



STANDALONE FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1, 2023 TO DECEMBER 31, 2023

XTPL S.A.

APRIL 25 2024 R.

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 December 31, 2023 (“**Balance Sheet Date**”), the share capital of XTPL S.A. amounted to PLN 230,422.20 and consisted of 2,304,222 shares with a nominal value of PLN 0.10 each.

XTPL S.A. forms the XTPL Group (“**Group**”, “**XTPL Group**”). This document contains the standalone financial statements of XTPL.

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

This report (“**Report**”) contains standalone financial statements of XTPL S.A. for the period from January 1, 2023 to December 31, 2023 (“**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date (“**Report Date**”) is April 25, 2024. As at the Report Date, the share capital of XTPL S.A. amounted to PLN 234,987.70 and consisted of 2,349,877 shares with a nominal value of PLN 0.10 each (“**Shares**”).

“**Regulation on current and financial reports**” – the Finance Minister’s Regulation of March 29, 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 September 29, 1994.

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

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

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Selected standalone figures and key information about the Issuer

1 SELECTED STANDALONE FIGURES

Figures in PLN thousand	January 1 – December 31, 2023		January 1 – December 31, 2022	
	PLN	EUR	PLN	EUR
Net revenue from the sale of products and services	13,418	2,963	10,042	2,142
Revenue from grants	2,057	454	2,775	592
Profit (loss) on sales	7,048	1,556	5,985	1,277
Profit (loss) before tax	-6,255	-1,381	-2,257	-481
Profit (loss) after tax	-6,255	-1,381	-2,257	-481
Depreciation/amortization	1,958	432	1,004	214
Net cash flows from operating activities	-4,792	-1,058	4,745	1,012
Net cash flows from investing activities	-8,644	-1,909	-2,469	-527
Net cash flows from financing activities	33,560	7,411	-833	-178
Figures in PLN thousand	December 31, 2023		December 31, 2022	
Equity	32,479	7,470	4,153	886
Short-term liabilities	9,370	2,155	7,076	1,509
Long-term liabilities	4,970	1,143	6,447	1,375
Cash and cash equivalents	26,043	5,990	5,891	1,256
Short-term receivables	4,107	945	2,577	549
Long-term receivables	33	8	366	78

2 KEY INFORMATION ABOUT THE ISSUER

Business name:	XTPL Spółka Akcyjna
Registered Office:	Wrocław, Poland
Address	Stabłowicka 147, 54-066 Wrocław, Poland
Country	Poland
KRS:	0000619674
NIP (Tax Identification Number)/EU VAT No.	9512394886
REGON	361898062
Registry Court:	District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register
Country of registration:	Poland
Share capital:	PLN 234,987.70, paid up in full.
Phone number:	+48 71,707 22 04
Website:	www.xtpl.com
Email:	investors@xtpl.com
Place of business:	Stabłowicka 147, 54-066 Wrocław, Poland
<u>Activity Code:</u>	72.19.Z, OTHER RESEARCH AND EXPERIMENTAL DEVELOPMENT ON NATURAL SCIENCES AND ENGINEERING;

XTPL S.A. (joint stock 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 presented standalone financial statements cover the period of 12 months from January 1 to December 31, 2023.

Management Board

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

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

Supervisory Board:

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

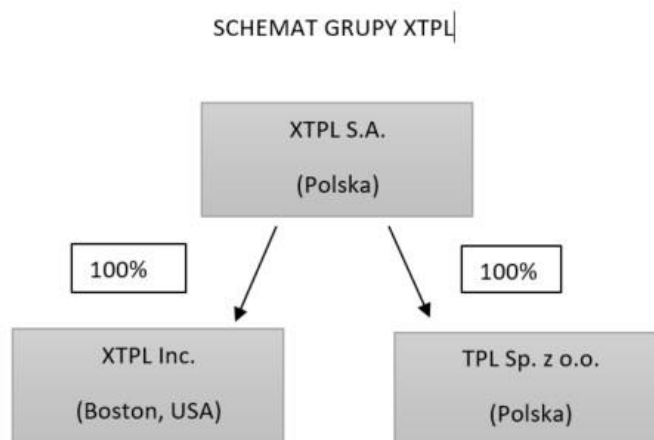
- Wiesław Rozłucki, PhD – Chairman of the Supervisory Board – an independent Supervisory Board Member
- Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
- Beata Turlejska – Supervisory Board Member
- Professor Herbert Wirth – an independent Supervisory Board Member
- Piotr Lembas – an independent Supervisory Board Member

