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CONSOLIDATED QUARTERLY REPORT FOR I QUARTER OF 2020

XTPL S.A.

Wrocław, 27.05.2020 r.

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

On behalf of the Management Board of XTPL S.A. and all of its employees, I am pleased to present to you this Quarterly Report summarizing the most important operational aspects and events of the first quarter of 2020.

XTPL's vision is to take our innovative ultra-precise printing technology to the global production lines for the fabrication of modern electronic components. The future integration of XTPL technology with global production lines is to create a significant commercial value for the firm.

The beginning of 2020 saw another technology evaluation agreement signed – in February, we started cooperation with the Chinese Suzhou Cowin Laser Technology Co. Ltd., which launched the process of evaluation of the XTPL technology in the area of open defect repair in displays.

Landmarks in our history are the first commercial orders, which we started to deliver last quarter. This is the result of numerous business talks and laboratory efforts on obtaining high-quality, unique XTPL nanoinks, which are the subject of these transactions. Developed by our in-house R&D unit, the nanoinks have special innovative physicochemical properties which are interesting from the point of view of manufacturers of advanced electronics, and are protected by international patent applications. The first transactions confirm the great potential of the XTPL technology, unlock further commercial opportunities and increase the Company's credibility in the market.

Last quarter, we continued to build the international patent cloud of XTPL solutions. During this period, three new international patent applications were submitted, covering the further scope of IP as part of the Company's unique nanoprinting technology. After the Balance Sheet Date, we submitted two more applications. In total, we have registered 15 applications so far. We are confident that the proper degree of intellectual property protection will favorably position XTPL in negotiations on future commercial contracts, while ensuring security in the commercialization of our unique technology.



It has been more than two months 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. We also use the previously implemented teamwork tools to ensure work efficiency during these unprecedented circumstances. Technological work is continued at the Company's headquarters while maintaining all the standards 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. To sum up, 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 pandemic and the global crisis. We are monitoring the situation on an ongoing basis, remaining in constant contact with our partners.

We wish to keep up the strong momentum in the following quarters. We expect to move to the next stages of commercialization of our technology in the individual processes delivered with our partners. We are already working intensively on establishing new business relations and continued execution of commercial transactions.

I encourage you to read the additional information contained in this report.

Best regards,



Filip Graneck, PhD
President of the Management
Board of XTPL S.A.

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

As at 31 March 2020 ("**Balance Sheet Date**"), the share capital of XTPL S.A. amounted to PLN 190,422.20 and consisted of 1,904,222 shares with a nominal value of PLN 0.10 each ("**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 2020 ("**Management Report**"), and the stand-alone and consolidated financial statements of XTPL S.A. and the Group, respectively.

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

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date ("**Report Date**") is 27 May 2020.

The consolidated financial statements contained in the Report mean the consolidated financial statements (including the Company and the Subsidiary) for the quarter from 1 January to 31 March 2020 prepared in accordance with the International Financial Reporting Standards approved for application in the EU. The stand-alone financial statements contained in the Report mean the Parent Company's financial statements for the quarter from 1 January to 31 March 2020 ("**Reporting Period**"), prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

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

"**Accounting Act**" – the Accounting Act of 29 September 1994.

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

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

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

TABLE OF CONTENTS

1	Financial highlights	6
2	Management Report	9
2.1	Summary of activities related to the commercialization of the technology developed by the Company:.....	10
2.2	Intellectual and industrial property.....	10
2.3	Progress in research and development	11
2.4	Other events.....	12
2.5	Events occurring after the balance sheet date.....	13
2.6	Factors which may affect the results in the subsequent quarters	14
2.7	Description of operations and basic products.....	15
2.8	Business model.....	16
2.9	Target markets	17
2.10	Key information about the Issuer.....	18
2.11	XTPL Group	19
3	Shareholding structure.....	22
4	Condensed stand-alone financial statements.....	25
5	Condensed consolidated financial statements	34
6	Additional information	50
7	Approval for publication	51

Financial highlights

1 Financial highlights

1.1 Selected stand-alone figures

Figures in PLN thousand	1 January –31 March 2020		1 January –31 March 2019	
	PLN	EUR	PLN	EUR
Net revenue from sales	932	212	215	50
Profit (loss) on sales	-243	-55	-982	-229
Profit (loss) before tax	-3,168	-721	-2,632	-612
Profit (loss) after tax	-3,168	-721	-2,650	-617
Depreciation/amortization	129	29	179	42
Net cash flows from operating activities	-1,585	-361	-2,287	-532
Net cash flows from investing activities	-269	-61	-1,295	-301
Net cash flows from financing activities	50	11	-7	-2
Figures in PLN thousand	31 March 2020		31 December 2019	
Shareholders' equity	5,697	1,251	6,892	1,618
Current liabilities	1,875	412	1,900	446
Non-current liabilities	-	-	-	-
Cash and cash equivalents	2,349	516	4,153	972
Current receivables	1,142	251	936	220
Non-current receivables	779	171	291	68

	2020 January–March	2019 January–March
exchange rates used in the financial statements	EUR	EUR
for the balance sheet items	4.5523	4.2585
for profit or loss and cash flow items	4.3963	4.3018

1.2 Selected consolidated figures

Figures in PLN thousand	1 January –31 March 2020		1 January –31 March 2019	
	PLN	EUR	PLN	EUR
Net revenue from sales	932	212	215	50
Profit (loss) on sales	-243	-55	-983	-229
Profit (loss) before tax	-3,449	-785	-3,322	-773
Profit (loss) after tax	-3,450	-785	-3,341	-777
Depreciation/amortization	129	29	179	42
Net cash flows from operating activities	-1,862	-424	-3,407	-793
Net cash flows from investing activities	1	-	-39	-9
Net cash flows from financing activities	50	11	-7	-2
Figures in PLN thousand	31 March 2020		31 December 2019	
Shareholders' equity	5,244	1,152	6,907	1,622
Current liabilities	1,901	418	1,931	453
Non-current liabilities	-	-	-	-
Cash and cash equivalents	2,395	526	4,206	988
Current receivables	1,142	251	935	220
Non-current receivables	226	50	272	233

	2020 January–March	2019 January–March
exchange rates used in the financial statements	EUR	EUR
for the balance sheet items	4.5523	4.2585
for profit or loss and cash flow items	4.3963	4.3018

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Management Report

2 Management Report

DEFINITIONS:

Ω (ohm) means a unit of electrical resistance

Ω / \square means resistance per square, or normalized resistance

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

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

Adhesion means the tendency of different materials to stick together

Particle agglomeration means joining fine particles into larger parts

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

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 displacing and depositing a material

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

FPD (Flat-Panel Display) means a flat display

IP (Intellectual Property) means intellectual and industrial property

Conductance means electrical conductivity, which is the inverse of resistance

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

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

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

NDA (Non-Disclosure Agreement) means a confidentiality agreement

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

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

UPD (ultra-precise deposition) is 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

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

R&D means Research and Development

Resistance means electrical resistance

SEM means scanning electron microscope

TEA means a Technology Evaluation Agreement

2.1 Summary of activities related to the commercialization of the technology developed by the Company:

During the Reporting Period, cooperation was established with a new entity, one of the leaders in the consumer electronics industry. The cooperation relates to open defects repair (ODR) in one of the elements of displays used in mobile devices. The UPD technology developed by XTPL meets all the basic requirements of the client, and next steps in the cooperation process will involve further evaluation of the technology and its implementation.

