred and one thousand five hundred and eighty-four) shares of the Company, which constituted 5.006% of its share capital, and carried 101,584 (one hundred and one thousand five hundred and eighty-four) votes at the Company's General Meetings, and represented 5.006% of the total number of votes in the Company. Now that the Transaction has been concluded and settled, the Funds hold 96,879 (ninety six thousand eight hundred and seventy-nine) shares of the Company, which represent 4.774% of the Company's share capital and carry 96,879 (ninety six thousand eight hundred and seventy-nine) votes at the Company's General Meetings, and representing 4.774% of the total number of votes in the Company. The Management Board reported the drop below

the 5% threshold of the total number of votes in the Company in ESPI Current Report No. 16/2021 of 7 July 2021.

3.3 Shares held by members of management and supervisory bodies

Ref.	Name	Role	Shares held as at 30 September 2021	Shares held as at the Report Date
1.	Filip Granek, PhD	CEO	316,998	316,998
2.	Jacek Olszański	Management Board Member	1,250	1,250
3.	Wiesław Rozłucki	Chairman of the Supervisory Board	–	–
4.	Bartosz Wojciechowski	Deputy Chairman of the Supervisory Board	800	800
5.	Herbert Wirth	Supervisory Board Member	–	–
7.	Piotr Lembas	Supervisory Board Member	–	–
8.	Beata Turlejska	Supervisory Board Member	–	–
9.	Andrzej Domański	Deputy Chairman of the Supervisory Board	–	–

Since 28 September 2021 (publication date of the H1 2021 report) there have been no changes relating to significant shareholdings by Management Board or Supervisory Board members.

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Condensed standalone financial statements

4 Condensed standalone financial statements

4.1 Condensed standalone statement of financial position

ASSETS PLN'000	NOTE	30.09.2021	31.12.2020
Non-current assets	**5**	**6,238**	**3,891**
Property, plant and equipment	2, 3, 5	2,806	988
Intangible assets	1, 5	2,969	2,870
Long-term receivables	6	463	33
Current assets		**5,677**	**11,141**
Inventories	7	389	90
Trade receivables		14	4
Other receivables		494	731
Cash and cash equivalents		4,730	10,298
Other assets		50	18
Total assets		**11,915**	**15,032**

LIABILITIES PLN'000	NOTE	30.09.2021	31.12.2020
Total equity		**5,287**	**10,737**
Share capital		203	203
Supplementary capital		8,129	16,311
Reserve capital		3,926	2,777
Retained profit (loss carried forward)		-372	-372
Profit (loss) after tax		-6,599	-8,182
Long-term liabilities		**3,252**	**3,198**
Long-term financial liabilities		3,252	3,198
Short-term liabilities		**1,764**	**1,097**
Trade liabilities		752	1,018
Short-term financial liabilities		–	1
Other liabilities		1,012	881
Accruals		**1,613**	**-**
Deferred income		54	–
Advances for grants		1,559	–
Total equity and liabilities		**11,915**	**15,032**

4.2 Condensed standalone statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME PLN'000	NOTE	1.01.2021 - 30.09.2021	1.01.2020 - 30.09.2020
Continued operations			
Revenue from sales	12	**1,252**	**2,101**
Revenue from the sale of services	26	7	21
Revenue from the sale of products	26	206	23
Revenue from grants	13	1,039	2,057
Cost of sales		**2,808**	**2,525**
Research and development expenses	14	2,808	2,525
Cost of finished goods sold		–	–
Gross profit (loss)		**-1,556**	**-424**
General and administrative expenses	14	4,834	5,802
Other operating income		1	185
Other operating costs		–	9
Operating profit (loss)		**-6,389**	**-6,050**
Financial revenues		337	196
Financial expenses		547	590
Profit/ loss before tax		**-6,599**	**-6,444**
Income tax		–	–
Net profit (loss) on continued operations		**-6,599**	**-6,444**
Discontinued operations		**-**	**-**
Net profit (loss) on discontinued operations		–	–
Net profit (loss) on continued and discontinued operations		**-6,599**	**-6,444**
Other comprehensive income		**-**	**-**
Total comprehensive income		**-6,599**	**-6,444**
Net profit (loss) per share (in PLN)			
On continued operations		**-3.25**	**-3.18**
Ordinary		-3.25	-3.18
Diluted		-3.25	-3.18
On continued and discontinued operations		**-3.25**	**-3.18**
Ordinary		-3.25	-3.18
Diluted		-3.25	-3.18
number of shares to calculate ordinary profit (loss) per share		2,029,222	2,029,222

