

# XTPL<sup>®</sup>

shaping global nanofuture



## QUARTERLY REPORT FOR Q1 2021

XTPL S.A.

Wrocław, 27 May 2021

## LETTER FROM THE MANAGEMENT BOARD

Ladies and Gentlemen,

We present to you our financial report for the first quarter of 2021. This was a very busy period for our operating activities. We have achieved further milestones in the Company's development, including by printing ultra-thin, high-density conductive lines, with very small gaps between them, as defined by the Client. A test was performed which confirmed conductivity of those printed structures with no undesired short circuit effect. Another success was the achievement of the expected high repeatability of printed conductive lines on an electrical layer of high-resolution OLED displays. This solution took XTPL significantly closer to commercialization in the segment of repairing manufacturing defects in new generation OLED displays.

At the beginning of the year, we carried out deployment and a series of trainings for a client, finalizing the first commercial order for our Delta Printing System demonstrator, which was installed in a clean-room laboratory at the Institute for Large Area Microelectronics of the University of Stuttgart (Germany).

In the open-defect repair segment, in the period in question we also overcame further technological barriers relating to the repair of displays made in micro-LED technology and the repair of defects in advanced integrated circuits. The technology developed by the Company can solve this problem and increase production efficiency by repairing local defects, which can significantly help popularize new products.

In addition, we completed another sale to a client from Europe, who bought our CL85 nanoink, dedicated to e.g. applications in the LIFT (Laser Induced Forward Transfer) technology, which uses a laser beam as the driving force to deposit the material on the substrate. In total, in the reporting period, we delivered three nanoink orders for clients from the United States and Europe.

In the area of nanoinks, having analyzed the market potential and information received from our clients, we decided to expand our product portfolio. Our offer has been enhanced with the IJ36 ink, intended for ink-jet printing technology. It is one of the most common printing methods in the R&D area of printed electronics, as it enables simple and fast prototyping at a relatively low cost and reduced waste.

An important step in the commercialization process was the acquisition of business partners: Bandi Consortia in South Korea and YI XIN Technology in China. By cooperating with these entities we can be more effective in reaching potential clients and promoting our technology and nanoinks. In consequence, this helps us accelerate the next stages of the industrial commercialization process.

In the last quarter of this year, we also strengthened our patent protection. We filed another patent application related to the method of fast printing of micrometric electrically conductive features on complex non-planar substrates. In addition, we started the preparation of further patent applications, which are to be submitted in the current quarter. At present, our patent cloud contains 22 applications and 1 patent granted.

Our efforts and commitment to technology development have been recognized by the market and the industry. As a result, in late 2020/ early 2021, at the International Display Workshop we received an award for the best paper presented at this industry conference. In addition, XTPL was put on the LUX Research list of the world's best innovative companies. LUX Research experts assessed companies in terms

of their technology, business strategy, leadership and market position. The received awards and distinctions are testament not only to the innovative nature of our solutions and products, but also to their effectiveness and the existing market demand. At the same time, they are another building block of the Company's value in the eyes of our current and future clients.

All the activities that we carried out in the first quarter of 2021 allowed us to achieve consolidated revenue of PLN 65 thousand from the sale of our products and services, compared to PLN 39 thousand reported in the same period last year. The consolidated net result was PLN -2,367 thousand, and EBITDA came in at PLN -2,283 thousand. In the first quarter of 2020, those figures were: PLN -3,450 thousand and PLN -3,527 thousand, respectively.

XTPL was very busy throughout the first quarter of this year. We took part in industry events (Innovations in Large-Area Electronics – INNOLAE2021; LOPEC) and conducted a technology webinar, which attracted a lot of interest from experts. The aim of these activities was to promote our technology and innovative nanoprinting solutions among potential customers. Due to the pandemic, these events are held online. After the end of the quarter, we took part in the VIRTUAL ZÜRS investor conference organized by Reiffeisen Bank International. During two days, we presented our development strategy and achievements to eight international institutions, including investment funds. Before the publication of this report, XTPL was also present at the Virtual German Spring Conference, where we met with 11 institutional investors and analysts.

At the same time, to ensure appropriate communication with our Investors and Shareholders, we decided to start cooperation with cc group sp. z o.o, a specialized advisor in this area. This entity has successfully advised many public companies and those planning their IPO on the Warsaw Stock Exchange. With their support, we intend to expand the market awareness of our business, thus building value for our Shareholders.

Finally, we would like to thank everyone who is committed to supporting the development of XTPL: our employees for their day-to-day hard work; Supervisory Board members for their constructive and fruitful cooperation; and our Shareholders, Bondholders and Investors for their trust, support and active interest in our operations. We remain open to dialogue with you, and invite you to join our regular online earnings calls.

In the meantime, enjoy reading this Report. We hope that the presented information will help you in making investment decisions relating to our Company. As always, if you have any questions or concerns, please feel free to contact us by email: [investors@xtpl.com](mailto:investors@xtpl.com)

Yours sincerely,  
Filip Granek, PhD, CEO  
Jacek Olszański, Management Board Member

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 31 March 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 first quarter of 2021 ("**Management Report**"), and the standalone and consolidated financial statements of XTPL S.A. and the Group, respectively.

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 27 May 2021.

The consolidated financial statements contained in the Report mean the condensed consolidated financial statements (including the Company and the Subsidiaries) for the quarter ended 31 March 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 quarter started 1 January 2021 and ended 31 March 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 – 31 March 2021 (PLN '000)	1 January – 31 March 2020 (PLN '000)	1 January – 31 March 2021 (EUR '000)	1 January – 31 March 2020 (EUR '000)
Net revenue from sales	689	932	151	212
Profit (loss) on sales	-33	-243	-7	-55
Profit (loss) before tax	-2,495	-3,168	-546	-721
Profit (loss) after tax	-2,495	-3,168	-546	-721
Depreciation/amortization	67	129	15	29
Net cash flows from operating activities	-823	-1,585	-180	-361
Net cash flows from investing activities	-975	-269	-213	-61
Net cash flows from financing activities	-2	50	-1	11
	31 March 2021 (PLN '000)	31 December 2020 (PLN '000)	31 March 2021 (EUR '000)	31 December 2020 (EUR '000)
Owner's equity	9,292	10,737	1,994	2,327
Short-term liabilities	1,491	1,097	320	238
Long-term liabilities	3,216	3,198	690	693
Cash and cash equivalents	8,498	10,298	1,823	2,232
Short-term receivables	1,018	735	218	159
Long-term receivables	33	33	7	7

	2021 – January – March		2020 – January – March/ December 2020	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for balance sheet items	4.6603	3.9676	4.6148	3.7584
for profit or loss and cash flow items	4.5721	3.1828	4.3963	3.9907

## 1.2 Selected consolidated figures

	1 January – 31 March 2021 (PLN '000)	1 January – 31 March 2020 (PLN '000)	1 January – 31 March 2021 (EUR '000)	1 January – 31 March 2020 (EUR '000)
Net revenue from sales	689	932	151	212
Profit (loss) on sales	-33	-243	-7	-55
Profit (loss) before tax	-2,250	-3,449	-492	-785
Profit (loss) after tax	-2,251	-3,450	-492	-785
Depreciation/amortization	67	129	15	29
Net cash flows from operating activities	-880	-1,862	-192	-424
Net cash flows from investing activities	-680	1	-149	1
Net cash flows from financing activities	-317	50	-69	11
	31 March 2021 (PLN '000)	31 December 2020 (PLN '000)	31 March 2021 (EUR '000)	31 December 2020 (EUR '000)
Owner's equity	9,014	10,386	1,934	2,251
Short-term liabilities	1,520	1,443	326	313
Long-term liabilities	3,216	3,198	690	693
Cash and cash equivalents	8,601	10,478	1,846	2,271
Short-term receivables	615	530	132	115
Long-term receivables	33	33	7	7

	2021 – January – March		2020 – January – March/ December 2020	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for balance sheet items	4.6603	3.9676	4.6148	3.7584
for profit or loss and cash flow items	4.5721	3.1828	4.3963	3.9907



# Management Report

## DEFINITIONS

**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

**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

**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 needed to melt them

**R&D** means Research and Development

**Resistance** means electrical resistance

**SEM** means scanning electron microscope

## 2 Management Report

### 2.1 Summary of activities related to the commercialization of the technology developed:

In the Reporting Period, the Company continued efforts towards new sales of its ultra-precise deposition (UPD) technology demonstrator – XTPL Delta Printing System – a device designed for laboratory use and rapid prototyping. The Company seeks to acquire new partners – scientific and research units and institutes – that can leverage the potential of the Company’s technology in their activities. In the period from January to March 2021, more than 50 talks were held with entities willing to purchase the device. In nearly 10 cases, test prints were made on clients’ substrates, in accordance with the design. The Company’s clients interested in the device include research centers, universities and institutes of technology, as well as representatives of companies from electronics, semiconductor and display sectors. As well as playing a commercial function, the provision of the technology demonstrator is one of the stages of the complex process aimed at selling XTPL technology licenses for industrial applications.