In addition, the Company successfully completed the first evaluation tests connected with an agreement signed with Suzhou Cowin Laser Technology Co. Ltd. on 28 February 2020. Currently, further advanced work is underway on technology evaluation and so are talks regarding the transition to the next stages of commercialization of XTPL's ODR technology.

Similarly, the first stages of the technology evaluation process for Hefei BOE Joint Technology Co. Ltd. related to the production of a new generation of displays have been completed. Further cooperation steps, including further advanced evaluation work, will be determined once the ongoing talks and negotiations are completed.

Due to a change in the business strategy of one of the clients, cooperation in the area of open defect repair in displays has been put on hold. At the same time, talks are continuing with the same client concerning repair of defects in the production of integrated circuits. Initial analyzes are being conducted to see whether the UPD technology, previously developed for the display industry, can be used for the repairs in question.

XTPL also started cooperation with another entity from the semiconductor industry. It concerns the deposition of a certain class of electronic connections in integrated circuits. The Company's current readiness to start activities in this area has been confirmed by the completed initial Proof of Concept phase.

2.2 Intellectual and industrial property

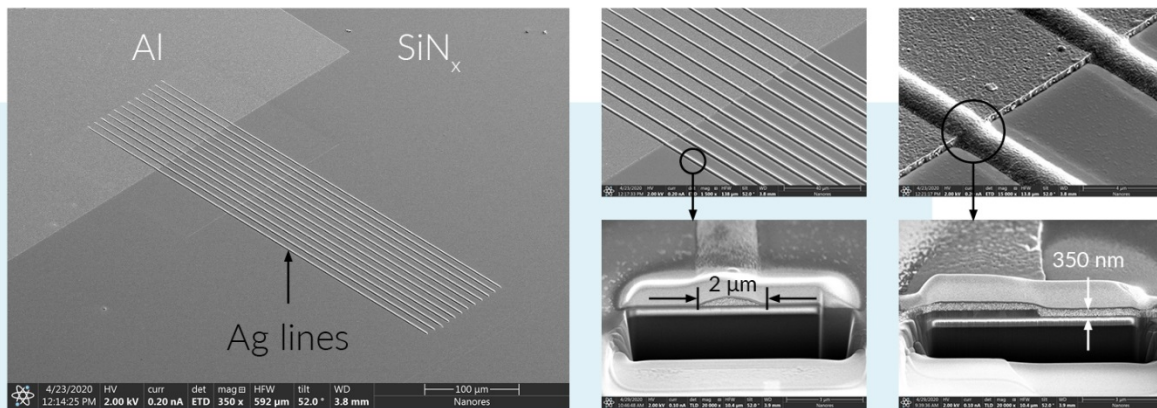
In the period from January to March 2020, the Company filed three more patent applications with the United States Patent and Trademark Office, covering further layers of intellectual property protection in the field of precise printing. The first two patent applications relate to the method and apparatus for characterizing and optimizing ink flow in the printing head nozzle. This method is generic and can be applied not only to the XTPL technology, but also to other printing techniques. Therefore, both patent applications have a major commercial value. The third patent application is a crucial invention from the viewpoint of applying the XTPL technology in the smart glass sector. It shows how to significantly improve the parameters of transparent conductors.

As at the Report Date, the Company had trademarks registered with the Patent Office of the Republic of Poland and the European Union Intellectual Property Office. In addition, an application for the registration of trademarks was submitted in China. As at the Report Date, the Company submitted 15 patent applications, three of which were submitted during Q1 2020 and two were submitted after the Balance Sheet Date. As at the Report Date, the Company had one patent granted.

2.3 Progress in research and development

During the first quarter of 2020, the Company's R&D department worked on optimizing the printing process using highly concentrated conductive ink based on silver nanoparticles. The new nanoink formulation keeps the physicochemical parameters that are key to the UPD technology, associated with, e.g. high homogeneity of nanoparticle size and the prevention of particle agglomeration during the printing process. At the same time, due to the high concentration, the printed lines have a very high aspect-ratio, i.e. the height-to-width ratio after the printing head has deposited a single layer of ink, i.e. after a single "pass". This is a distinguishing feature of the Company's technology as in order to obtain a similar result by competitive methods it would be necessary to deposit conductive material multiple times at the same point with multiple "passes", thus extending process duration.

Silver conductive lines printed using XTPL printer and XTPL Ag nanoink



A very important advantage of using concentrated ink is the ability to print on non-flat substrates with complex topography. It allows the continuity of the structure to be maintained even if it was printed, for example, on a "step", when the substrate is not homogeneous and its layers are at different height levels. An additional advantage of using the ink in question is the negligible influence of the material on which printing takes place. In practice, this means that whether hydrophobic or hydrophilic material is used for printing, the width and height remain almost unchanged, and so does adhesion. When using inks with a more fluid consistency (inks with a lower viscosity), the shape of the printed features depends largely on the type of substrate on which it was printed. Lower viscosity ink that will be used on a hydrophilic substrate will "spill", increasing the track width compared with what is achieved with same parameters on the hydrophobic material. For the Company, this opens further application areas related to advanced electronic circuits or integrated circuits. The potential for the development of the UPD technology in these markets is consistent 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 Semiconductors (NTRS), which provide for a greater integration of individual electronic circuits into one integrated circuit. The Company's assumption of the uniqueness of the described solution related to the precise deposition of high-concentration material was confirmed by several new technological and business contacts started with entities operating in these markets, as well as the cooperation with the renowned international research institute Fraunhofer ISE (Institute for Solar Energy Systems) .

2.4 Other events

2.4.1 **Professor Herbert Wirth appointed to the Supervisory Board**

On 9 January 2020, XTPL shareholders appointed Prof. Herbert Wirth, the former CEO of KGHM Polska Miedź S.A., to the company's Supervisory Board. He has considerable experience in business development in global markets and unique competences and a network of contacts which will strategically strengthen the Company's business activities.

2.4.2 **Signing a technology evaluation agreement with OSRAM**

On 21 January 2020, the Company announced the signing of a technology evaluation agreement with OSRAM Opto Semiconductors GmbH, a subsidiary of OSRAM – the global lighting group based in Munich, Germany. The purpose of the agreement is to confirm parameters of the technology developed and commercialized by XTPL and to assess the possibility of implementing it in the partner's process of manufacturing new generation products.