4.3 Condensed standalone statement of changes in equity

STATEMENT OF CHANGES IN EQUITY PLN'000	Share capital	Supplementary capital	Reserve capital	Retained profit (loss carried forward)	Total
As at 1 January 2021	**203**	**16,311**	**2,777**	**-8,554**	**10,737**
Comprehensive income:	**-**	**-**	**-**	**-6,599**	**-6,599**
Profit (loss) after tax	–	–	–	-6,599	-6,599
Transactions with owners:	**-**	**-8,182**	**1,149**	**8,182**	**1,149**
Incentive scheme	–	–	1,149	–	1,149
Distribution of profit	–	-8,182	–	8,182	–
As at 30 September 2021	**203**	**8,129**	**3,926**	**-6,971**	**5,287**
As at 1 January 2020	**190**	**18,726**	**13,026**	**-25,050**	**6,892**
Comprehensive income:	**-**	**-**	**-**	**-6,496**	**-6,496**
Profit (loss) after tax	–	–	–	-6,444	-6,444
Other comprehensive income	–	–	–	-52	-52
Transactions with owners:	**13**	**-2,415**	**-11,052**	**24,678**	**11,224**
Incentive scheme	–	–	1,974	–	1,974
Issue of shares	13	9,237	–	–	9,250
Distribution of profit	–	-11,652	-13,026	24,678	–
As at 30 September 2020	**203**	**16,311**	**1,974**	**-6,868**	**11,620**

4.4 Condensed standalone statement of cash flows

STATEMENT OF CASH FLOWS PLN'000	1.01.2021 - 30.09.2021	1.01.2020 - 30.09.2020
Cash flows from operating activities		
Profit (loss) before tax	**-6,599**	**-6,444**
Total adjustments:	**3,576**	**2,727**
Depreciation/amortization	270	337
FX gains (losses)	-156	-33
Interest and profit distributions (dividends)	-124	-172
Profit (loss) on investing activities	465	572
Change in the balance of provisions	125	-4
Change in the balance of inventories	-299	–
Change in the balance of receivables	22	346

Change in short-term liabilities, except bank and other loans	520	-231
Change in prepayments/accruals	1,604	-10
Income tax paid	–	–
Other adjustments	1,149	1,922
Total cash flows from operating activities	**-3,023**	**-3,717**
Cash flows from investing activities		
Inflows	**-**	**57**
Disposal of tangible and intangible assets	–	2
Repayment of long-term loans	–	50
Interest on financial assets	–	5
Outflows	**2,540**	**575**
Acquisition of tangible and intangible fixed assets	2,187	155
Acquisition of financial assets	353	419
Long-term loans granted	–	–
Other investment outflows	–	–
Total cash flows from investing activities	**-2,540**	**-518**
Cash flows from financing activities		
Inflows	**-**	**12,862**
Contributions to capital	–	9,250
Bank and other loans	–	–
Issue of bonds	–	3,612
Outflows	**4**	**1**
Acquisition of own shares	–	–
Payment of dividend	–	–
Repayment of bank and other loans	–	–
Lease payments	–	–
Interest	4	1
Total cash flows from financing activities	**-4**	**12,861**
Total cash flows from investing activities	**-5,567**	**8,626**
Change in cash and cash equivalents:	**-5,569**	**8,627**
– change in cash due to FX differences	2	-1
Cash and cash equivalents at the beginning of the period	**10,298**	**4,154**
Cash and cash equivalents at the end of the period, including:	**4,730**	**12,780**
– restricted cash		

4.5 Notes

Note 1 Intangible assets

OTHER INTANGIBLE ASSETS PLN'000	30.09.2021	31.12.2020
Acquired concessions, patents, licenses and similar rights	18	8
Intellectual property rights	–	–
In-process development expenditure	2,951	2,862
Total (net)	**2,969**	**2,870**
Previous write-off	**1,177**	**1,163**
Total (gross)	**4,146**	**4,033**

All intangible assets are the property of the Company; none of these assets are used based on any rental, lease or a similar contract. The intangible assets are not used as collateral.
As at 30 September 2021, the Company did not have any agreements whereby it would be required to purchase any intangible assets.

Note 2. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS PLN '000	01.01.2021 - 30.09.2021	01.01.2020 - 31.12.2020
XTPL printers	107	92
Computer sets	33	18
Server with software		–
Pressure control system and other	22	–
Laboratory equipment (vacuum dryer, evaporator and centrifuge)	130	–
Confocal microscope	400	–
Office equipment	4	–
Total significant acquisitions	**696**	**110**

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

In the reporting period, the Company did not incur any significant liabilities on account of purchase of 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

Loan granted to the subsidiary.
Due to the results of the subsidiary XTPL Inc. as the Balance Sheet Date, the Management Board of XTPL S.A. assessed the value of the loans granted to the subsidiary in terms of impairment of assets. The Management Board is of the opinion that the probability of XTPL Inc. obtaining revenues as a result of a license agreement signed by the subsidiary in 2021 is low, and for this reason decided to create an impairment allowance for full value of the tranches paid out from 1 January 2021 to 30 September 2021, i.e. PLN 271 thousand.