Audit Committee:

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

- Piotr Lembas – Chairman of the Audit Committee
- Wiesław Rozłucki, PhD – independent Audit Committee Member
- Professor Herbert Wirth – independent Audit Committee Member

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



Annual standalone financial statements

3 ANNUAL STANDALONE FINANCIAL STATEMENTS

3.1 Period covered by the financial statements

These financial statements cover the period of 12 months ended December 31, 2023 and the data as of that date.

3.2 Comparative data

The statement of comprehensive income, the statement of cash flows and the statement of changes in equity cover the data for the 12 months ended December 31, 2023 as well as comparative data for the period of 12 months ended December 31, 2022.

The statement of financial position covers the data presented as at December 31, 2023, and comparative data as at December 31, 2022.

3.3. Identification of consolidated financial statements

These are standalone financial statements. As at December 31, 2023, the Parent Company had two subsidiaries and prepares consolidated financial statements, which are presented in a separate document.

3.4 Foreign currency transactions

The items included in the financial statements are presented in the Polish zloty, which is the functional currency of the Company. Transactions expressed in foreign currencies are translated at initial recognition into the functional currency as follows:

- at the exchange rate actually used, i.e. at the buy or sell rate applied by the bank at which the transaction takes place, in the case of currency sale or purchase transactions and payment of receivables or liabilities, or at the rate arising from contracts signed with the entity's bank or the rate agreed through negotiations;
- at the average exchange rate set for the particular currency by the National Bank of Poland as at the transaction date for other transactions. The exchange rate applicable at the transaction date is the average exchange rate of the National Banking of Poland announced on the last business day before the transaction.
- At the end of each reporting period:
- any cash items expressed in foreign currency are converted using the closing rate applicable on that day, i.e. the average exchange rate set for the particular currency by the National Bank of Poland;
- any non-cash items measured at historical cost in a foreign currency are converted using the exchange rate (i.e. the average exchange rate set for the particular currency by the National Bank of Poland) applicable on the transaction date, and
- any non-cash items measured at fair value in a foreign currency are converted using the exchange rate (i.e. the average exchange rate set for the particular currency by the National Bank of Poland) applicable on the date of determination of the fair value.
- foreign exchange gains and losses arising from:
- settlement of transactions in a foreign currency;
- balance sheet valuation of cash assets and liabilities other than derivative instruments expressed in foreign currencies are recognized in profit or loss.

3.4.1 FX rates

The following exchange rates were adopted for the purpose of preparing the financial statements:

	2023 January–December		2022 January–December	
	EUR	USD	EUR	USD
exchange rates used in the financial statements				
for balance sheet items	4.3480	3.9350	4.6899	4.4018
for profit or loss and cash flow items	4.5284	4.1823	4.6883	4.4679

3.5 Basis of preparation

These standalone financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value. These standalone financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) approved by the EU. Taking into account the ongoing IFRS implementation process in the EU, as regards the Company’s operations there is no difference between the already implemented IFRS and the IFRS approved by the EU for the financial year ended December 31, 2023. IAS and IFRS include the standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (IFRIC).