2.4.3 **Recommendation of MainFirst Bank AG:**

In February 2020, the German MainFirst Bank AG from the Stifel Group issued a "BUY" recommendation for XTPL shares. The Stifel Group is particularly strong when it comes to cooperating with technology investors from many countries, including the United States. In Europe, MainFirst services about 700 companies. XTPL is the first company from Poland and Central and Eastern Europe for which the broker published an analysis.

2.4.4 **Signing a technology evaluation agreement with Suzhou Cowin Laser Technology Co Ltd**

On 28 February 2020, XTPL S.A. and Suzhou Cowin Laser Technology Co Ltd based in China signed a Technology Evaluation Agreement (TEA). The goal of the first, Proof of Concept stage is to confirm the parameters of the technology commercialized by XTPL and to assess the possibility of implementing it in the Chinese partner's production processes. Cowin is a supplier of devices for the production of displays for leading Chinese players in this sector, such as BOE (leader of the global display market, which is working on an independent Proof of Concept project with XTPL); CSOT (display manufacturer based in China, producing LCD panels and developing OLED technology) and Tianma (global display manufacturer operating for over three decades, producing modern LCD displays and new display lines using the AMOLED technology).

2.4.5 **Dual listing on the Frankfurt Stock Exchange**

On 6 March 2020, the Frankfurt Stock Exchange consented to admit XTPL shares to the Quotation Board segment, which is a part of the Open Market. The Company did not incur any costs related to this operation, as the introduction of its shares to trading resulted from the initiative undertaken independently from the Company, by one of the German institutions responsible for the process of trading shares of selected companies on the German stock exchange ("Spezialist"). In this case it is Baader Bank AG. XTPL shares are traded on a dual-listing basis, with the Warsaw Stock Exchange remaining the Company's main trading floor.

2.5 Events occurring after the balance sheet date

2.5.1 New patent applications

The Company is gradually increasing its competitive edge by filing further patent applications. In May 2020, two more patent applications were submitted, covering further layers of intellectual property protection in the area of precise printing. Both applications were filed with the United States Patent and Trademark Office. One of the two applications relates to the design of a new printing head used in the Ultra-Precise Deposition (UPD) process. The other application concerns the formulation of high-viscosity ink, compatible with the UPD method. This unique combination of the high-viscosity ink and the printing head that enables its precise deposition (with the width of printed features ranging from 1 to 10 micrometers) makes it possible to print in a very high resolution on complex substrates, including on materials with very different wetting properties, junctions, and vertical steps. With this capability, the UPD technology enables, e.g. rapid prototyping of new generation electronic devices, including organic light-emitting diodes and printed circuit boards.

2.5.2 Achieving further milestones in technology development

XTPL continues to attach great value to the development of its proprietary UPD technology. Two very important milestones were achieved in April–May. The first is the repetitive printing of lines less than 2 µm wide, regardless of the material on which the process is carried out (printing on hydrophobic and hydrophilic materials). This success is particularly important in repairing open defects in next-generation high-resolution displays, in which, in addition to the requirement to print very narrow features, the conductive line can pass through various materials of the substrate, which means that regardless of the material used, the line should maintain the same geometrical dimensions.

The second technological milestone achieved is the extension of the replaceable nozzle life to more than two weeks. This printing head element can be easily replaced by the device operator.

2.5.3 Calling the General Meeting for 8 June 2020

On 11 May 2020, the Company announced that as a result of receipt of potential investors' preliminary declarations regarding involvement in financing the Company's operations, as well as taking into account the Company's further development plans and its financial needs, it has decided to start activities aimed at raising new financing for the Company through the issue of new shares and convertible bonds. Bearing this decision in mind, the Company called an Extraordinary General Meeting to be held on 8 June 2020. The EGM agenda primarily provides for adoption of resolutions regarding the issue of shares and convertible bonds. As part of this financing round, the Company plans to raise ca. PLN 5 million. Details regarding the General Meeting and the planned issue are specified in ESPI Current Reports No. 12/2020 and 13/2020.

2.5.4 Calling the Annual General Meeting for 30 June 2020

On 22 May 2020, the Issuer announced that the Company called an Annual General Meeting to be held on 30 June 2020. Details regarding the General Meeting are specified in ESPI Current Report No. 15/2020.

2.6 Factors which may affect the results in the subsequent quarters

In connection with the commenced sales of conductive nanoinks, the Company expects to receive orders from new clients. The results of using the product in other deposition methods may contribute to increasing interest in the product among other users of similar devices. The global crisis associated with the COVID-19 pandemic has also limited access to laboratories at research institutes and at universities of current and potential clients. The current situation reduces the demand for this type of consumables and delays the receipt of results that could otherwise be used to generate further sales. On the other hand, potential clients are more willing to engage in discussions given the need to work from home. This in turn, after things return to normal, can lead to an increase in the number of orders placed.

The Company is developing a plan to launch the UPD technology demonstrator in the following quarters in the form of a laboratory printing device dedicated to academic and corporate R&D departments. Therefore, the Company expects to see an increase in revenues coming not only from the device itself, but also from consumables such as the dedicated conductive nanoink. The marketing of the device as a kind of demonstrator of the technology provided by XTPL is expected to stimulate interest in the entire printed electronics market, unlocking the potential for strategic partnerships in new application areas.

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

It has been more than two months 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 Gsuite apps to smoothly continue work from home. Company also uses the previously implemented teamwork tools to ensure work efficiency during these unprecedented circumstances. Technological work is continued at the Company's headquarters while maintaining all the standards announced by state institutions. Some technology staff are involved in the development of new grant and patent applications, and therefore also partly work from home.

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

To sum up, 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. Company is monitoring the situation on an ongoing basis, remaining in constant contact with our partners.

2.7 Description of operations and basic products

In March 2020, the Company finalized its first sales transaction for its nanoink based on silver nanoparticles. Nanoink is one of the key elements of the XTPL technology, protected by international patent applications. The first delivery took place for one of the partners operating in the display sector, i.e. the first application field commercialized by XTPL. A week after the implementation of the first commercial order, the Company carried out another ink sales transaction with another partner – a group operating in the display sector and several other advanced electronics sectors. The transaction confirmed the partner's significant interest in the Company's technology and unlocked further commercial opportunities. At the end of March 2020, the Company informed about the next (third) sale of ink to another counterparty.

The Company adapts the conductive ink to the requirements of individual deposition methods. One of the key requirements is the acceptable viscosity range acceptable for a particular technology. The product offered attracted interest due to its unique parameters, as well as its top quality and repeatability. With the small size of silver nanoparticles, in the range of 35 to 50 nm, their high stability and high conductivity after the sintering process, the product is attractive for the ongoing development projects in the field of printed electronics.