Note 6. Long-term receivables

Long-term receivables	PLN'000	30 September 2021	31 December 2020
Loans granted		430	–
Security deposits		33	33
Shares		–	–
Total long-term receivables		**463**	**33**

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	PLN'000	01.01.2020 - 30.09.2020	01.01.2020 - 31.12.2020
Balance at the beginning of the period		**318**	**302**
increased/ created		149	749
utilization		–	63
release		2	670
Balance at the end of the period		**465**	**318**

In the reporting period, no provisions for restructuring costs were released.

Note 9. 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 10. Fair value of the individual classes financial assets and liabilities

PLN'000	Category as per IFRS 9	Book value		Fair value	
		30 September 2021	31 December 2020	30 September 2021	31 December 2020
Financial assets					
Loans granted	WwgZK	430	205	430	205
Trade receivables	WwgZK	14	4	14	4
Other receivables	WwgZK	494	527	494	527
Cash and cash equivalents	WwWGpWF	4,730	10,298	4,730	10,298
Total		**5,669**	**11,034**	**5,669**	**11,034**
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	–	–	–	–
Finance lease liabilities	PZFwgZK	–	–	–	–
Bond liabilities	PZFwgZK	3,252	3,198	3,252	3,198
Trade liabilities	PZFwgZK	752	373	752	373
Other liabilities	PZFwgZK	1,012	724	1,012	724
Total		**5,016**	**4,295**	**5,016**	**4,295**

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 Company held as at 30 September 2021 and 31 December 2020 was not materially different from the values presented in the financial statements. This is because:

– 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.

Bond liabilities were measured at fair value due to the fact that they represent complex financial instruments, as series A registered bonds are convertible into series U shares of the Company. At the initial recognition, the value of the complex financial instrument was assigned to equity and to liabilities.

Note 11. Explanations to the statement of cash flows

Presented below are explanations to selected items of the statement of cash flows.

Reconciliation of the profit-before-tax disclosed in the statement of cash flows

	PLN'000	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
PBT presented in the statement of comprehensive income		-6,599	-6,444
PBT presented in the statement of cash flows		-6,599	-6,444

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Realized interest on financing activities	4	-5
Realized interest on investing activities	–	–
Unrealized interest on financing activities	-182	–
Unrealized interest on investing activities	54	-167
Total interest and dividends:	**-124**	**-172**

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Change in the balance of trade receivables	-11	–
Other receivables	33	346
Total change in the balance of receivables	**22**	**346**

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Change in the balance of trade liabilities	379	-234
Other liabilities	141	3
Total change in the balance of liabilities:	**520**	**-231**

Cash and cash equivalents at the end of the period	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Statement of cash flows	4,730	12,780
Statement of financial position	4,730	12,781

The amount presented in the 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 (PLN 1,149 thousand).

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

Note 12. Net revenue from sales

NET REVENUE FROM SALES	PLN'000	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Revenue from research and development services		7	23
Revenue from the sale of products		206	21
Revenue from grants		1,039	2,057
Total net revenue from sales		**1,252**	**2,101**

Note 13. Grants

Inflows from grants	PLN'000	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
– to operations		1,039	2,057
– to assets		1,115	–
– advance payments		444	–
Total inflows from grants		**2,598**	**2,057**

The note presents proceeds from the reimbursement of costs incurred. In addition, the Company recorded proceeds from advance payments of PLN 444 thousand in respect of the implemented grant project as well as grants to assets of PLN 1,115 thousand, recognized under accruals.

Note 14. Operating costs

OPERATING COSTS	PLN '000	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Depreciation/ amortization, including		359	378
– depreciation of tangible assets		346	258
– amortization of intangible assets		13	120
Use of raw materials and consumables		780	563
External services		2,560	2,443
Cost of employee benefits		3,900	4,828
Taxes and charges		51	46
Other costs by type		81	109
Value of goods and materials sold		–	–
Total costs by type, including:		**7,731**	**8,367**
Items reported as research and development costs		2,808	2,525

Items reported as cost of finished goods sold	–	–
Items reported as general and administrative expenses	4,834	5,802
Change in finished goods	–	–
Cost of producing services for internal needs of the entity	89	40

Recognition of costs related to the valuation of the incentive scheme in the total amount of PLN 1,149 thousand (PLN 240 thousand recognized in the cost of research & development, and PLN 909 thousand in general and administrative expenses) has no impact on the Company'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).