Advanced talks are currently underway with new potential clients interested in purchasing the XTPL Delta Printing System, including esteemed representatives of the scientific community who work on innovative use of the printed electronics technology, as well as R&D departments of the largest global companies from the display, semiconductor, medical, automotive, aerospace and defense industries.

Furthermore, in the Reporting Period the Company maintained its focus on the tasks related to the commercialization of UPD technology in industrial applications. Due to completion of a part of the evaluation tests to check the readiness of the Company’s technology for use in repairing open defects in OLED displays, talks are being held with several independent industry players concerning industrial implementation of the Issuer’s technology.

In addition, talks were held with industrial entities concerning the use of the UPD technology in the area of repair of displays made in micro-LED technology and the repair of defects in advanced integrated circuits. For both described applications, one of the biggest challenges to further commercialization and to reduction of the unit price of the end product is low production efficiency due to emerging defects, and the lack of a technology solution to deal with those defects. The technology presented by the Company can solve this problem and help increase production efficiency by repairing local defects, thus helping in the popularization of new products (micro-LED displays and more efficient integrated circuits).

With regard to the nanoinks produced and offered by the Company, the Issuer continuously responded to incoming requests for proposals, including from the scientific and industrial communities working on development of new types of electronic devices with the use of additive technologies. In the reporting period, the Company’s team prepared 9 sales offers and completed 3 orders for clients from Europe and the United States. Work is currently under way to extend the inks on offer to include new products adapted to other printing technologies, and other products based on metals other than silver. In this area, the Company’s team works on development of nanoink formulations with the use of copper nanoparticles.

Copper-based inks are used in the manufacture of, inter alia, printed circuit boards, RFID radio-frequency identification) antennas, LED displays, and photovoltaic modules, and are a cheaper alternative to silver inks.

## 2.2 Intellectual and industrial property

In the period from January to March 2021, the Company filed one new patent application with the United States Patent and Trademark Office, covering further layers of intellectual property protection in the area of printing on non-planar substrates (e.g. steps of several hundred  $\mu\text{m}$  or other complex topographies).

After the Balance Sheet Date, in the period from April to May 2021, the Company filed another patent application.

As at the Report Date, the Company has:

- one patent approved, covering the territory of China, South Korea, Germany and the USA;
- trademarks registered with the Patent Office of the Republic of Poland and the European Union Intellectual Property Office, as well as in China.
- 22 patent applications in total.

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. According to ESPI Current Report No. [45/2020](#) of 23 November 2020, the Management Board expected that by submitting the applications in the model described above, by the end of 2022 the number of all the Company's applications to date would be 26. As at the date of publication of this Report, the Company's Management Board does not see any risk to achieving this target.

## 2.3 Achievements and progress in research and development

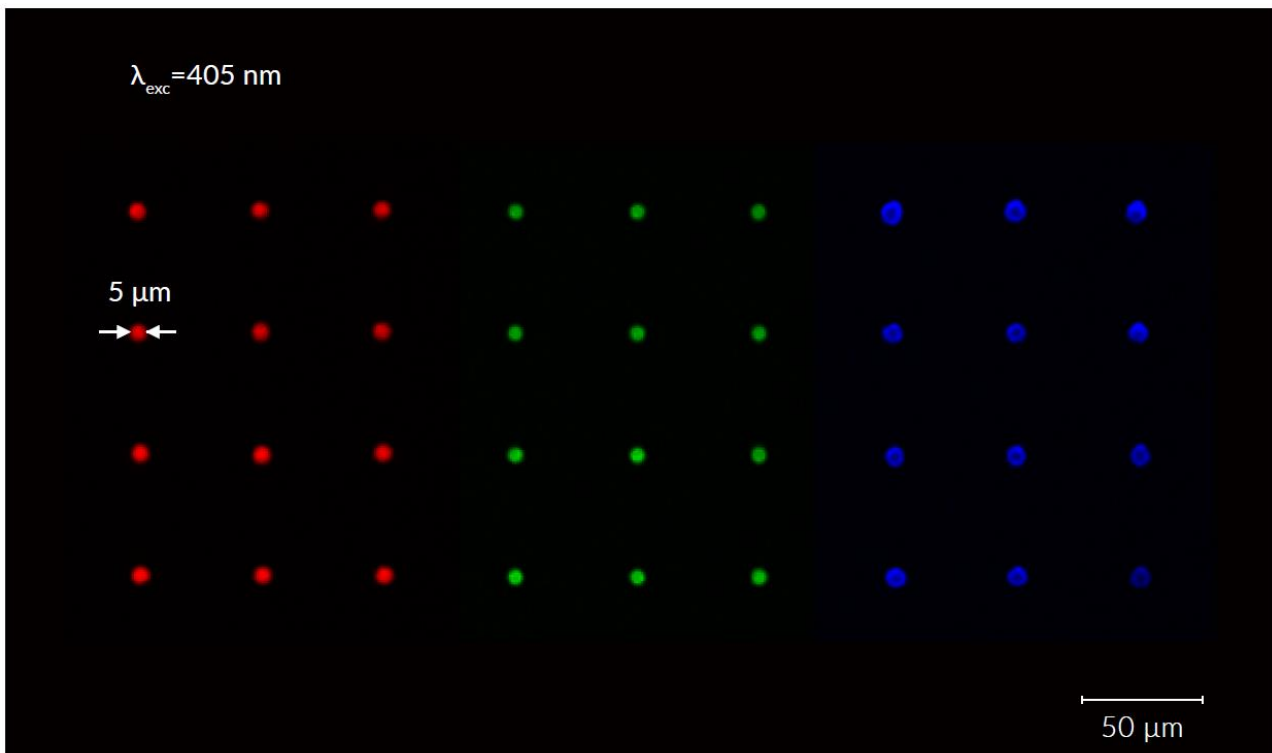
During the Reporting Period, the Company's R&D department worked on further development of the printing technology using highly concentrated conductive ink based on silver nanoparticles.

Currently, the Company's research 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.

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.

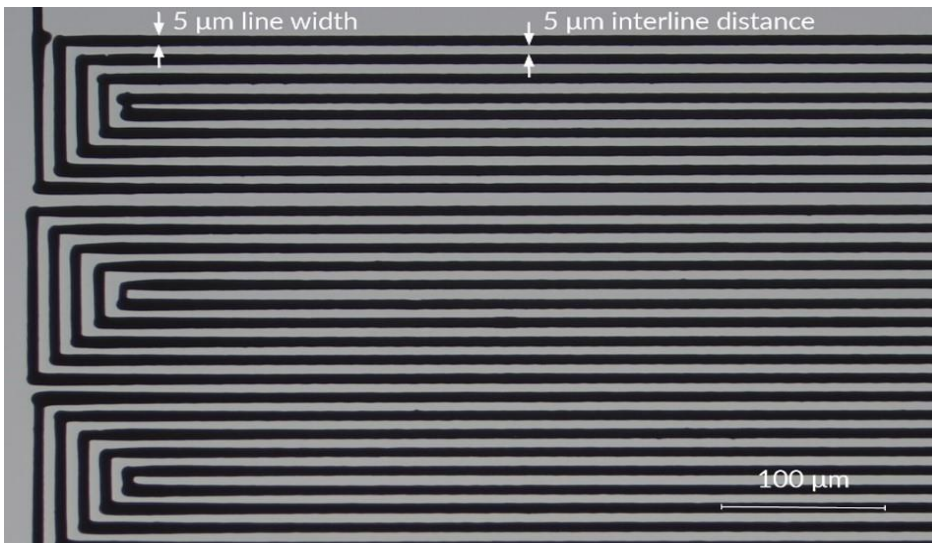
During the reporting period, together with industrial partners, the Company successfully delivered structures printed with the client-proposed material. This means transition from the Proof of Concept stage to the negotiation stage. It also confirms versatility of the Company's technological solution. One example of a successful first evaluation step is the printing using quantum dot ink supplied by an industrial partner. This technique can be used in the industry of high-resolution QD LED displays.