March 2020 saw the start of sales to science centers. The Company directly contacted the authors of scientific articles in the areas which might show considerable interest in the conductive ink. As a result of these activities, several discussions began and led to another order started late in Q1/ early in Q2.

During the Reporting Period, the Company also began advanced work on creating a technology demonstrator using the UPD technology to conduct research and development and prototyping, as well as to carry out small-scale production. In the following quarters, the device is to be developed and sold to the first clients. At the same time, as a result of previously established business partner relations, the Company has drawn up a preliminary list of the first buyers of the product, whose feedback on use of the final product will help in its improvement.

The Company continues to focus on commercialization of its technology in two application fields. The first one is displays – here XTPL in the first place intends to offer the open defect repair technology for repairing conductive structures whose defects are responsible for dead pixels occurring in displays, particularly in high-resolution matrices, already at the production stage. Next, the Company plans to provide this industry with solutions that will help achieve a significant increase in the resolution of a new class of displays, even on flexible substrates.

The second potential application field for XTPL is the market of smart glass, i.e. glass that changes its transparency in response to electric voltage. For this sector XTPL intends to develop a solution that will significantly shorten the time of conversion from transparent to non-transparent glass, which will significantly improve the usability of such products, and may also usher the industry into new, not yet supported market segments.

In the long run, XTPL intends to develop its solution for subsequent market segments. The Company's technology may be implemented in the semiconductor industry as a sought-after alternative for photolithography and, for example, facilitate the fabrication of innovative anti-counterfeiting solutions, advanced PCBs, functional and effective biosensors and high-performance photovoltaic panels.

2.8 Business model

XTPL is a supplier of advanced UPD technology. 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

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.

In addition, XTPL began direct sale of proprietary products developed on the Company's premises:

CONDUCTIVE INK

In recent years, the Company has developed a unique formulation of conductive ink with a view to achieving the best printing parameters using the UPD technology. Starting from the first quarter of 2020, when the ink based on silver nanoparticles reached its full commercial maturity, XTPL began offering this material also to the clients using other additive methods in their work. As well as introducing a new source of income, the launch of sales of this product will ensure better market exploration, and will introduce the Company to new application areas that are attractive for its proprietary technology.

UPD TECHNOLOGY DEMONSTRATOR

At the beginning of the year, the Company began the process of developing a UPD technology demonstrator for use in prototyping, R&D, and small-scale production. In the following quarters, demonstration devices are to be supplied to trusted business partners for product evaluation and further improvement to reach commercial maturity.

The choice of the optimal business model depends on the specific application field where the Company offers its solution.

2.9 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 was USD 37.1 billion in 2019. In 2030, the market is forecast to grow to USD 74 billion, with a CAGR at 6.5% in 2018–2029. The Company chose the first two 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.

Smart glass sector

Smart glass is designed in such a way as to change transparency in response to electrical voltage. The technology developed by the XTPL allows ultra-thin structures (invisible to the human eye) with high conductivity parameters to be precisely printed on glass. The main benefit expected after potential implementation of the XTPL technology in the production process for this sector is faster conversion of glass from transparent to non-transparent and vice versa, which will significantly improve the usability of this type of products, and will open the door for manufacturers from this sector to new, previously not supported market segments (e.g. automotive).

In addition to the main target markets, the Company plans to start commercialization by providing a laboratory device containing the UPD technology. According to the competitive environment analysis conducted within the Company, there is currently no commercially available additive technology that would offer print parameters comparable to those ensured by the UPD technology developed by XTPL. Firms operating in XTPL's close competitive environment are defined in the **3D Printed Electronics** market. This market is to develop rapidly in subsequent years (with projected CAGR at 27.8% according to Business Wire) and in 2029 it is expected to exceed USD 2 billion (according to IDTechEx). An important element that fosters development of the electronics market is the growing number of new applications of printed, flexible and organic electronics in various fields. Ultimately, the Company will seek to ensure that its technology can be used in many existing areas of the printed electronics industry and – thanks to the unprecedented precision of printing – will lead to the emergence of new areas within this sector. The Company wishes to develop its technology in such a way that it can be used to manufacture complex and complicated devices with cheap and scalable printing methods.

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

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

2.10 Key information about the Issuer

<u>Business name:</u>	XTPL Spółka Akcyjna
<u>Registered Office:</u>	Wrocław
<u>Address:</u>	Stabłowicka 147, 54-066 Wrocław
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<u>NIP:</u>	9512394886
<u>REGON:</u>	361898062
<u>Registry Court:</u>	District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register
<u>Share capital:</u>	PLN 190,422.20, fully paid up
<u>Phone number:</u>	+48 71 707 22 04
<u>Website:</u>	www.xtpl.com
<u>Email:</u>	investors@xtpl.com

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

As regards financial reporting, the Company uses IASs/ IFRSs. The Company's financial year is from 1 January to 31 December.

Management Board

As at the Balance Sheet Day and as at the Report Date, the Management Board was Filip Granek – President of the Management Board (CEO).

Supervisory Board

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

- Wiesław Rozłucki – Chairman of the Supervisory Board – an independent SB member
- Bartosz Wojciechowski – Deputy Chairman of the Supervisory Board
- Konrad Pankiewicz
- Herbert Wirth – an independent SB member
- Piotr Lembas – an independent SB member

Audit Committee

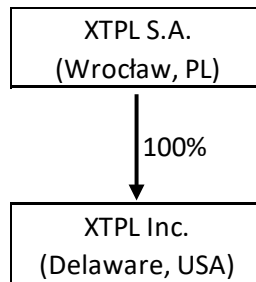
As at the Balance Sheet Date and the Report Date, the Audit Committee performed its duties in the following composition:

- Wiesław Rozłucki – Chairman of the Audit Committee – independent AC member
- Herbert Wirth – independent AC member
- Piotr Lembas – independent AC member

2.11 XTPL Group

2.11.1 Group structure

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



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.

No changes occurred in the Group's organization since the previous financial report.

2.11.2 Branches

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

2.11.3 Non-arm's length transactions with related entities

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

2.11.4 Proceedings before courts and other bodies

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

2.11.5 Guarantees given

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

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

Not applicable. None in the Reporting Period.

2.11.7 Achievement of financial forecasts

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

2.11.8 Explanation of seasonality or business cycles

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

2.11.9 Acquisition of own shares

Not applicable. None in the Reporting Period.

2.11.10 Other information

Employment as at 31 March 2020 – 27 persons.