Note 15. Related party transactions

01.01.2021 - 30.09.2021	PLN'000	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		–	–	–	180
Loans granted		352	–	–	–
Financial expenses – interest on loans		182	–	–	–

01.01.2020 - 30.09.2020	PLN'000	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		–	–	–	26
Loans granted		419	–	–	–
Financial expenses – interest on loans		156	–	–	12

** 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*

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 Company 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. In the Reporting Period, the Company created an impairment allowance for a loan granted to the related party, covering the principal amount and interest. 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 16. Deferred tax

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.09.2021	30.09.2020	01.01.2021 - 30.09.2021
In respect of:			
Interest on loans and deposits	33	55	-20
Total deferred tax liability	33	55	-20
Set-off with deferred tax assets	-33	-55	20
Net deferred tax liability	–	–	–

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.09.2021	30.09.2020	01.01.2021 - 30.09.2021
Due to differences between the tax value and the carrying amount:			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	–	–	–
Accruals for unused annual leaves	33	26	7
Provision for the cost external services	–	6	-6
Total deferred tax assets	**33**	**53**	**-20**
Set-off with a deferred tax liability	33	32	1
Net deferred tax assets	**-**	**-**	**-**

Note 17. Objectives and rules of financial risk management

The Company 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 Company 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 Company 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, organisational structure and procedures.

MARKET RISK

The company 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 Company 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 Company's internal situation and market conditions.

PRICE RISK

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

CURRENCY RISK

The Company 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. The Company used no loans in the period from January to September 2020.

LIQUIDITY RISK

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

The Company is exposed to financing risk due to the possibility that it in the future it will not receive sufficient cash to fund commercialisation 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 Company:

• 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 Company secures its receipts through bank guarantees or corporate guarantees.

Note 18. 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 19. Information about changes in the economic position and operating conditions which might have a material impact on the fair value of the Company's financial assets and liabilities, whether those assets and liabilities are recognized at fair value or at adjusted purchase price (amortized cost)

In the period from 1 January 2021 to 31 March 2021, no significant changes were identified in the economic position or operating conditions which would have a material impact on the fair value of the Company's financial assets and liabilities.

Note 20. 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.
The change in the value of contingent liabilities in relation 31 December 2020 amounts to PLN 2,598 thousand. It is caused by the payment of the next two tranches of subsidies and advances. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in materialisation 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	30.09.2021 PLN'000	31.12.2020 PLN'000
Promissory notes	10,985	8,387
Total contingent liabilities	**10,985**	**8,387**

Note 21. Incentive scheme

In the Reporting Period, in the statement of comprehensive income the Company recognized the cost of the incentive scheme for employees and collaborators based on the Parent Company's shares. 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 1,149 thousand and was fully taken to the profit or loss of the current period.
Recognition of the scheme's costs of PLN 1,149 thousand has no impact on the Company'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).

Note 22. Information about seasonality of business and cycles

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

Note 23. 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 24. 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 25. 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 26. Operating segments

SEGMENT	01.01.2021 -	01.01.2020 -

	30.09.2021 PLN'000	30.09.2020 PLN'000
Nanoinks	45	21
Research and development services	7	23
Printers	161	–
TOTAL	**213**	**44**

Note 27. 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 28. Effect of application of new accounting standards and changes in accounting policy

The accounting policies that were used in preparation of these financial statements for the third quarter of 2021 are consistent with the policies used in preparation of the Company's financial statements for 2020. The same policies were applied for the current and comparative period. Detailed description of the accounting principles adopted by XTPL S.A. and XTPL Group was presented in the annual financial statements for 2020.

Note 29. 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 30. Correction of errors from previous periods

As at the Balance Sheet Date, no corrections were made on account of errors from previous periods.

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

This financial information for the period from 1 January 2021 to 30 September 2021 was approved for publication by the Company's Management Board on 25 November 2021.

Note 32. Events after the balance sheet date that have not been reflected in the interim financial statements

Agreement for the sale of the Delta Printing System with the Łukasiewicz Research Network – PORT Polish Center for Technology Development

On 3 November 2021, the Company signed an agreement for delivery of a system for the integration of raw materials in photonic applications with the Łukasiewicz Research Network – PORT Polish Center for Technology Development. The agreement was finalized after the Buyer had selected the Company's offer in a public procurement procedure conducted as an unlimited tender held on 4 October 2021. The Agreement concerns the sale, delivery, commissioning of, staff training and maintenance support for the system for integrating raw materials in photonic applications. As part of the Agreement, the Issuer is to supply its proprietary Delta Printing System.

The PORT Polish Center for Technology Development is a research institute that conducts fundamental and applied research in materials engineering and biotechnology. It is also part of the Łukasiewicz Research Network, which brings together 32 research institutes in 12 Polish cities, employing eight thousand people, which makes it the third largest research network in Europe.

Agreement for the sale of the Delta Printing System with the University of Glasgow

On 5 November 2021, the Company accepted and confirmed an order from the Bendable Electronics and Sensing Technologies research group from the University of Glasgow, Scotland, for delivery of the Company's technology demonstrator: the Delta Printing System printer. The Company will deliver and commission the device by the end of 2021. BEST will use it for research and development related to bendable electronics. BEST is a multidisciplinary research group with over 30 PhDs in science (chemistry, physics, materials) from over 25 countries. The group's research revolves around the development of high-performance electronics and sensing systems on large area flexible substrates. In addition, the group investigates advanced materials for next generation flexible, printed, and stretchable electronics. To this end, BEST researchers are looking for possibilities to develop novel fabrication and manufacturing techniques. In its research, BEST uses tailored state-of-the-art micro/nanofabrication tools.