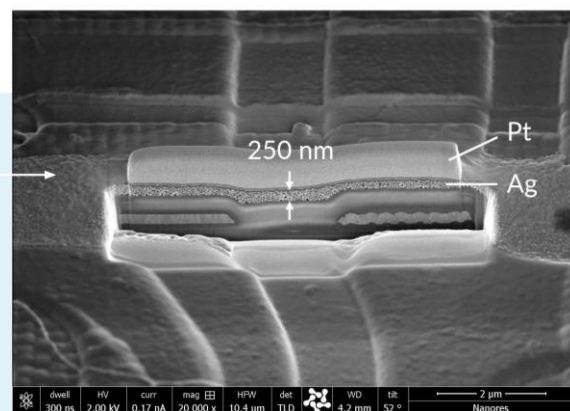
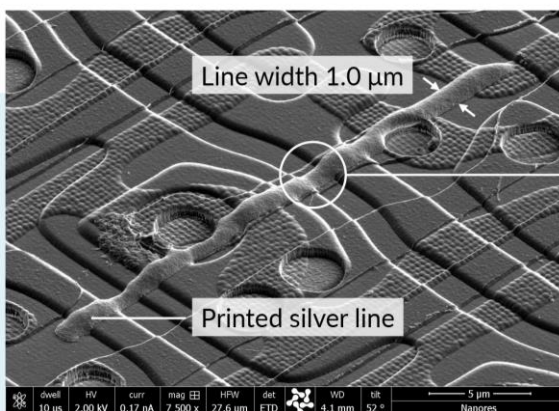
## 2.4 Other events related to the Issuer's technology

### 2.4.1 Achieving further milestones in technology development

XTPL attaches great value to the development of its proprietary UPD technology. Q1 2021 saw a number of critical milestones. 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  $\mu\text{m}$  wide conductive lines with a 5  $\mu\text{m}$  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 lines 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  $\mu\text{m}$  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.



#### 2.4.2 Presentation of the XTPL technology at international industry events

The global situation related to the coronavirus pandemic has affected not only the Company's internal work system, but also the activities outside the organization. The Company attaches great importance to building awareness of the XTPL's precision printing technology and the technology's capabilities among experts in the microelectronics, displays, semiconductors and printed electronics industries.

Industry events are an excellent opportunity to showcase the unique XTPL technology to leading representatives of industry and science from around the globe, and a chance to build personal relations that are of utmost importance in certain business cultures.

Accordingly, during the first months of 2021, the Company again organized a webinar on the XTPL technology. The event took place on 16–17 February for different time zones. During the meeting, Filip Granek, the CEO of XTPL, gave a presentation entitled "Rapid prototyping in microelectronic applications", in which he outlined the approach to prototyping microelectronic devices and components.

On 24 February 2021, Aneta Wiatrowska, PhD, XTPL Technology Director, represented the Company during the event innoLAE 2021 Innovations in Large-Area Electronics. The conference agenda included the most innovative aspects of large-area electronics. As part of the "Manufacturing" session, Aneta Wiatrowska presented a paper entitled "High-resolution Printing of Micrometric Conductive Features for LAE".

On 22 March 2021, the LOPEC conference was held. LOPEC is the world's leading communication platform for research and solutions in the printed electronics industry. The Company was represented by Piotr Kowalczewski, PhD – Head of the XTPL Numerical Simulation Laboratory.

Another event in which XTPL took part in 2021 was the Internano Poland conference – an international forum of scientists, entrepreneurs, organizations that support business and students working in the sector of nanotechnology and technologically advanced materials. The Company was represented by Piotr Kowalczewski, PhD, who presented the Issuer's latest technological results.

The conferences in which the Company participated are key industry events related to printed electronics, nanotechnology and modern microelectronic devices (OLEDs and micro-LED displays, solar cells and sensors).

On 29 April 2021, the Ceramic Interconnect and Ceramic Microsystems Technologies (CICMT) conference took place. The Company was represented by Łukasz Kosior, XTPL Senior Business Development Specialist, who gave a presentation entitled "Ultra-precise printing of micrometric conductive structures for use in the integration and merging of MEMS circuits".

On the same day, XTPL took part in one more event: the Smart Systems Integration conference. During the conference, Aneta Wiatrowska, PhD, made a presentation "Ultra-precise printing of micrometric conductive features for integrating intelligent systems".

Another event with the Company's participation was the "rinted, Flexible, Hybrid, & InMold Electronics" conference held on 11–12 May 2021 via the TechBlick platform. The Company was represented by Filip Granek, who outlined XTPL's latest technological achievements.

On 17–21 May 2021, the Display Week was held. The Company took part in both the conference and exhibition part of the event. XTPL designed a virtual stand complete with information about the Company and technological results. The virtual stand allowed the Company to make contact with giants from the deep-tech sector. In addition, during the conference part, Aneta Wiatrowska gave a presentation on "Ultra-precise printing of conductive micrometric connections for high-resolution micro-LED displays".

In Q2 2021, the Company will take part in the International Conference on Display Technology, an event scheduled for 30 May–2 June. The Company will be represented by Filip Granek.

At the same time, the Company keeps track of industry events and scientific conferences planned for the coming quarters, in which it could actively present its technology and products.

#### **2.4.3 XTPL nanoink reordered by the same customer**

In reference to Current Reports nos. 9/2020, 10/2020 and 11/2020, on 24 February 2021, the Management Board of XTPL S.A. advised that the Issuer had received another order for the purchase of CL85 nanoink based on silver nanoparticles – which is used e.g. for applications in the LIFT (Laser Induced Forward Transfer) technology – from a Western European research center conducting research in the nanotechnology sector.

In the opinion of the Company's Management Board, the fact that the buyer made another order for the nanoink is a confirmation that the product is of high quality and meets the customer's requirements. The key value of the order is that it confirms the commercialization potential of the Company's proprietary technologies. Acceptance of the product by market buyers, the possibility of obtaining credentials, and further development of nanoink sales will have a positive influence on the Issuer's operations, cash flows and future financial performance.

#### **2.4.4 Nano-ink synthesis**

In Q1 2021, the Company delivered nanoink for use in LIFT and Ink Jet devices.

In the period from 1 January 2021 to 31 March 2021, XTPL S.A. achieved revenue of PLN 11 thousand.

#### **2.4.1 Revenue from printer lease**



In the first quarter of 2021, the Company achieved revenue of PLN 54 thousand from leasing its XTPL Delta Printing System printer under an agreement with the University of Stuttgart, Institute for Large Area Microelectronics.

## 2.5 Other events

### 2.5.1 Agreement with Bandi Consortia

On 25 March 2021, XTPL S.A. established cooperation with Bandi Consortia to support the commercialization of XTPL technology on the Korean market. The Korean partner will officially represent XTPL and strengthen the introduction of the XTPL technology offering into the FPD (flat panel display) and semiconductor industry on the local market.

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

It has been more than a year since the coronavirus outbreak began. At that time, XTPL employees had to come to terms with the new reality, while maintaining work continuity. 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. The previously implemented teamwork tools are also used to ensure work efficiency during these unprecedented circumstances. Technological work is continued at the Company's headquarters while maintaining all sanitary requirements announced by state institutions. 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.

An outbreak of COVID-19 among XTPL employees remains the most serious risk. In this 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. Therefore, the Company's Management Board introduced a number of safety procedures. For example, it identified employees whose presence at the Company's headquarters is necessary for the performance of laboratory tasks, while the rest were assigned to work from home. Technology workers were divided into two teams with full capacity to perform complex laboratory tasks, and a shift work system was introduced for teams. Furthermore, the Company's Management Board introduced a virus testing procedure for each employee returning from business or leisure travel. Until the result is obtained, each tested employee must work from home.

These procedures are applied depending on the current number of infection cases in Poland. The procedures will be disappled once all the Company's employees are vaccinated.

Currently, the percentage of the Company's employees who are undergoing the vaccination process (including: people registered for vaccination, those who have taken the first dose or the second dose) is growing fast.

## 2.6 Events occurring after the balance sheet date

### 2.6.1 Agreement with Yi Xin Technology Co. Limited

On 15 April 2021 (ESPI Current Report No. 4/2021), XTPL S.A. announced the conclusion of an agreement with Yi Xin Technology Co. Limited on distribution of the Issuer's technological solutions in China. Under the Agreement, Yi Xin will be the distributor of XTPL's technological solutions on the Chinese market. Yi Xin will be also responsible for formal aspects relating to the introduction of XTPL products to the local market, including obtaining the necessary security certificates and attestations required in commercial transactions. The agreement was signed for 12 months, and depending on its outcomes, the parties might decide to extend their cooperation. Other terms of the agreement are in line with market standards. Established in 2011, Yi Xin specializes in additive technologies and the search for innovative solutions dedicated to the printed electronics segment. It cooperates with major Chinese research institutes and industrial manufacturers from the display, touch panel and semiconductor sectors. China is one of the largest potential markets for the Issuer's technology and, in the opinion of the Company's Management Board, the distribution agreement will facilitate commercialization of the XTPL technology in that territory.

### 2.6.2 Investor events

In connection with the publication of the 2020 Annual Report on 27 April 2021, two earnings calls were held with the Management Board of XTPL S.A. The first meeting took place on 28 April 2021, and was in Polish. The second meeting was held on 29 April 2021 in English. During both calls, the Company's Management Board presented and discussed the financial results and the key events and achievements of the previous year.

Investor conferences in 2021

Event	Date	Idea
VIRTUAL ZÜRS	12-14.04.2021	A conference organized by Raiffeisen Bank International, during which XTPL representatives held a series of meetings with institutional investors.