Shareholding structure

3 Shareholding structure

3.1 Significant shareholdings

The shareholding structure as at the Balance Sheet Date and the Report Date 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	310,592	16.31%	310,592	16.31%
2.	Sebastian Młodziński	299,852	15.75%	299,852	15.75%
3.	Leonarto VC spółka z ograniczoną odpowiedzialnością sp.k. (formerly Leonarto sp. z o.o.)*	229,015	12.03%	229,015	12.03%
4.	Heidelberger Beteiligungsholding AG	192,371	10.10%	192,371	10.10%
5.	TPL sp. z o.o.**	137,593	7.23%	137,593	7.23%
6.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	127,000	6.67%	127,000	6.67%
7.	Leonarto Funds SCSp*	69,000	3.62%	69,000	3.62%
8.	Konrad Pankiewicz*	2,943	0.15%	2,943	0.15%
9.	Others	535,856	28.14%	535,856	28.14%
	TOTAL	1,904,222	100.00%	1,904,222	100.00%

* Konrad Pankiewicz, Member of the Supervisory Board of XTPL S.A. is the only shareholder of the general partner Leonarto VC spółka z ograniczoną odpowiedzialnością sp.k. and an entity controlled by Leonarto Funds SCSp (through Leonarto Management S.a.r.l). Together with the entities controlled by him, Konrad Pankiewicz holds 300,958 shares of XTPL S.A. constituting 15.80% of the share capital of XTPL S.A.

** TPL sp. z o.o. holds series L and P shares issued for the purpose of an employee share scheme. The shareholders of TPL sp. z o.o. are Filip Granek, the Company's CEO (34% of shares), Sebastian Młodziński, former member of the Company's Supervisory Board and a significant shareholder (33%) and Adriana Pankiewicz, wife of Konrad Pankiewicz, member of the Company's Supervisory Board (33%).

Since 23 April 2020 (publication date of the annual report for 2019) there have been no changes relating to significant shareholdings.

3.2 Shares held by members of management and supervisory bodies

As at the Balance Sheet Date and the Report Date, the Management Board and Supervisory Board members held the Company's shares as per the table below:

Ref.	Name	Role	Shares held
1.	Filip Granek	CEO	310,592
2.	Wiesław Rozłucki	Chairman of the Supervisory Board	-
3.	Bartosz Wojciechowski	Deputy Chairman of the Supervisory Board	440
4.	Herbert Wirth	Supervisory Board Member	-
5.	Konrad Pankiewicz	Supervisory Board Member	2,943
6.	Piotr Lembas	Supervisory Board Member	-

Since 23 April 2020 (publication date of the annual report for 2019) there have been no changes relating to significant shareholdings by Management Board or Supervisory Board members.

Condensed stand-alone financial statements

4 Condensed stand-alone financial statements

4.1 Condensed stand-alone statement of financial position

ASSETS	NOTE	31.03.2020 PLN'000	31.12.2019 PLN'000
Non-current assets		4,020	3,658
Property, plant and equipment		565	646
Intangible assets	1	2,677	2,721
Non-current receivables	1a	779	291
Current assets		3,552	5,134
Trade receivables		36	1
Other receivables		1,106	935
Cash and cash equivalents		2,349	4,153
Other assets		61	46
Total assets		7,572	8,792

EQUITY AND LIABILITIES	NOTE	31.03.2020 PLN'000	31.12.2019 PLN'000
Total equity		5,697	6,892
Share capital		190	190
Supplementary capital		18,726	18,726
Reserve capital		14,999	13,026
Retained profit (loss carried forward)		-25,050	-372
Profit (loss) after tax		-3,168	-24,678
Short term liabilities		1,875	1,900
Trade liabilities		918	1,018
Current financial liabilities		1	1
Other liabilities	8	956	881
Total equity and liabilities		7,572	8,792

4.2 Condensed stand-alone statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	NOTE	1.01.2020 – 31.03.2020 PLN`000	1.01.2019 – 31.03.2019 PLN`000
Continued operations			
Sales	12	932	215
Revenue from research services and development		20	-
Revenue from the sale of products		19	-
Revenue from grants	13	893	215
Cost of sales		1,175	1,197
Research and development expenses	4a	1,175	1,197
Gross profit (loss)		-243	-982
General and administrative expenses	4a	3,193	1,646
Other operating income		-	1
Other operating costs		2	9
Operating profit (loss)		-3,438	-2,636
Financial revenues		270	10
Financial expenses		-	6
Profit/ loss before tax		-3,168	-2,632
Income tax		-	18
Profit (loss) attributable to minority interests			
Net profit (loss) on continued operations		-3,168	-2,650
Discontinued operations		-	-
Net profit (loss) on discontinued operations			
Net profit (loss) on continued and discontinued operations		-3,168	-2,650
Other comprehensive income		-	-
Total comprehensive income		-3,168	-2,650
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-1.66	-1.49
Diluted		-1.66	-1.49
On continued and discontinued operations			
Ordinary		-1.66	-1.49
Diluted		-1.66	-1.49
number of shares		1,904,222	1,783,620

4.3 Condensed stand-alone statement of changes in equity

STATEMENT OF CHANGES					
IN EQUITY	Share capital	Supplementary capital	Reserve capital	Retained profit (loss carried forward)	Total
As at 1 January 2020	190	18,726	13,026	-25,050	6,892
Comprehensive income:	-	-	-	-3,168	-3,168
Profit (loss) after tax	-	-	-	-3,168	-3,168
Transactions with owners:	-	-	1,974	-	1,974
Issue of shares	-	-	-	-	-
Incentive scheme	-	-	1,974	-	1,974
Distribution of profit	-	-	-	-	-
As at 31 March 2020	190	18,726	14,999	-28,218	5,697
As at 1 January 2019	178	16,340	-	-7,581	8,937
Comprehensive income:	-	-	-	-24,678	-24,678
Profit (loss) after tax	-	-	-	-24,678	-24,678
Transactions with owners:	12	2,386	13,206	7,209	22,633
Issue of shares	12	9,595	-	-	9,607
Incentive scheme	-	-	13,026	-	13,026
Distribution of profit	-	-7,209	-	7,209	-
As at 31 December 2019	190	18,726	13,026	-25,050	6,892

4.4 Condensed stand-alone statement of cash flows

STATEMENT OF CASH FLOWS	1.01.2020	1.01.2019
	31.03.2020	31.03.2019
	PLN'000	PLN'000
Cash flows from operating activities		
Profit (loss) before tax	-3,168	-2,650
Total adjustments:	1,583	363
Depreciation/amortization	129	179
FX gains (losses)	-201	-
Interest and profit distributions (dividends)	-71	-9
Change in the balance of provisions	74	-70
Change in the balance of receivables	-208	-161
Change in current liabilities, except bank and other loans	-98	440
Change in prepayments/accruals	-16	-16
Other adjustments	1,974	-
Total cash flows from operating activities	-1,585	-2,287
Cash flows from investing activities		
Inflows	4	5
Interest on financial assets	4	5
Outflows	273	1,300
Acquisition of tangible and intangible fixed assets	3	44
Acquisition of financial assets	270	1,256
Other investment outflows	-	-
Total cash flows from investing activities	-269	-1,295
Cash flows from financing activities		
Inflows	50	-
Bank and other loans	50	-
Outflows	-	7
Finance lease payments	-	6
Interest	-	1
Total cash flows from financing activities	50	-7
Total cash flows from investing activities	-1,804	-3,589
Change in cash and cash equivalents:	-1,804	-3,589
– change in cash due to FX differences	-	-
Cash and cash equivalents at the beginning of the period	4,154	5,536
Cash and cash equivalents at the end of the period, including:	2,349	1,947
– restricted cash	-	-

4.5 Notes

Due to the fact that the data in some notes to the stand-alone financial statements are the same as those in the notes to the consolidated financial statements, the stand-alone financial statements contain only the notes whose data differ from the notes prepared for consolidated financial statements.