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shaping global nanofuture

Condensed consolidated financial statements

5 Condensed consolidated financial statements

5.1 Condensed consolidated statement of financial position

ASSETS PLN'000	NOTE	30.09.2021	31.12.2020
Non-current assets	**5**	**5,808**	**3,891**
Property, plant and equipment	2, 3, 5	2,806	988
Intangible assets	1, 5	2,969	2,870
Long-term receivables	6	33	33
Current assets		**5,804**	**11,136**
Inventories	7	389	90
Trade receivables		25	4
Other receivables		494	526
Cash and cash equivalents		4,817	10,478
Other assets		79	38
Total assets		**11,612**	**15,027**

LIABILITIES PLN'000	NOTE	30.09.2021	31.12.2020
Total equity		**4,961**	**10,386**
Share capital		203	203
Supplementary capital		8,129	16,311
Own shares		-8	-8
Reserve capital		3,050	1,901
FX differences arising on translation		-40	48
Retained profit (loss carried forward)		112	510
Profit (loss) after tax		-6,485	-8,579
Long-term liabilities		**3,252**	**3,198**
Long-term financial liabilities		3,252	3,198
Short-term liabilities		**1,786**	**1,443**
Trade liabilities		774	404
Short-term financial liabilities		–	315
Other liabilities		1,012	724
Accruals		**1,613**	**-**
Deferred income		54	–
Advances for grants		1,559	–
Total equity and liabilities		**11,612**	**15,027**

5.2 Condensed consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PLN'000	NOTE	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Continued operations			
Revenue from sales	12	**1,252**	**2,101**
Revenue from the sale of services	26	7	23
Revenue from the sale of products	26	206	21
Revenue from grants	13	1,039	2,057
Cost of sales		**2,808**	**2,525**
Research and development expenses	14	2,808	2,525
Cost of finished goods sold		–	–
Gross profit (loss)		**-1,556**	**-424**
General and administrative expenses	14	4,819	6,199
Other operating income		1	185
Other operating costs		–	9
Operating profit (loss)		**-6,374**	**-6,447**
Financial revenues		156	40
Financial expenses		263	17
Profit/ loss before tax		**-6,481**	**-6,424**
Income tax		4	4
Net profit (loss) on continued operations		**-6,485**	**-6,428**
Discontinued operations		**-**	**-**
Net profit (loss) on discontinued operations		–	–
Net profit (loss) on continued and discontinued operations		**-6,485**	**-6,428**
Profit (loss) attributable to non-controlling interests		–	–
Profit (loss) attributable to shareholders of the parent		-6,485	-6,428
Other comprehensive income		**-40**	**-**
Items that can be transferred to profit or loss in subsequent reporting periods		**-40**	**-**
FX differences arising on conversion of foreign affiliates		-40	–
Items that will not be transferred to profit or loss in subsequent periods		**-**	**-**
Total comprehensive income		**-6,525**	**-6,428**
Total comprehensive income attributable to non-controlling shareholders		**-**	**-**
Total comprehensive income attributable to the parent company		**-6,525**	**-6,428**
Net profit (loss) per share (in PLN)			

On continued operations		-3.22	-3.17
Ordinary		-3.22	-3.17
Diluted		-3.22	-3.17
On continued and discontinued operations		-3.22	-3.17
Ordinary		-3.22	-3.17
Diluted		-3.22	-3.17
number of shares to calculate ordinary profit (loss) per share		2,029,222	2,029,222

5.3 Condensed consolidated statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Supplementary capital	Own shares	Reserve capital	FX differences arising on translation	Retained profit (loss carried forward)	Non-controlling interests	Total
As at 1 January 2021	**203**	**16,311**	**-8**	**1,901**	**48**	**-8,070**	**-**	**10,386**
Comprehensive income:	**-**	**-**	**-**	**-**	**-88**	**-6,485**	**-**	**-6,573**
Profit (loss) after tax	–	–	–	–	–	-6,485	–	-6,485
Other comprehensive income	–	–	–	–	-88	–	–	-88
Transactions with owners:	**-**	**-8,182**	**-**	**1,149**	**-**	**8,182**	**-**	**1,149**
Issue of shares	–	–	–	–	–	–	–	–
Incentive scheme	–	–	–	1,149	–	–	–	1,149
Distribution of profit	–	-8,182	–	–	–	8,182	–	–
As at 30 September 2021	**203**	**8,129**	**-8**	**3,050**	**-40**	**-6,373**	**-**	**4,961**
As at 1 January 2020	**190**	**18,726**	**-**	**12,150**	**10**	**-24,169**	**-**	**6,907**
Comprehensive income:	**-**	**-**	**-**	**-**	**-8**	**-6,497**	**-**	**-6,505**
Profit (loss) after tax	–	–	–	–	–	-6,428	–	-6,428
Other comprehensive income	–	–	–	–	-8	-69	–	-77
Transactions with owners:	**13**	**-2,415**	**-**	**-11,052**	**-**	**24,678**	**-**	**11,224**
Issue of shares	13	9,237	–	–	–	–	–	9,250
Incentive scheme	–	–	–	1,974	–	–	–	1,974
Distribution of profit	–	-11,652	–	-13,026	–	24,678	–	–
As at 30 September 2020	**203**	**16,311**	**-**	**1,098**	**2**	**-5,988**	**-**	**11,626**