Equity Forum Spring Conference	17-19.05.2021	One of the largest capital market conferences in Germany, which is an opportunity to engage in dialogue on market developments, innovations and future trends. The event focuses on presentations by companies showcasing their activities, achievements and business strategies. During the three days of the conference, the XTPL Management Board met with investors, analysts and journalists.
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### 2.6.3 Information on grant recommendation

On 9 April 2021, the Issuer received information about the proposed co-financing under the 6/1.1.1/2020 – “Fast Track” competition of the National Centre for Research and Development (“NCBR”) for the Issuer’s project “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”. The project relates to development and implementation of a new technology for precise printing of ultra-thin conductive structures on 3D substrates for applications in printed electronics.

- Total Project value: PLN 11,615,569.56;
- Recommended co-financing value: PLN 7,695,844.09;
- Implementation period: 01.10.2020 – 30.09.2023.

### 2.7 Factors which may affect the results in the subsequent quarters

In connection with the continued sales of conductive nanoinks, and the XTPL Delta Printing System printers, the Company expects to receive further orders from new clients. The results of using nanoink in other deposition methods may contribute to increasing interest in the product among other users of similar devices. Gradual delivery of further orders for the “XTPL Delta Printing System” printer will contribute to the popularization of the XTPL’s proprietary solution among specialists in the printed electronics industry. The related revenues will be additionally boosted by the sale of consumables for printers.

In the following quarters, the ongoing work and talks with representatives of sectors such as displays, semiconductors and PCBs, ultimately resulting in the signing of license and partnership agreements (e.g. joint venture) for the development and commercialization of the UPD technology for use on production lines.

### 2.8 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 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  $\mu\text{m}$ . For comparison, most of the methods of printing electronic materials available on the market with difficulty reach the value of 20  $\mu\text{m}$ , and only single manufacturers declare that they achieve values around 10  $\mu\text{m}$ . 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.

#### **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.

## 2.9 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.

In this area, the Company is conducting active talks (at various levels of advancement) with market leaders. XTPL has reached further levels of advancement in relations with entities from this market:

- Manufacturer of production machines for one of the leaders in the Korean display market – the Company is in talks on integrating a printing module into production machines for the purpose of repairing open defects in screens with a very high pixel density. In December 2020, the Company completed the first stage of technology evaluation on client-provided samples with a very good result. Now talks are underway to discuss details of the cooperation going forward.

- Hefei BOE Joint Technology Co. Ltd. – XTPL continues its cooperation with BOE after completing preliminary experiments to evaluate XTPL’ UPD technology for the next generation of displays. Currently, talks are underway to agree details for cooperation going forward and the potential use of the Company's technological solution in the process of manufacturing BOE products.

## 2.10 Target markets

XTPL intends 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.

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.

## 2.11 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 Commercial Division of the KRS
Share capital:	PLN 202,922.20, paid up in full.
Phone number:	+48 71 707 22 04
Website:	<a href="http://www.xtpl.com">www.xtpl.com</a>
Email:	<a href="mailto:investors@xtpl.com">investors@xtpl.com</a>

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. This Report has been prepared for the first quarter of 2021, i.e. for the period from 1 January to 31 March 2021

### 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:

Name
Wiesław Rozłucki, PhD – Chairman of the Audit Committee – independent Audit Committee Member
Piotr Lembas – independent Audit Committee Member
Professor Herbert Wirth – independent Audit Committee Member
Andrzej Domański – independent Audit Committee Member.

As at 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.

## 2.12 XTPL Group

### 2.12.1 Group structure

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

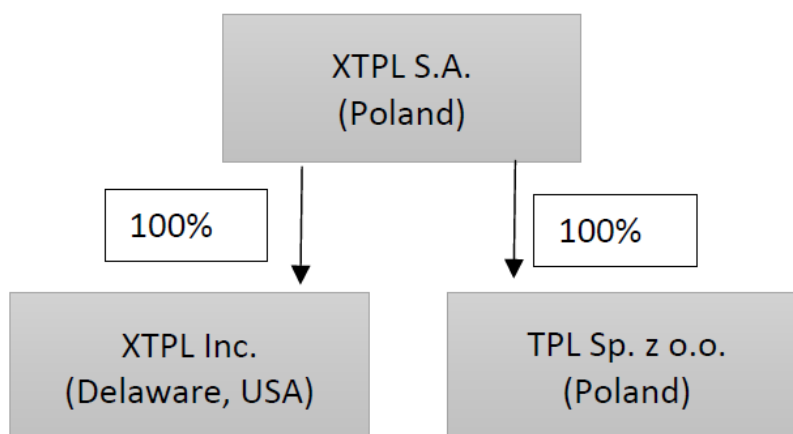
On 31 January 2019, XTPL S.A. acquired all shares in XTPL Inc., a newly formed entity based in the state of Delaware, United States. The share capital of XTPL Inc. is USD 5,000. XTPL S.A. acquired 100% of the stock at the nominal price. XTPL INC. is consolidated using the line-by-line method.

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.

The Company has no plants or branches.

Structure of XTPL Group as at the Report Date:



### 2.12.2 Branches

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

### **2.12.3 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.

### **2.12.4 Proceedings before courts and other bodies**

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

### **2.12.5 Guarantees given**

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

### **2.12.6 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 1,050 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,050 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 1,050 thousand and was fully taken to the profit or loss of the current period. Recognition of the scheme's costs of PLN 1,050 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	WITH THE INCENTIVE SCHEME
	PLN`000	PLN`000
<b>Continued operations</b>		
<b>Sales</b>	<b>689</b>	<b>689</b>
Revenue from research and development services		
Revenue from the sale of products	65	65
Revenue from grants	624	624
<b>Cost of sales</b>	<b>482</b>	<b>722</b>
Research and development expenses	482	722
Cost of finished goods sold		
<b>Gross profit (loss)</b>	<b>207</b>	<b>-33</b>
General and administrative expenses	1,430	2,240
Other operating income		
Other operating costs	77	77
<b>Operating profit (loss)</b>	<b>-1,223</b>	<b>-2,273</b>
Financial revenues	140	140
Financial expenses	40	40
<b>Profit/ loss before tax</b>	<b>-1,123</b>	<b>-2,173</b>
Income tax		
<b>Net profit (loss) on continued operations</b>	<b>-1,123</b>	<b>-2,173</b>

#### 2.12.7 Achievement of financial forecasts

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

#### 2.12.8 Explanation of seasonality or business cycles

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

#### 2.12.9 Acquisition of own shares

Not applicable. None in the Reporting Period.

#### **2.12.10 Other information**

Employment as at the Balance Sheet Date – 27 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, PhD	316,998	15.62%	316,998	15.62%
2.	Sebastian Młodziński	233,657	11.51%	233,657	11.51%
3.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	195,663	9.64%	195,663	9.64%
4.	Heidelberger Beteiligungsholding AG**	190,571	9.39%	190,571	9.39%
5.	Pankiewicz Venture Sp. k.	161,172	7.94%	161,172	7.94%
6.	Funds managed by Rockbridge TFI S.A.	137,343	6.77%	137,343	6.77%
7.	TPL Sp. z o.o.*	80,461	3.97%	80,461	3.97%
8.	Deutsche Balaton AG**	48,006	2.37%	48,006	2.37%
9.	Others	665,351	32.79%	665,351	32.79%
	<b>TOTAL</b>	<b>2,029,222</b>	<b>100.00%</b>	<b>2,029,222</b>	<b>100.00%</b>

\* TPL Sp. z o.o. holds series L and series P shares issued for the purpose of an employee share scheme. The sole shareholder of TPL sp. z o.o. is the Issuer.

\*\* Entities from the same corporate group, jointly hold 238,577 shares of XTPL S.A. constituting 11.76% of the share capital of XTPL S.A.

Since 27 April 2021 (publication date of the annual report for 2020) there have been no changes relating to significant shareholdings.

### 3.2. Shares held by members of management and supervisory bodies

Ref.	Name	Role	Shares held as at 31 March 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 27 April 2021 (publication date of the annual report for 2020) there have been no changes relating to significant shareholdings by Management Board or Supervisory Board members.