Note 1a. Non-current receivables

Non-current receivables	figures in PLN thousand	31 March 2020	31 December 2019
Loans granted		727	239
Security deposits		33	33
Shares		19	19
Total non-current receivables		779	291

Note 2a. Fair value of the individual classes financial assets and liabilities

	Category as per IFRS 9	Book value		Fair value	
		31 March 2020	31 December 2019	31 March 2020	31 December 2019
Financial assets					
Loans granted	WwgZK	727	239	727	239
Trade receivables	WwgZK	36	1	36	1
Other receivables	WwgZK	1,106	935	1,106	935
Cash and cash equivalents	WwWGpWF	2,349	4,153	2,349	4,153
Total		4,218	5,328	4,218	5,328
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	-	-	-	-
Finance lease liabilities	PZFwgZK	1	1	1	1
Trade liabilities	PZFwgZK	918	1,018	918	1,018
Other liabilities	PZFwgZK	956	881	956	881
Total		1,875	1,900	1,875	1,900

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 the Balance Sheet Date and 31 December 2019 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.

At the Balance Sheet Date, the Company did not have any financial instruments measured at fair value.

Note 3a. Explanations to the statement of cash flows

Explanations to selected items of the statement of cash flows are presented below. Reconciliation of the profit-before-tax disclosed in the statement of cash flows:

	figures in PLN thousand	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
PBT presented in the statement of comprehensive income		-3,168	-2,650
PBT presented in the statement of cash flows		-3,168	-2,650
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS			
Realized interest on financing activities		-4	-5
Realized interest on investing activities		-	1
Unrealized interest on financing activities		-67	-5
Total interest and dividends:		-71	-9
CHANGE IN THE BALANCE OF RECEIVABLES			
Change in the balance of trade receivables		-35	-161
Other receivables		-173	-
Total change in the balance of receivables		-208	-161
CHANGE IN THE BALANCE OF LIABILITIES			
Change in the balance of trade liabilities		-99	541
Other liabilities		1	-
Total change in the balance of liabilities:		-98	541
Cash and cash equivalents at the end of the period			
Statement of cash flows		2,350	1,947
Statement of financial position		2,349	1,948

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

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

Note 4a. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Depreciation/ amortization, including		143	179
– depreciation of tangible assets		84	102
– amortization of intangible assets		58	77
Use of raw materials and consumables		128	178
External services		736	893
Cost of employee benefits		3,274	1,304
Taxes and charges		15	75
Other costs by type		86	215
Value of goods and materials sold		-	-
Total costs by type, including:		4,382	2,843
Items reported as research and development costs		1,175	1,197
Items reported as cost of finished goods sold			
Items reported as general and administrative expenses		3,193	1,646
Change in finished goods			
Cost of producing services for internal needs of the entity		14	-

Recognition of costs related to the valuation of the incentive scheme in the total amount of PLN 1,974 thousand (PLN 395 thousand recognized in the cost of research & development, and PLN 1,579 thousand in general and administrative expenses) has no impact on the 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 5a. Related party transactions

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

01.01.2019 - 31.03.2019	figures in PLN thousand	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		-	-	-	6
Loans granted		-	-	-	1,237
Financial expenses – interest on loans		-	-	-	-

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

*** the item includes entities linked through key management*

Terms of transactions with related entities (including 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, i.e. from 1 January 2020 to 31 March 2020, the Company did not create any allowances for doubtful receivables from related parties. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

Note 6a. Date of approval of the financial statements for publication

This financial report for the period from 1 January 2020 to 31 March 2020 was approved for publication by the Company's Management Board on 27 May 2020.

Condensed consolidated financial statements

5 Condensed consolidated financial statements

5.1 Condensed consolidated statement of financial position

ASSETS	NOTE	31.03.2020 PLN'000	31.12.2019 PLN'000
Non-current assets		3,467	3,639
Property, plant and equipment		565	646
Intangible assets	1	2,677	2,721
Non-current receivables	6	226	272
Current assets		3,678	5,199
Trade receivables		36	0
Other receivables		1,106	935
Cash and cash equivalents		2,395	4,206
Other assets		141	58
Total assets		7,145	8,838

EQUITY AND LIABILITIES	NOTE	31.03.2020 PLN'000	31.12.2019 PLN'000
Total equity		5,244	6,907
Share capital		190	190
Supplementary capital		18,726	18,726
Reserve capital		14,123	12,150
FX differences arising on translation		-176	10
Retained profit (loss carried forward)		-24,169	-372
Profit (loss) after tax		-3,450	-23,797
Short term liabilities		1,901	1,931
Trade liabilities		944	1,048
Current financial liabilities		1	1
Other liabilities	8	956	882
Total equity and liabilities		7,145	8,838

5.2 Condensed consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	NOTE	1.01.2020 – 31.03.2020	1.01.2019 – 31.03.2019
		PLN'000	PLN'000
Continued operations			
Sales	12	932	215
Revenue from research services and development		20	-
Revenue from the sale of products		19	-
Revenue from grants	13	893	215
Cost of sales		1,175	1,197
Research and development expenses	14	1,175	1,197
Gross profit (loss)		-243	-983
General and administrative expenses	14	3,411	2,336
Other operating income		-	1
Other operating costs		2	9
Operating profit (loss)		-3,656	-3,326
Financial revenues		207	10
Financial expenses		-	6
Profit/ loss before tax		-3,449	-3,322
Income tax		1	18
Net profit (loss) on continued operations		-3,450	-3,341
Discontinued operations		-	-
Net profit (loss) on discontinued operations		-	-
Net profit (loss) on continued and discontinued operations		-3,450	-3,341
Profit (loss) of non-controlling interests		-	-398
Profit (loss) attributable to shareholders of the parent		-3,450	-2,943
Other comprehensive income		-	-
Items that can be transferred to profit or loss in subsequent reporting periods		-	-
FX differences arising on conversion of foreign affiliates		-	-
Items that will not be transferred to profit or loss in subsequent periods		-	-
Total comprehensive income		-3,450	-3,341
Total comprehensive income attributable to non-controlling shareholders		-	-398
Total comprehensive income attributable to the parent company		-3,450	-2,943
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-1.81	-1.87
Diluted		-1.81	-1.87
On continued and discontinued operations			
Ordinary		-1.81	-1.87
Diluted		-1.81	-1.87
number of shares		1,904,222	1,783,620