5.4 Condensed consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS PLN'000	1.01.2021 - 30.09.2021	1.01.2020 - 30.09.2020
Cash flows from operating activities		
Profit (loss) before tax	**-6,481**	**-6,424**
Total adjustments:	**3,328**	**2,287**
Depreciation/amortization	270	337
Write-off of goodwill	–	–
FX gains (losses)	-87	-10
Interest and profit distributions (dividends)	58	-16
Profit (loss) on investing activities	–	-1
Change in the balance of provisions	125	-4
Change in the balance of inventories	-299	–
Change in the balance of receivables	12	347
Change in short-term liabilities, except bank and other loans	510	-252
Change in prepayments/accruals	1,590	-15
Income tax paid	–	-4
Other adjustments	1,149	1,905
Total cash flows from operating activities	**-3,153**	**-4,137**
Cash flows from investing activities		
Inflows	**-**	**57**
Disposal of tangible and intangible assets	–	2
Repayment of long-term loans	–	50
Interest on financial assets	–	5
Other investment inflows	–	–
Outflows	**2,187**	**155**
Acquisition of tangible and intangible fixed assets	2,187	155
Acquisition of financial assets	–	–
Long-term loans granted	–	–
Other investment outflows	–	–
Total cash flows from investing activities	**-2,187**	**-98**
Cash flows from financing activities		
Inflows	**-**	**12,862**
Contributions to capital	–	9,250
Bank and other loans	–	–
Issue of bonds	–	3,612
Outflows	**320**	**1**
Acquisition of own shares	–	–
Payment of dividend	–	–
Repayment of bank and other loans	316	–
Finance lease payments	–	1
Interest	4	–

Total cash flows from financing activities	**-320**	**12,861**
Total cash flows from investing activities	**-5,660**	**8,626**
Change in cash and cash equivalents:	**-5,661**	**8,626**
– change in cash due to FX differences	1	–
Cash and cash equivalents at the beginning of the period	**10,477**	**4,206**
Cash and cash equivalents at the end of the period, including:	**4,817**	**12,832**
– restricted cash	–	–

5.5 Notes

Note 1 Intangible assets

OTHER INTANGIBLE ASSETS PLN'000	30.09.2021	31.12.2020
Acquired concessions, patents, licenses and similar rights	18	8
Intellectual property rights	–	–
In-process development expenditure	2,951	2,862
Total (net)	**2,969**	**2,870**
Previous write-off	**1,177**	**1,163**
Total (gross)	**4,146**	**4,033**

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 September 2021, the Group did not have any agreements whereby it would be required to purchase any intangible assets.

Note 2. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS PLN '000	01.01.2021 - 30.09.2021	01.01.2020 - 31.12.2020
XTPL printers	107	92
Computer sets	33	18
Server with software		–
Pressure control system and other	22	–
Laboratory equipment (vacuum dryer, evaporator and centrifuge)	130	–
Confocal microscope	400	–
Office equipment	4	–
Total significant acquisitions	**696**	**110**

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

In the reporting period, the Group did not incur any significant liabilities on account of purchase of 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, the Group did not recognize any impairment allowances on non-current assets.

Note 6. Long-term receivables

Long-term receivables	PLN'000	30 September 2021	31 December 2020
Loans granted		–	–
Security deposits		33	33
Shares		–	–
Total long-term receivables		**33**	**33**

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	PLN'000	01.01.2020 - 30.09.2020	01.01.2020 - 31.12.2020
Balance at the beginning of the period		**318**	**302**
increased/ created		149	749
utilization		–	63
release		2	670
Balance at the end of the period		**465**	**318**

In the reporting period, no provisions for restructuring costs were released.

Note 9. 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 10. Fair value of the individual classes financial assets and liabilities

PLN'000	Category as per IFRS 9	Book value		Fair value	
		30 September 2021	31 December 2020	30 September 2021	31 December 2020
Financial assets					
Loans granted	WwgZK	431	–	431	–
Trade receivables	WwgZK	14	4	14	4
Other receivables	WwgZK	494	527	494	527
Cash and cash equivalents	WwWGpWF	4,839	10,325	4,839	10,325
Total		**5,778**	**10,856**	**5,778**	**10,856**
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	–	316	–	316
Finance lease liabilities	PZFwgZK	–	1	–	1
Bond liabilities	PZFwgZK	3,252	3,198	3,252	3,198
Trade liabilities	PZFwgZK	768	401	768	401
Other liabilities	PZFwgZK		724		724
Total		**1,012**	**4,639**	**1,012**	**4,639**

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 September 2021 and 31 December 2020 was not materially different from the values presented in the financial statements. This is because:
– 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.