# Condensed standalone financial statements

## 4 Condensed standalone financial statements

### 4.1 Condensed standalone statement of financial position

ASSETS	PLN'000	NOTE	31.03.2021	31.12.2020
<b>Non-current assets</b>		<b>5</b>	<b>4,503</b>	<b>3,891</b>
Property, plant and equipment		2, 3, 5	1,492	988
Intangible assets		1, 5	2,978	2,870
Long-term receivables		6	33	33
<b>Current assets</b>			<b>10,009</b>	<b>11,141</b>
Inventories		7	383	90
Trade receivables			7	4
Other receivables			1,011	731
Cash and cash equivalents			8,498	10,298
Other assets			110	18
<b>Total assets</b>			<b>14,512</b>	<b>15,032</b>

LIABILITIES	PLN'000	NOTE	31.03.2021	31.12.2020
<b>Total equity</b>			<b>9,292</b>	<b>10,737</b>
Share capital			203	203
Supplementary capital			16,311	16,311
Reserve capital			3,827	2,777
Retained profit (loss carried forward)			-8,554	-372
Profit (loss) after tax			-2,495	-8,182
<b>Non-current liabilities</b>			<b>3,216</b>	<b>3,198</b>
Long-term financial liabilities			3,216	3,198
<b>Short term liabilities</b>			<b>1,491</b>	<b>1,097</b>
Trade liabilities			597	1,018
Short-term financial liabilities			-	1
Other liabilities			894	881
<b>Accruals</b>			<b>513</b>	<b>-</b>
Deferred income			161	-
Advances for grants			352	-
<b>Total equity and liabilities</b>			<b>14,512</b>	<b>15,032</b>

## 4.2 Condensed standalone statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	PLN'000	NOTE	1.01.2021 31.03.2021	- 1.01.2020 31.03.2020
<b>Continued operations</b>				
<b>Sales</b>		12	<b>689</b>	<b>932</b>
Revenue from the sale of services		26	-	20
Revenue from the sale of products		26	65	19
Revenue from grants		13	624	893
<b>Cost of sales</b>			<b>722</b>	<b>1,175</b>
Research and development expenses		14	722	1,175
Cost of finished goods sold			-	-
<b>Gross profit (loss)</b>			<b>-33</b>	<b>-243</b>
General and administrative expenses		14	2,337	3,193
Other operating income			-	-
Other operating costs			-	2
<b>Operating profit (loss)</b>			<b>-2,370</b>	<b>-3,438</b>
Financial revenues			210	270
Financial expenses			335	-
<b>Profit/ loss before tax</b>			<b>-2,495</b>	<b>-3,168</b>
Income tax			-	-
<b>Net profit (loss) on continued operations</b>			<b>-2,495</b>	<b>-3,168</b>
<b>Discontinued operations</b>			-	-
Net profit (loss) on discontinued operations			-	-
<b>Net profit (loss) on continued and discontinued operations</b>			<b>-2,495</b>	<b>-3,168</b>
<b>Other comprehensive income</b>			-	-
<b>Total comprehensive income</b>			<b>-2,495</b>	<b>-3,168</b>
<b>Net profit (loss) per share (in PLN)</b>				
<b>On continued operations</b>				
Ordinary			-1.23	-1.66
Diluted			-1.20	-1.66
<b>On continued and discontinued operations</b>				
Ordinary			-1.23	-1.66
Diluted			-1.20	-1.66
number of shares to calculate ordinary profit (loss) per share			2,029,222	1,904,222
number of shares to calculate diluted profit (loss) per share *			2,077,870	1,904,222

\* number of shares reflecting the conversion of convertible bonds into shares

#### 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
<b>As at 1 January 2021</b>	<b>203</b>	<b>16,311</b>	<b>2,777</b>	<b>-8,554</b>	<b>10,737</b>
<b>Comprehensive income:</b>	-	-	-	<b>-2,495</b>	<b>-2,495</b>
Profit (loss) after tax	-	-	-	-2,495	-2,495
<b>Transactions with owners:</b>	-	-	<b>1,050</b>	-	<b>1,050</b>
Incentive scheme	-	-	1,050	-	1,050
<b>As at 31 March 2021</b>	<b>203</b>	<b>16,311</b>	<b>3,827</b>	<b>-11,049</b>	<b>9,292</b>
<b>As at 1 January 2020</b>	<b>190</b>	<b>18,726</b>	<b>13,026</b>	<b>-25,050</b>	<b>6,892</b>
<b>Comprehensive income:</b>	-	-	-	<b>-3,168</b>	<b>-3,168</b>
Profit (loss) after tax	-	-	-	-3,168	-3,168
<b>Transactions with owners:</b>	-	-	<b>1,974</b>	-	<b>1,974</b>
Incentive scheme	-	-	1,974	-	1,974
<b>As at 31 March 2020</b>	<b>190</b>	<b>18,726</b>	<b>15,000</b>	<b>-28,218</b>	<b>5,698</b>

#### 4.4 Condensed standalone statement of cash flows

STATEMENT OF CASH FLOWS PLN'000	1.01.2021 31.03.2021	1.01.2020 31.03.2020
<b>Cash flows from operating activities</b>		
<b>Profit (loss) before tax</b>	<b>-2,495</b>	<b>-3,168</b>
<b>Total adjustments:</b>	<b>1,672</b>	<b>1,583</b>
Depreciation/amortization	67	129
FX gains (losses)	-138	-201
Interest and profit distributions (dividends)	-50	-71
Profit (loss) on investing activities	294	-
Change in the balance of provisions	66	74
Change in the balance of inventories	-293	-
Change in the balance of receivables	-74	-208
Change in short-term liabilities, except bank and other loans	327	-98
Change in prepayments/accruals	423	-16
Income tax paid	-	-

Other adjustments	1,050	1,974
<b>Total cash flows from operating activities</b>	<b>-823</b>	<b>-1,585</b>
<b>Cash flows from investing activities</b>		
<b>Inflows</b>	-	4
Disposal of tangible and intangible assets	-	-
Repayment of long-term loans	-	-
Interest on financial assets	-	4
<b>Outflows</b>	<b>975</b>	<b>273</b>
Acquisition of tangible and intangible fixed assets	680	3
Acquisition of financial assets	295	270
Long-term loans granted	-	-
Other investment outflows	-	-
<b>Total cash flows from investing activities</b>	<b>-975</b>	<b>-269</b>
<b>Cash flows from financing activities</b>		
<b>Inflows</b>	-	50
Contributions to capital	-	-
Bank and other loans	-	50
Issue of bonds	-	-
<b>Outflows</b>	<b>2</b>	-
Acquisition of own shares	-	-
Payment of dividend	-	-
Repayment of bank and other loans	-	-
Lease payments	-	-
Interest	2	-
<b>Total cash flows from financing activities</b>	<b>-2</b>	<b>50</b>
<b>Total cash flows from investing activities</b>	<b>-1,800</b>	<b>-1,804</b>
<b>Change in cash and cash equivalents:</b>	<b>-1,800</b>	<b>-1,804</b>
– change in cash due to FX differences	-	-
<b>Cash and cash equivalents at the beginning of the period</b>	<b>10,298</b>	<b>4,154</b>
<b>Cash and cash equivalents at the end of the period, including:</b>	<b>8,497</b>	<b>2,350</b>
– restricted cash	-	-

## 4.5 Notes

### Note 1 Intangible assets

OTHER INTANGIBLE ASSETS	PLN'000	31.03.2021	31.12.2020
Acquired concessions, patents, licenses and similar rights		27	8
Intellectual property rights		-	-
In-process development expenditure		2,951	2,862
<b>Total (net)</b>		<b>2,978</b>	<b>2,870</b>
<b>Previous write-off</b>		<b>1,167</b>	<b>1,163</b>

**Total (gross)**

**4,145**

**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 31 March 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 TANGIBLE ASSETS	ACQUISITIONS OF PLN '000	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020
XTPL printers		-	92
Computer sets		11	18
Server with software		-	-
Pressure control system and other		15	-
Anti-vibration system and laminar chamber		-	-
Office equipment		-	-
<b>Total significant acquisitions</b>		<b>26</b>	<b>110</b>

## 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., 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 the loan value, including interest, i.e. PLN 294 thousand.

#### Note 6. Long-term receivables

Long-term receivables	PLN'000	31 March 2021	31 December 2020
Loans granted		-	-
Security deposits		33	33
Shares		-	-
<b>Total long-term receivables</b>		<b>33</b>	<b>33</b>

#### 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
<b>Balance at the beginning of the period</b>		<b>318</b>	<b>302</b>
increased/ created		69	749
utilization		-	63
release		2	670
<b>Balance at the end of the period</b>		<b>385</b>	<b>318</b>

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	
		31 March 2021	31 December	31 March 2021	31 December

		2020		2020	
<b>Financial assets</b>					
Loans granted	WwgZK	-	205	-	205
Trade receivables	WwgZK	7	4	7	4
Other receivables	WwgZK	598	527	598	527
Cash and cash equivalents	WwWGpWF	8,498	10,298	8,498	10,298
<b>Total</b>		<b>9,103</b>	<b>11,034</b>	<b>9,103</b>	<b>11,034</b>
<b>Financial liabilities</b>					
Interest bearing bank and other loans	PZFwgZK	-	-	-	-
Finance lease liabilities	PZFwgZK	-	-	-	-
Bond liabilities	PZFwgZK	3,216	3,198	3,216	3,198
Trade liabilities	PZFwgZK	597	373	597	373
Other liabilities	PZFwgZK	894	724	894	724
<b>Total</b>		<b>4,707</b>	<b>4,295</b>	<b>4,707</b>	<b>4,295</b>

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 31 March 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

	01.01.2021	01.01.2020
	PLN'000	
	-	-
	31.03.2021	31.03.2020
PBT presented in the statement of comprehensive income	-2,495	-3,168
PBT presented in the statement of cash flows	-2,495	-3,168