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)	Non- controlling interests	Total
As at 1 January 2020	190	18,726	12,150	10	-24,169	-	6,907
Comprehensive income:	-	-	-	-186	-3,464	-	-3,650
Profit (loss) after tax	-	-	-	-	-3,464	-	-3,464
Other comprehensive income	-	-	-	-186	-	-	-186
Transactions with owners:	-	-	1,974	-	-	-	1,974
Incentive scheme	-	-	1,974	-	-	-	1,974
As at 31 March 2020	190	18,726	14,124	-176	-27,633	-	5,231
As at 1 January 2019	178	16,340	-	-	-7,581	-	8,937
Comprehensive income:	-	-	-	10	-23,797	-401	-24,188
Profit (loss) after tax	-	-	-	-	-23,797	-401	-24,198
Other comprehensive income	-	-	-	10	-	-	10
Transactions with owners:	12	2,386	12,150	-	7,209	401	22,158
Issue of shares	12	9,595	-	-	-	-	9,607
Incentive scheme	-	-	13,026	-	-	-	13,026
Non-controlling interests arising after taking control of XTPL Inc.	-	-	-	-	-	-475	-475
Acquisition of shares of XTPL Inc. without changing the level of control	-	-	-876	-	-	876	-
Distribution of profit	-	-7,209	-	-	7,209	-	-
As at 31 December 2019	190	18,726	12,150	10	-24,169	-	6,907

5.4 Condensed consolidated statement of cash flows

STATEMENT OF CASH FLOWS	1.03.2020	1.01.2019
	31.03.2020	31.03.2019
	PLN'000	PLN'000
Cash flows from operating activities		
Profit (loss) before tax	-3,449	-3,341
Total adjustments:	1,587	-66
Depreciation/amortization	129	179
FX gains (losses)	-190	-10
Interest and profit distributions (dividends)	-8	-9
Profit (loss) on investing activities	-	-
Change in the balance of provisions	74	-70
Change in the balance of inventories	-	-
Change in the balance of receivables	-207	-161
Change in current liabilities, except bank and other loans	-103	541
Change in prepayments/accruals	-83	-69
Income tax paid	1	-
Other adjustments	1,974	-487
Total cash flows from operating activities	-1,862	-3,407
Cash flows from investing activities		
Inflows	4	5
Interest on financial assets	4	5
Outflows	3	44
Acquisition of tangible and intangible fixed assets	3	44
Total cash flows from investing activities	1	-39
Cash flows from financing activities		
Inflows	50	-
Bank and other loans	50	-
Other financial inflows	-	-
Outflows	-	7
Finance lease payments	-	6
Interest	-	1
Total cash flows from financing activities	50	-7
Total cash flows from investing activities	-1,811	-3,452
Change in cash and cash equivalents:	-1,811	-3,453
– change in cash due to FX differences	-	-
Cash and cash equivalents at the beginning of the period	4,207	5,536
Cash and cash equivalents at the end of the period, including:	2,395	2,083
– restricted cash	-	-

5.5 Notes

Note 1 Intangible assets

OTHER INTANGIBLE ASSETS	figures in PLN thousand	31.03.2020	31.12.2019
Acquired concessions, patents, licenses and similar rights		19	23
Intellectual property rights		54	108
In-process development expenditure		2,604	2,590
Total		2,677	2,721

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 2020, 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	figures in PLN thousand	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
XTPL printers		-	206
Computer sets		3	4
Office equipment		-	54
Total significant acquisitions		3	264

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

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

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

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

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

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

Note 6. Non-current receivables

Non-current receivables	figures in PLN thousand	31 March 2020	31 December 2019
Loans granted		193	239
Security deposits		33	33
Shares		-	-
Total non-current receivables		226	272

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

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

Note 8. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	figures in PLN thousand	01.01.2020 - 31.03.2020	01.01.2019 - 31.12.2019
Balance at the beginning of the period		302	292
increased/ created		239	956
utilisation		-	374
release		165	572
Balance at the end of the period		376	302

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

Category as per IFRS 9	Book value		Fair value		
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	
Financial assets					
Loans granted	WwgZK	193	239	193	239
Trade receivables	WwgZK	36	-	36	-
Other receivables	WwgZK	1,106	935	1,106	935
Cash and cash equivalents	WwWGpWF	2,394	4,206	2,394	4,206
Total		3,729	5,380	3,729	5,380

Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	-	-	-	-
Finance lease liabilities	PZFwgZK	1	1	1	1
Trade liabilities	PZFwgZK	944	1,048	944	1,048
Other liabilities	PZFwgZK	956	882	956	882
Total		1,901	1,931	1,901	1,931

Abbreviations used:

WwgZK – Measured at amortized cost

PZFwgZK – Other liabilities measured at amortised cost

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

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

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

As at 31 March 2020, the Group did not have any financial instruments measured at fair value.

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

	figures in PLN thousand	01.01.2020	01.01.2019
		31.03.2020	31.03.2019
PBT presented in the statement of comprehensive income		-3,449	-3,341
PBT presented in the statement of cash flows		-3,449	-3,341
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS			
		01.01.2020	01.01.2019
		31.03.2020	31.03.2019
Realized interest on financing activities		-4	-5
Realized interest on investing activities		-	1
Unrealized interest on financing activities		-4	-5
Total interest and dividends:		-8	-9

	01.01.2020	01.01.2019
CHANGE IN THE BALANCE OF RECEIVABLES	-	-
	31.03.2020	31.03.2019
Change in the balance of trade receivables	-34	-161
Other receivables	-173	-
Total change in the balance of receivables	-207	-161
CHANGE IN THE BALANCE OF LIABILITIES	-	-
	31.03.2020	31.03.2019
Change in the balance of trade liabilities	-104	541
Other liabilities	1	-
Total change in the balance of liabilities:	-103	541
Cash and cash equivalents at the end of the period	-	-
	31.03.2020	31.03.2019
Statement of cash flows	2,396	2,083
Statement of financial position	2,395	2,085

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

In 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	figures in PLN thousand	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Revenue from research and development services		20	-
Revenue from the sale of products		19	-
Revenue from grants		893	215
Total net revenue from sales		932	215

Note 13. Grants

Inflows from grants	figures in PLN thousand	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
– to operations		893	215
– to assets		-	-
Total inflows from grants		893	215