Bond liabilities were measured at fair value due to the fact that they represent complex financial instruments, as series A registered bonds are convertible into series U shares of the Parent Company. At the initial recognition, the value of the complex financial instrument was assigned to equity and to liabilities.

Note 11. Explanations to the statement of cash flows

Presented below are explanations to selected items of the statement of cash flows.

Reconciliation of the profit-before-tax disclosed in the statement of cash flows

	PLN'000	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
PBT presented in the statement of comprehensive income		-6,481	-6,424
PBT presented in the statement of cash flows		-6,481	-6,424

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Realized interest on financing activities	4	-5
Realized interest on investing activities	–	–
Unrealized interest on financing activities	–	–
Unrealized interest on investing activities	54	-11
Total interest and dividends:	**58**	**-16**

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Change in the balance of trade receivables	-21	–
Other receivables	33	347
Total change in the balance of receivables	**12**	**347**

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Change in the balance of trade liabilities	369	-255
Other liabilities	141	3
Total change in the balance of liabilities:	**510**	**-252**

Cash and cash equivalents at the end of the period	01.01.2021 -	01.01.2020 -

	30.09.2021	30.09.2020
Statement of cash flows	4,817	12,832
Statement of financial position	4,817	12,832

The amount presented in the 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 (PLN 1,149 thousand).

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

Note 12. Net revenue from sales

NET REVENUE FROM SALES	PLN'000	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Revenue from research and development services		7	23
Revenue from the sale of products		206	21
Revenue from grants		1,039	2,057
Total net revenue from sales		**1,252**	**2,101**

Note 13. Grants

Inflows from grants	PLN'000	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
– to operations		1,039	2,057
– to assets		1,115	–
– advance payments		444	–
Total inflows from grants		**2,598**	**2,057**

The note presents proceeds from the reimbursement of costs incurred. In addition, the Company recorded proceeds from advance payments of PLN 444 thousand in respect of the implemented grant project as well as grants to assets of PLN 1,115 thousand, recognized under accruals.

Note 14. Operating costs

OPERATING COSTS	PLN '000	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Depreciation/ amortization, including		359	378

– depreciation of tangible assets	346	258
– amortization of intangible assets	13	120
Use of raw materials and consumables	780	563
External services	2,691	2,813
Cost of employee benefits	3,900	4,828
Taxes and charges	56	46
Other costs by type	111	136
Value of goods and materials sold	–	–
Total costs by type, including:	**7,897**	**8,764**
Items reported as research and development costs	2,808	2,525
Items reported as cost of finished goods sold	–	–
Items reported as general and administrative expenses	5,000	6,199
Cost of producing services for internal needs of the entity	89	40

Items reported as cost of finished goods sold

Recognition of the costs related to the valuation of the incentive scheme in the total amount of PLN 1,149 thousand (PLN 240 thousand recognized in the cost of research & development, and PLN 909 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 15. Related party transactions

01.01.2021 - 30.09.2021	PLN'000	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		–	–	–	–
Loans granted		–	–	–	–
Financial expenses – interest on loans		–	–	–	–

01.01.2020 - 30.09.2020	PLN'000	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		–	–	–	26
Loans granted		–	–	–	–
Financial expenses – interest on loans		–	–	–	12

** 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*

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 Parent Company 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.

Note 16. Deferred tax

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.09.2021	30.09.2020	01.01.2021 - 30.09.2021
In respect of:			
Interest on loans and deposits	33	55	-20
Total deferred tax liability	33	55	-20
Set-off with deferred tax assets	-33	-55	20
Net deferred tax liability	–	–	–

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.09.2021	30.09.2020	01.01.2021 - 30.09.2021
Due to differences between the tax value and the carrying amount:			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	–	–	–
Accruals for unused annual leaves	33	26	7
Provision for the cost external services	–	6	-6
Total deferred tax assets	**33**	**53**	**-20**
Set-off with a deferred tax liability	33	32	1
Net deferred tax assets	**-**	**-**	**-**

Note 17. 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, organisational 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 September 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. The Group used no loans in the period from January to September 2020.

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

In the period from 1 January 2021 to 30 September 2021, 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 20. 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.

The change in the value of contingent liabilities in relation 31 December 2020 amounts to PLN 2,598 thousand. It is caused by the payment of the next two tranches of subsidies and advances. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in materialisation 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	30.09.2021 PLN'000	31.12.2020 PLN'000
Promissory notes	10,985	8,387
Total contingent liabilities	**10,985**	**8,387**

Note 21. 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. 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 1,149 thousand and was fully taken to the profit or loss of the current period.
Recognition of the scheme's costs of PLN 1,149 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).