	01.01.2021	01.01.2020
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	-	-
	31.03.2021	31.03.2020
Realized interest on financing activities	2	-4
Realized interest on investing activities	0	0
Unrealized interest on financing activities	-70	-67
Unrealized interest on investing activities	18	0
<b>Total interest and dividends:</b>	<b>-50</b>	<b>-71</b>
	01.01.2021	01.01.2020
CHANGE IN THE BALANCE OF RECEIVABLES	-	-
	31.03.2021	31.03.2020
Change in the balance of trade receivables	-3	-35
Other receivables	-71	-173
<b>Total change in the balance of receivables</b>	<b>-74</b>	<b>-208</b>
	01.01.2021	01.01.2020
CHANGE IN THE BALANCE OF LIABILITIES	-	-
	31.03.2021	31.03.2020
Change in the balance of trade liabilities	224	-99
Other liabilities	103	1
<b>Total change in the balance of liabilities:</b>	<b>327</b>	<b>-98</b>
	01.01.2021	01.01.2020
Cash and cash equivalents at the end of the period	-	-
	31.03.2021	31.03.2020
Statement of cash flows	8,497	2,350
Statement of financial position	8,498	2,349

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 1,050 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 - 31.03.2021	01.01.2020 - 31.03.2020
Revenue from research and development services		-	20
Revenue from the sale of products		65	19
Revenue from grants		624	893
<b>Total net revenue from sales</b>		<b>689</b>	<b>932</b>

### Note 13. Grants

Inflows from grants	PLN'000	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
– to operations		624	893
– to assets		-	-
<b>Total inflows from grants</b>		<b>624</b>	<b>893</b>

The note presents proceeds from the reimbursement of costs incurred. In addition, the Company recorded proceeds from advance payments of PLN 352 thousand in respect of the implemented grant project. The proceeds were recognized under accruals.

### Note 14. Operating costs

OPERATING COSTS	PLN '000	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Depreciation/ amortization, including		156	143
– depreciation of tangible assets		76	84
– amortization of intangible assets		4	58
Use of raw materials and consumables		174	128
External services		1,005	736
Cost of employee benefits		1,780	3,274
Taxes and charges		11	15
Other costs by type		22	86
Value of goods and materials sold		0	0
<b>Total costs by type, including:</b>		<b>3,148</b>	<b>4,382</b>
Items reported as research and development costs		722	1,175
Items reported as cost of finished goods sold			
Items reported as general and administrative expenses		2,337	3,193
Change in finished goods			
Cost of producing services for internal needs of the entity		89	14

Recognition of costs related to the valuation of the incentive scheme in the total amount of PLN 1,050 thousand (PLN 240 thousand recognized in the cost of research & development, and PLN 810 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 - 31.03.2021	PLN'000	to	to	to key	to other
		associates	joint ventures	management personnel*	related entities **
Purchase of services		-	-	-	180
Loans granted		296	-	-	-
Financial expenses – interest on loans		69	-	-	-

01.01.2020 - 31.03.2020	PLN'000	to	to	to key	to other
		associates	joint ventures	management personnel*	related entities **
Purchase of services		-	-	-	2
Loans granted		269	-	-	-
Financial expenses – interest on loans		63	-	-	4

\* 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

	31.03.2021	31.03.2020	01.01.2021 - 31.03.2021
<b>In respect of:</b>			
Interest on loans and deposits	10	67	-57
<b>Total deferred tax liability</b>	<b>10</b>	<b>67</b>	<b>-57</b>
Set-off with deferred tax assets	-10	-67	57
<b>Net deferred tax liability</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Statement of financial position as at		Impact on the statement of comprehensive income
	31.03.2021	31.03.2020	01.01.2021 - 31.03.2021
Deferred income tax assets due to negative temporary differences			
<b>Due to differences between the tax value and the carrying amount:</b>			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	-	-	-
Accruals for unused annual leaves	11	60	49
Provision for the cost external services	-	7	7
<b>Total deferred tax assets</b>	<b>11</b>	<b>67</b>	<b>56</b>
Set-off with a deferred tax liability	11	67	56
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 March 2021, 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 March 2021.

## 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 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 976 thousand. It is caused by the payment of further tranches of grants totalling PLN 624 thousand, and advances towards grants of PLN 352 thousand. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in 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	31.03.2021	31.12.2020
	PLN'000	PLN'000
Promissory notes	9,363	8,387
<b>Total contingent liabilities</b>	<b>9,363</b>	<b>8,387</b>

**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 1,050 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,050 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 -
	31.03.2021	31.03.2020
	PLN'000	PLN'000
Nanoinks	11	19
Research and development services	-	20
Printers	54	-

TOTAL	65	39
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**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 first 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 31 March 2021 was approved for publication by the Company's Management Board on 27 May 2021.

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

**Information on grant recommendation**

On 9 April 2021, the Issuer received information about the proposed co-financing under the 6/1.1.1/2020 – "Fast Track" competition of the National Centre for Research and Development ("NCBR") for the Issuer's project "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". The project relates to development and implementation of a new technology for precise printing of ultra-thin conductive structures on 3D substrates for applications in printed electronics.

- Total Project value: PLN 11,615,569.56;
- Recommended co-financing value: PLN 7,695,844.09;
- Implementation period: 01.10.2020 – 30.09.2023.

### **Signing a distribution agreement**

On 15 April 2021, an agreement was signed between the Issuer and Yi Xin Technology Co. Limited. Under the agreement, Yi Xin will be the distributor of XTPL's technological solutions on the Chinese market. Yi Xin will be also responsible for formal aspects relating to the introduction of XTPL products to the local market, including obtaining the necessary security certificates and attestations required in commercial transactions. The Agreement was signed for 12 months, and depending on its outcomes, the parties might decide to extend their cooperation. The other provisions of the Agreement are in line with market standards.

Established in 2011, Yi Xin specializes in additive technologies and the search for innovative solutions dedicated to the printed electronics segment. It cooperates with major Chinese research institutes and industrial manufacturers from the display, touch panel and semiconductor sectors.

China is one of the largest potential markets for the Issuer's technology and, in the opinion of the Company's Management Board, the distribution agreement will facilitate commercialization of the XTPL technology in that territory.

### **New patent application**

On 18 May 2021, the Issuer submitted a patent application with the United States Patent and Trademark Office relating to the Issuer-developed method of checking geometric parameters of a cartridge.

The cartridge is a key component of XTPL printing system. It is also a nano-ink reservoir and a piece that feeds ink into the printing nozzle. When printing micrometric features using the method developed by XTPL, high precision is required in the process of manufacturing individual printer components, including the cartridge. Proper operation of the cartridge is determined by a number of parameters, including its geometry. For this reason, the XTPL R&D team developed a quick and precise method of checking the cartridge's geometric parameters, and built an appropriate measuring system. This method turned out to be effective and innovative, so Issuer decided to prepare a patent application in this regard. Checking the geometrical parameters of the cartridge by means of this method is one of a series of steps to prepare the cartridge for printing.

An appropriate level of intellectual and industrial property protection (including, in particular, the possession of patents) may be key to the Issuer's competitive advantage. The proper functioning of the cartridge is one of the key aspects of the technology developed by the Issuer.

### **Change of Audit Committee Chairman**

On 26 May 2021, Wiesław Rozłucki resigned as Chairman of the Issuer's Audit Committee due to point 2.9 of the Best Practice for GPW Listed Companies (which will come into force on 1 July 2021): "The chairman of a supervisory board should not combine his function with managing the work of the supervisory board's audit committee".

At the same time, Wiesław Rozłucki remained a member of the Issuer's Audit Committee.

On 26 May 2021, the Supervisory Board appointed Piotr Lembas as the new Chairman of the Audit Committee.