Note 14. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Depreciation/ amortization, including		143	179
– depreciation of tangible assets		84	102
– amortization of intangible assets		58	77
Use of raw materials and consumables		128	178
External services		944	1,560
Cost of employee benefits		3,274	1,304
Taxes and charges		15	75
Other costs by type		96	238
Value of goods and materials sold		-	-
Total costs by type, including:		4,600	3,533
Items reported as research and development costs		1,175	1,197
Items reported as cost of finished goods sold			
Items reported as general and administrative expenses		3,411	2,336
Change in finished goods			
Cost of producing services for internal needs of the entity		14	-

Recognition of costs related to the valuation of the incentive scheme in the total amount of PLN 1,974 thousand (PLN 395 thousand recognized in the cost of research & development, and PLN 1,579 thousand in general and administrative expenses) has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are 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

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

01.01.2019 - 31.03.2019	figures in PLN thousand	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		-	-	-	6
Loans granted		-	-	-	-

Financial expenses – interest on loans

- - - -

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

** the item includes entities linked through key management

Terms of transactions with related entities (including 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, i.e. from 1 January 2020 to 31 March 2020, the Company did not create any allowances for doubtful receivables from related parties. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

Note 16. Deferred tax

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income	Statement of financial position as at
	31.03.2020	31.03.2019	01.01.2020 - 31.03.2020	31.12.2019
In respect of:				
Interest on loans and deposits	67	4	63	24
Total deferred tax liability	67	4	63	24
Set-off with deferred tax assets	-67	-4	-63	-24
Net deferred tax liability	-	-	-	-

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income	Statement of financial position as at
	31.03.2020	31.03.2019	01.01.2020 - 31.03.2020	31.12.2019
Due to differences between the tax value and the carrying amount:				
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	-	17	-14	14
Accruals for unused annual leaves	60	34	50	10
Provision for the cost external services	7	22	7	-
Total deferred tax assets	67	73	43	24
Set-off with a deferred tax liability	67	4	43	24
Net deferred tax assets	-	69	-	-

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 2020, the Group did not invest in any debt instruments and, therefore, is not exposed to any price risk.

CURRENCY RISK

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

INTEREST RATE RISK

Deposit transactions are made with institutions with a strong and stable market position. The instruments used – short-term, fixed-rate transactions – ensure full security. The Group used no loans in the period from January to March 2020.

LIQUIDITY RISK

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

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

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

CREDIT RISK

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

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

Note 18. Material settlements on account of court cases

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

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

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

Note 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. All the Group's contingent liabilities originated before 31 December 2018.

The change in the value of contingent liabilities in relation 31 December 2019 amounts to PLN 854 thousand. It is caused by the payment of the next two tranches of subsidies totalling PLN 854 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	31.12.2019	31.12.2019
Promissory notes	7,011	6,157
Total contingent liabilities	7,011	6,157

Note 21. Incentive scheme

In the Reporting Period, in the consolidated statement of comprehensive income the Company 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 1,974 thousand and was fully taken to the profit or loss of the current period.

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	WITHOUT THE INCENTIVE SCHEME	WITH THE INCENTIVE SCHEME
	PLN'000	PLN'000
Continued operations		
Sales	932	932
Revenue from research and development services	20	20
Revenue from the sale of products	19	19
Revenue from grants	893	893
Cost of sales	780	1,175
Research and development expenses	780	1,175
Gross profit (loss)	152	-243
General and administrative expenses	1,832	3,411
Other operating income	-	-
Other operating costs	2	2
Operating profit (loss)	-1,682	-3,656
Financial revenues	207	207
Financial expenses	-	-
Profit/ loss before tax	-1,475	-3,449
Income tax	1	1
Net profit (loss) on continued operations	-1,476	-3,450

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. The General Meeting to be held on 8 June 2020 was called. The EGM agenda primarily provides for adoption of resolutions regarding the issue of shares and convertible bonds. As part of this financing round, the company plans to raise ca. PLN 5 million.

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	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Nanoinks	19	-
Research and development services	20	-
TOTAL	39	-

Note 27. Information about the influence of changes in the composition of the entity during the interim period, any business combinations, acquisition or loss of control over subsidiaries, long-term investments, restructures or discontinued businesses.

In the reporting period there were no changes in the Group's composition.

Note 28. 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 29. Effect of application of new accounting standards and changes in accounting policy

Standards and interpretations awaiting approval by the EU:

IFRS 17 Insurance Contracts – applicable to the annual periods commencing on or after 1 January 2021. IFRS 17 has replaced IFRS 4 Insurance Contracts. IFRS 17 introduces uniform principles for recognizing and measuring insurance and reinsurance contracts at their present value.

Amendments to **IFRS 10** Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, with subsequent changes – the effective date not been announced by the IASB.

Amendment to **IFRS 1** – applicable to the annual periods commencing on or after 1 January 2022. The amendments affect the IAS 1 requirements relating to the presentation of liabilities.

According to preliminary estimates of the Parent's Management Board, the above standards, interpretations and amendments to standards will not have a significant impact on the Group's financial statements.

Note 30. 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 31. Correction of errors from previous periods

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

Note 32. Date of approval of the financial statements for publication

This financial report for the period from 1 January 2020 to 31 March 2020 was approved for publication by the Parent Company's Management Board on 27 May 2020.

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

On 11 May 2020, the Issuer announced that as a result of receipt of potential investors' preliminary declarations regarding involvement in financing the Company's operations, as well as taking into account the Company's further development plans and its financial needs, it has decided to start activities aimed at raising new financing for the Company through the issue of new shares and convertible bonds. Bearing this decision in mind, the Company called an Extraordinary General Meeting to be held on 8 June 2020. The EGM agenda primarily provides for adoption of resolutions regarding the issue of shares and convertible bonds. As part of this financing round, the company plans to raise ca. PLN 5 million.

Additional information and approval for publication

6 Additional information

6.1 General information and basis of preparation

The financial statements of XTPL Group (stand-alone and consolidated financial statements) cover the period of three months ended 31 March 2020, and the comparative data for the period of three months ended 31 March 2019. They were prepared using the historical cost convention. The financial statements have been prepared on the assumption that the Company will continue in operation for at least a year from the Report Date.

Given the Company's market development stage (the Company does not yet generate significant revenues from the sale of products and services, and its activity is financed primarily from equity and 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 2019 as published on 23 April 2020.

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

	2020 January–March/ 31 March		2019 January–March/ 31 December	
	EUR	USD	EUR	USD
exchange rates used in the financial statements				
for the balance sheet items	4.5523	4.1466	4.5523	4.1466
for profit or loss and cash flow items	4.3963	3.9907	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 2019 published on 23 April 2020.

7 Approval for publication

This report for the first quarter of 2020 ended 31 March 2020 was approved for publication by the Company's Management Board on 27 May 2020.

Signature of the Management Board:

Prezes Zarządu

Filip Granek



Person responsible for maintaining books of account

Chief Accountant

Katarzyna Kulik

Wrocław, 27 May 2020