Note 22. Information about seasonality of business and cycles

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

Note 23. 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 24. 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 25. 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 26. Operating segments

SEGMENT	01.01.2021 - 30.09.2021 PLN'000	01.01.2020 - 30.09.2020 PLN'000
Nanoinks	45	21
Research and development services	7	23
Printers	161	–
TOTAL	**213**	**44**

Note 27. 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 28. Effect of application of new accounting standards and changes in accounting policy

The accounting policies that were used in preparation of these financial statements for the third quarter of 2021 are consistent with the policies used in preparation of the Company's financial statements for 2020. The same policies were applied for the current and comparative period. Detailed description of the accounting principles adopted by XTPL S.A. and XTPL Group was presented in the annual financial statements for 2020.

Note 29. 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 30. Correction of errors from previous periods

As at the Balance Sheet Date, no corrections were made on account of errors from previous periods.

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

This financial report for the period from 1 January 2021 to 30 September 2021 was approved for publication by the Parent Company's Management Board on 25 November 2021.

Note 32. Events after the balance sheet date that have not been reflected in the interim financial statements

Agreement for the sale of the Delta Printing System with the Łukasiewicz Research Network – PORT Polish Center for Technology Development

On 3 November 2021, the Company signed an agreement for delivery of a system for the integration of raw materials in photonic applications with the Łukasiewicz Research Network – PORT Polish Center for Technology Development. The agreement was finalized after the Buyer had selected the Company's offer in a public procurement procedure conducted as an unlimited tender held on 4 October 2021. The Agreement concerns the sale, delivery, commissioning of, staff training and maintenance support for the system for integrating raw materials in photonic applications. As part of the Agreement, the Issuer is to supply its proprietary Delta Printing System.

The PORT Polish Center for Technology Development is a research institute that conducts fundamental and applied research in materials engineering and biotechnology. It is also part of the Łukasiewicz Research Network, which brings together 32 research institutes in 12 Polish cities, employing eight thousand people, which makes it the third largest research network in Europe.

Agreement for the sale of the Delta Printing System with the University of Glasgow

On 5 November 2021, the Company accepted and confirmed an order from the Bendable Electronics and Sensing Technologies research group from the University of Glasgow, Scotland, for delivery of the Company's technology demonstrator: the Delta Printing System printer. The Company will deliver and commission the device by the end of 2021. BEST will use it for research and development related to bendable electronics.

BEST is a multidisciplinary research group with over 30 PhDs in science (chemistry, physics, materials) from over 25 countries. The group's research revolves around the development of high-performance electronics and sensing systems on large area flexible substrates. In addition, the group investigates advanced materials for next generation flexible, printed, and stretchable electronics. To this end, BEST researchers are looking for possibilities to develop novel fabrication and manufacturing techniques. In its research, BEST uses tailored state-of-the-art micro/nanofabrication tools.

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Additional information and approval for publication

6 Additional information and approval for publication

6.1 General information and basis of preparation

The financial statements of XTPL Group (standalone and consolidated financial statements) cover the period of nine months ended 30 September 2021, and the comparative data for the period of nine months ended 30 September 2020. They were prepared using the historical cost convention. The financial statements have been prepared on the assumption that the Company will continue in operation for at least a year from the Report Date.

Given the Company's market development stage (the Company 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 Company. Late in June/ early in July 2020, the Company 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. Taking into account the above and the fact that the Company is currently implementing two projects co-financed by the NCBR (grant of PLN 19,370 thousand), and given the proceeds from commercialization, which will increase significantly from Q4 2021, the Management Board of the Company does not see any risk to the continuation of the Company's business during the following quarters.

At the date of approval of these financial statements, the Management Board 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 annual financial statements of XTPL S.A. for 2020 as published on 27 April 2021, and the semi-annual report for the first half of 2021 (published on 28 September 2021).

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.

6.2 Currency of the financial statements

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

6.3 Exchange rates used in the financial statements

	2021 – January – September		2020 - January – September/ December 2020	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for balance sheet items	4.6329	3.9925	4.6148	3.7584
for profit or loss and cash flow items	4.5585	3.8179	4.4420	3.9337

6.4 Description of significant accounting principles

For the purpose of preparing the quarterly condensed financial statements, the same accounting principles have been used as in the last annual financial statements for 2020 published on 27 April 2021, and the semi-annual report for the first half of 2021 published on 28 September 2021.

6.5 Approval for publication

This quarterly report for the third quarter of 2021 ended 30 September 2021 was approved for publication by the Issuer's Management Board on 25 November 2021.

Signature of the Management Board:

Filip Granek
Prezes Zarządu

Jacek Olszański
Członek Zarządu