# Condensed consolidated financial statements

## 5 Condensed consolidated financial statements

### 5.1 Condensed consolidated statement of financial position

ASSETS	PLN'000	NOTE	31.03.2021	31.12.2020
<b>Non-current assets</b>		<b>5</b>	<b>4,503</b>	<b>3,891</b>
Property, plant and equipment		2, 3, 5	1,492	988
Intangible assets		1, 5	2,978	2,870
Long-term receivables		6	33	33
<b>Current assets</b>			<b>9,760</b>	<b>11,136</b>
Inventories		7	383	90
Trade receivables			17	4
Other receivables			598	526
Cash and cash equivalents			8,601	10,478
Other assets			161	38
<b>Total assets</b>			<b>14,263</b>	<b>15,027</b>

LIABILITIES	PLN'000	NOTE	31.03.2021	31.12.2019
<b>Total equity</b>			<b>9,014</b>	<b>10,386</b>
Share capital			203	203
Supplementary capital			16,311	16,311
Own shares			-8	-8
Reserve capital			2,951	1,901
FX differences arising on translation			-68	48
Retained profit (loss carried forward)			-8,124	510
Profit (loss) after tax			-2,251	-8,579
<b>Non-current liabilities</b>			<b>3,216</b>	<b>3,198</b>
Long-term financial liabilities			3,216	3,198
<b>Short-term liabilities</b>			<b>1,520</b>	<b>1,443</b>
Trade liabilities			626	404
Short-term financial liabilities			-	315
Other liabilities			894	724
<b>Accruals</b>			<b>513</b>	<b>-</b>
Deferred income			161	-
Advances for grants			352	-
<b>Total equity and liabilities</b>			<b>14,263</b>	<b>15,027</b>

## 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
<b>Continued operations</b>			
<b>Sales</b>	12	<b>689</b>	<b>932</b>
Revenue from the sale of services	26	-	20
Revenue from the sale of products	26	65	19
Revenue from grants	13	624	893
<b>Cost of sales</b>		<b>722</b>	<b>1,175</b>
Research and development expenses	14	722	1,175
Cost of finished goods sold		-	-
<b>Gross profit (loss)</b>		<b>-33</b>	<b>-243</b>
General and administrative expenses	14	2,240	3,411
Other operating income		-	-
Other operating costs		77	2
<b>Operating profit (loss)</b>		<b>-2,350</b>	<b>-3,656</b>
Financial revenues		140	207
Financial expenses		40	-
<b>Profit/ loss before tax</b>		<b>-2,250</b>	<b>-3,449</b>
Income tax		1	1
<b>Net profit (loss) on continued operations</b>		<b>-2,251</b>	<b>-3,450</b>
<b>Discontinued operations</b>		-	-
Net profit (loss) on discontinued operations		-	-
<b>Net profit (loss) on continued and discontinued operations</b>		<b>-2,251</b>	<b>-3,450</b>
Profit (loss) attributable to non-controlling interests		-	-
Profit (loss) attributable to shareholders of the parent		-2,251	-3,450
<b>Other comprehensive income</b>		<b>-116</b>	-
<b>Items that can be transferred to profit or loss in subsequent reporting periods</b>		<b>-116</b>	-
FX differences arising on conversion of foreign affiliates		-116	-
<b>Items that will not be transferred to profit or loss in subsequent periods</b>		-	-
<b>Total comprehensive income</b>		<b>-2,367</b>	<b>-3,450</b>
<b>Total comprehensive income attributable to non-controlling shareholders</b>		-	-
<b>Total comprehensive income attributable to the parent company</b>		<b>-2,367</b>	<b>-3,450</b>
<b>Net profit (loss) per share (in PLN)</b>			

<b>On continued operations</b>			
Ordinary		-1.17	-1.81
Diluted		-1.14	-1.81
<b>On continued and discontinued operations</b>			
Ordinary		-1.17	-1.81
Diluted		-1.14	-1.81
number of shares to calculate ordinary profit (loss) per share		2,029,222	1,904,222
number of shares to calculate diluted profit (loss) per share *		2,077,870	1,904,222

\* number of shares reflecting the conversion of convertible bonds into shares

### 5.3 Condensed consolidated statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Supplementary capital	Reserve capital	FX differences arising on translation	Retained profit (loss carried forward)	Total
<b>As at 1 January 2021</b>	<b>203</b>	<b>16,311</b>	<b>1,901</b>	<b>48</b>	<b>-8,070</b>	<b>10,385</b>
<b>Comprehensive income:</b>	-	-	-	<b>-116</b>	<b>-2,304</b>	<b>-2,420</b>
Profit (loss) after tax	-	-	-	-	-2,251	-2,251
Other comprehensive income	-	-	-	-116	-54	-170
<b>Transactions with owners:</b>	-	-	<b>1,050</b>	-	-	<b>1,050</b>
Incentive scheme	-	-	1,050	-	-	1,050
<b>As at 31 March 2021</b>	<b>203</b>	<b>16,311</b>	<b>2,951</b>	<b>-68</b>	<b>-10,375</b>	<b>9,014</b>
<b>As at 1 January 2020</b>	<b>190</b>	<b>18,726</b>	<b>12,150</b>	<b>10</b>	<b>-24,169</b>	<b>6,907</b>
<b>Comprehensive income:</b>	-	-	-	<b>-186</b>	<b>-3,464</b>	<b>-3,650</b>
Profit (loss) after tax	-	-	-	-	-3,464	-3,464
Other comprehensive income	-	-	-	-186	-	-186
<b>Transactions with owners:</b>	-	-	<b>1,974</b>	-	-	<b>1,974</b>
Incentive scheme	-	-	1,974	-	-	1,974
<b>As at 31 March 2020</b>	<b>190</b>	<b>18,726</b>	<b>14,124</b>	<b>-176</b>	<b>-27,633</b>	<b>5,231</b>

## 5.4 Condensed consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS PLN'000	1.01.2021 31.03.2021	1.01.2020 31.03.2020
<b>Cash flows from operating activities</b>		
Profit (loss) before tax	<b>-2,250</b>	<b>-3,449</b>
<b>Total adjustments:</b>	<b>1,370</b>	<b>1,587</b>
Depreciation/amortization	67	129
Write-off of goodwill	-	-
FX gains (losses)	-116	-190
Interest and profit distributions (dividends)	20	-8
Profit (loss) on investing activities	-	-
Change in the balance of provisions	66	74
Change in the balance of inventories	-293	-
Change in the balance of receivables	-84	-207
Change in short-term liabilities, except bank and other loans	325	-103
Change in prepayments/accruals	389	-83
Income tax paid	-	1
Other adjustments	996	1,974
<b>Total cash flows from operating activities</b>	<b>-880</b>	<b>-1,862</b>
<b>Cash flows from investing activities</b>		
<b>Inflows</b>	-	<b>4</b>
Disposal of tangible and intangible assets	-	-
Repayment of long-term loans	-	-
Interest on financial assets	-	4
Other investment inflows	-	-
<b>Outflows</b>	<b>680</b>	<b>3</b>
Acquisition of tangible and intangible fixed assets	680	3
Acquisition of financial assets	-	-
Long-term loans granted	-	-
Other investment outflows	-	-
<b>Total cash flows from investing activities</b>	<b>-680</b>	<b>1</b>
<b>Cash flows from financing activities</b>		
<b>Inflows</b>	-	<b>50</b>
Contributions to capital	-	-
Bank and other loans	-	50
Issue of bonds	-	-
<b>Outflows</b>	<b>317</b>	-
Acquisition of own shares	-	-
Payment of dividend	-	-
Repayment of bank and other loans	315	-
Finance lease payments	-	-
Interest	2	-

Total cash flows from financing activities	-317	50
Total cash flows from investing activities	-1,877	-1,811
Change in cash and cash equivalents:	-1,877	-1,811
– change in cash due to FX differences	-	-
Cash and cash equivalents at the beginning of the period	10,477	4,207
Cash and cash equivalents at the end of the period, including:	8,600	2,396
– restricted cash	-	-

## 5.5 Notes

### Note 1 Intangible assets

OTHER INTANGIBLE ASSETS	PLN'000	31.03.2021	31.12.2020
Acquired concessions, patents, licenses and similar rights		27	8
Intellectual property rights		-	-
In-process development expenditure		2,951	2,862
<b>Total (net)</b>		<b>2,978</b>	<b>2,870</b>
<b>Previous write-off</b>		<b>1,167</b>	<b>1,163</b>
<b>Total (gross)</b>		<b>4,145</b>	<b>4,033</b>

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 31 March 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	OF PLN '000	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020
XTPL printers		-	92
Computer sets		11	18
Server with software		-	-
Pressure control system and other		15	-
Anti-vibration system and laminar chamber		-	-
Office equipment		-	-
<b>Total significant acquisitions</b>		<b>26</b>	<b>110</b>

### 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	31 March 2021	31 December 2020
Loans granted		-	-
Security deposits		33	33
Shares		-	-
<b>Total long-term receivables</b>		<b>33</b>	<b>33</b>

#### 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
<b>Balance at the beginning of the period</b>		<b>318</b>	<b>302</b>
increased/ created		69	749
utilization		-	63
release		2	670
<b>Balance at the end of the period</b>		<b>385</b>	<b>318</b>

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	
		31 March 2021	31 December 2020	31 March 2021	31 December 2020
<b>Financial assets</b>					
Loans granted	WwgZK	-	-	-	-
Trade receivables	WwgZK	7	4	7	4
Other receivables	WwgZK	598	527	598	527
Cash and cash equivalents	WwWGpWF	8,525	10,325	8,525	10,325
<b>Total</b>		<b>9,130</b>	<b>10,856</b>	<b>9,130</b>	<b>10,856</b>
<b>Financial liabilities</b>					
Interest bearing bank and other loans	PZFwgZK	-	316	-	316
Finance lease liabilities	PZFwgZK	-	1	-	1
Bond liabilities	PZFwgZK	3,216	3,198	3,216	3,198
Trade liabilities	PZFwgZK	625	401	625	401
Other liabilities	PZFwgZK	894	724	894	724
<b>Total</b>		<b>4,735</b>	<b>4,639</b>	<b>4,735</b>	<b>4,639</b>

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 31 March 2021 and 31 December 2020 was not materially different from the values presented in the financial statements for the respective years:

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

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

	01.01.2021	01.01.2020
	PLN'000	
	31.03.2021	31.03.2020
PBT presented in the statement of comprehensive income	-2,250	-3,449
PBT presented in the statement of cash flows	-2,250	-3,449
<b>INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS</b>		
	01.01.2021	01.01.2020
	31.03.2021	31.03.2020
Realized interest on financing activities	2	-4
Realized interest on investing activities	0	0
Unrealized interest on financing activities	0	-4
Unrealized interest on investing activities	18	0
<b>Total interest and dividends:</b>	<b>20</b>	<b>-8</b>
<b>CHANGE IN THE BALANCE OF RECEIVABLES</b>		
	01.01.2021	01.01.2020
	31.03.2021	31.03.2020
Change in the balance of trade receivables	-3	-34
Other receivables	-81	-173
<b>Total change in the balance of receivables</b>	<b>-84</b>	<b>-207</b>
<b>CHANGE IN THE BALANCE OF LIABILITIES</b>		
	01.01.2021	01.01.2020
	31.03.2021	31.03.2020
Change in the balance of trade liabilities	223	-104
Other liabilities	101	1
<b>Total change in the balance of liabilities:</b>	<b>324</b>	<b>-103</b>
<b>Cash and cash equivalents at the end of the period</b>		
	01.01.2021	01.01.2020
	31.03.2021	31.03.2020
Statement of cash flows	8,600	2,396
Statement of financial position	8,601	2,395

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 1,050 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 - 31.03.2021	01.01.2020 - 31.03.2020
Revenue from research and development services		-	20
Revenue from the sale of products		65	19
Revenue from grants		624	893
<b>Total net revenue from sales</b>		<b>689</b>	<b>932</b>

#### Note 13. Grants

Inflows from grants	PLN'000	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
– to operations		624	893
– to assets		-	-
<b>Total inflows from grants</b>		<b>624</b>	<b>893</b>

The note presents proceeds from the reimbursement of costs incurred. In addition, the Group recorded proceeds from advance payments of PLN 352 thousand in respect of the grant project. The proceeds were recognized under accruals.

#### Note 14. Operating costs

OPERATING COSTS	PLN '000	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Depreciation/ amortization, including		156	143
– depreciation of tangible assets		76	84
– amortization of intangible assets		4	58
Use of raw materials and consumables		174	128
External services		1,077	944
Cost of employee benefits		1,780	3,274

Taxes and charges	11	15
Other costs by type	33	96
Value of goods and materials sold	0	0
<b>Total costs by type, including:</b>	<b>3,231</b>	<b>4,600</b>
Items reported as research and development costs	722	1,175
Items reported as cost of finished goods sold		
Items reported as general and administrative expenses	2,420	3,411
Change in finished goods		
Cost of producing services for internal needs of the entity	89	14

Recognition of costs related to the valuation of the incentive scheme in the total amount of PLN 1,050 thousand (PLN 240 thousand recognized in the cost of research & development, and PLN 810 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 - 31.03.2021	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 - 31.03.2020	PLN'000	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		-	-	-	2
Loans granted		-	-	-	-
Financial expenses – interest on loans		-	-	-	4

\* 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
	31.03.2021	31.03.2020	01.01.2021 - 31.03.2021
<b>In respect of:</b>			
Interest on loans and deposits	10	67	-57
<b>Total deferred tax liability</b>	<b>10</b>	<b>67</b>	<b>-57</b>
Set-off with deferred tax assets	-10	-67	57
<b>Net deferred tax liability</b>	<b>-</b>	<b>-</b>	<b>-</b>

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	31.03.2021	31.03.2020	01.01.2021 - 31.03.2021
<b>Due to differences between the tax value and the carrying amount:</b>			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	-	-	-
Accruals for unused annual leaves	11	60	49
Provision for the cost external services	-	7	7
<b>Total deferred tax assets</b>	<b>11</b>	<b>67</b>	<b>56</b>
Set-off with a deferred tax liability	11	67	56
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 March 2021, 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 March 2021.

### **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 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 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 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 976 thousand. It is caused by the payment of further tranches of grants totalling PLN 624 thousand, and advances towards grants of PLN 352 thousand. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in 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.

	31.03.2021	31.12.2020
	PLN'000	PLN'000
Contingent liabilities		
Promissory notes	9,363	8,387



Total contingent liabilities	9,363	8,387
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#### **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 1,050 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,050 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 -	01.01.2020 -
	31.03.2021	31.03.2020
	PLN'000	PLN'000
Nanoinks	11	19
Research and development services	-	20
Printers	54	-
<b>TOTAL</b>	<b>65</b>	<b>39</b>

## 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 first 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 31 March 2021 was approved for publication by the Parent Company's Management Board on 27 May 2021.

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

### **Information on grant recommendation**

On 9 April 2021, the Issuer received information about the proposed co-financing under the 6/1.1.1/2020 – “Fast Track” competition of the National Centre for Research and Development (“NCBR”) for the Issuer’s project “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”. The project relates to development and implementation of a new technology for precise printing of ultra-thin conductive structures on 3D substrates for applications in printed electronics.

- Total Project value: PLN 11,615,569.56;
- Recommended co-financing value: PLN 7,695,844.09;
- Implementation period: 01.10.2020 – 30.09.2023.

### **Signing a distribution agreement**

On 15 April 2021, an agreement was signed between the Issuer and Yi Xin Technology Co. Limited. Under the agreement, Yi Xin will be the distributor of XTPL's technological solutions on the Chinese market. Yi Xin will be also responsible for formal aspects relating to the introduction of XTPL products to the local market, including obtaining the necessary security certificates and attestations required in commercial transactions. The Agreement was signed for 12 months, and depending on its outcomes, the parties might decide to extend their cooperation. The other provisions of the Agreement are in line with market standards.

Established in 2011, Yi Xin specializes in additive technologies and the search for innovative solutions dedicated to the printed electronics segment. It cooperates with major Chinese research institutes and industrial manufacturers from the display, touch panel and semiconductor sectors.

China is one of the largest potential markets for the Issuer's technology and, in the opinion of the Company's Management Board, the distribution agreement will facilitate commercialization of the XTPL technology in that territory.

### **New patent application**

On 18 May 2021, the Issuer submitted a patent application with the United States Patent and Trademark Office relating to the Issuer-developed method of checking geometric parameters of a cartridge.

The cartridge is a key component of XTPL printing system. It is also a nano-ink reservoir and a piece that feeds ink into the printing nozzle. When printing micrometric features using the method developed by XTPL, high precision is required in the process of manufacturing individual printer components, including the cartridge. Proper operation of the cartridge is determined by a number of parameters, including its geometry. For this reason, the XTPL R&D team developed a quick and precise method of checking the cartridge's geometric parameters, and built an appropriate measuring system. This method turned out to be effective and innovative, so Issuer decided to prepare a patent application in this regard. Checking the geometrical parameters of the cartridge by means of this method is one of a series of steps to prepare the cartridge for printing.

An appropriate level of intellectual and industrial property protection (including, in particular, the possession of patents) may be key to the Issuer's competitive advantage. The proper functioning of the cartridge is one of the key aspects of the technology developed by the XTPL.

### **Change of Audit Committee Chairman**

On 26 May 2021, Wiesław Roźlucki resigned as Chairman of the Issuer's Audit Committee due to point 2.9 of the Best Practice for GPW Listed Companies (which will come into force on 1 July 2021): "The chairman of a supervisory board should not combine his function with managing the work of the supervisory board's audit committee".

At the same time, Wiesław Roźlucki remained a member of the Issuer's Audit Committee.

On 26 May 2021, the Supervisory Board appointed Piotr Lembas as the new Chairman of the Audit Committee.

# 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 three months ended 31 March 2021, and the comparative data for the period of three months ended 31 March 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 yet does not yet generate significant revenues from the sale of products and services, and its activity is financed primarily from equity and subsidies), the ability to continue operations depends to a large extent on the ability to raise further financing to finance subsequent stages of commercialization of the technologies developed by the Company.

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.

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 – March		2020 – January – March/ December 2020	
	EUR	USD	EUR	USD
<b>exchange rates used in the financial statements</b>				
for balance sheet items	4.6603	3.9676	4.6148	3.7584
for profit or loss and cash flow items	4.5721	3.1828	4.3963	3.9907

#### 6.4 Description of significant accounting principles

For the purpose of preparing the interim condensed financial statements, the same accounting principles have been used as in the last annual financial statements for 2020 published on 27 April 2021.

#### 6.5 Approval for publication

This report for the first quarter of 2021 ended 31 March 2021 was approved for publication by the Issuer's Management Board on 27 May 2021.

Signature of the Management Board:

**Filip Granek**  
Prezes Zarządu

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

**Jacek Olszański**  
Członek Zarządu

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