3.5.1 New and amended IFRSs

Presented below are new or amended provisions of IASs/IFRSs and IFRIC interpretations that were adopted in the EU and applied by the Group since January 1, 2023:

- *IFRS 17 Insurance Contracts (published on May 18, 2017), including amendments to IFRS 17 Insurance Contracts (published on June 25, 2020) – applicable to reporting periods commencing on or after January 1, 2023;*
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (published on February 12, 2021) – applicable to reporting periods commencing on or after January 1, 2023;*
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates (published on February 12, 2021) – applicable to reporting periods commencing on or after January 1, 2023.*
- *Amendments to IAS 12 Income Tax; Deferred Tax related to Assets and Liabilities arising from a Single Transaction (published on May 7, 2021) – applicable to reporting periods commencing on or after January 1, 2023;*
- *Amendments to IFRS 17 Insurance Contracts: Initial application of IFRS 17 and IFRS 9 Comparative Information (published on December 9, 2021) – applicable to reporting periods commencing on or after January 1, 2023.*
- *Amendments to IAS 12 Income Tax; International Tax Reform - Pillar Two Model Rules (published on May 23, 2023) - possible to apply an exception and apply the changes immediately, but disclosure requirements are required for annual periods beginning on or after January 1, 2023.*

3.5.2 New standards and interpretations that have been published but have not been adopted for application yet

Presented below are new or amended provisions of IASs/IFRSs and IFRIC interpretations that were already issued by the International Accounting Standards Board and were approved by the EU, but have not been implemented yet:

- *Amendments to IFRS 16 Leases; Lease liability in a sale and leaseback transaction (published on September 22, 2022) - applicable for reporting periods beginning on or after January 1, 2024,*
- *Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current (published on January 23, 2020)*
 - *Classification of liabilities as current or non-current - deferral, effective date (published on July 15, 2020) and*
 - *Non-current liabilities with covenants (published on October 31, 2022), applicable to the reporting periods commencing on or after January 1, 2024.*

The following standards and interpretations have been issued by the International Accounting Standards Board, but have not been approved by the EU yet:

- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures relate to the disclosure of information about supplier finance arrangements (published on May 25, 2023) and are applicable to the annual periods beginning on or after January 1, 2024.*
- *Amendments to IAS 21 Effects of changes in foreign exchange rates: Lack of exchangeability (published on August 15, 2023) - applicable for reporting periods beginning on or after January 1, 2025.*

The effective dates are the dates arising from the standards published by the International Financial Reporting Board. The effective dates of the standards in the European Union may differ from the effective dates arising from the standards and are announced upon the adoption of the standards by the European Union.

3.6 Going concern

These financial statements have been prepared on the assumption that the Company will continue in operation for at least 12 months after the balance sheet date.

When assessing the Company's ability to continue as a going concern, its Management Board takes into account the current cash position, commercialization progress and sales plans, ongoing projects co-funded by the European Union, the ability to meet obligations, and possible plans to obtain further funding.

In November 2023, the Management Board published the Company's 2023-2026 Strategy whose main goal is PLN 100 million in sales revenues by the end of 2026. The investment plan related to the implementation of the Strategy was estimated at PLN 60 million. In July 2023, the Company raised PLN 34 million through the issue of shares, securing the stage of building the organizational structure, increasing production capacity and activities aimed at increasing sales in subsequent periods and financing sales growth. As the Report Date, the stage of expanding the organizational structure, strengthening the team's skill set and increasing production capacity has been largely completed and the Company is focusing on sales-related activities. The sales of equipment, including industrial equipment, are growing. Four of the nine projects aimed at putting the XTPL technology on the production lines of entities from the display, semiconductor and PCB industry are at an advanced stage. This creates the potential to make a significantly larger number of deliveries in subsequent periods, and thus to strengthen the Company's operational cash flow. The cash available to the Company at the Report Date ensures continued operations for the next 12 months, and growing sales revenues should enable financing of business growth in the coming years. If a high-value contract is signed with an industrial partner, the Company's Management Board will not rule out the need to finance part of the contract with debt.

The Company wishes to continue participating in subsequent grant programs that can largely finance its internal R&D.

After the balance sheet date, the convertible bonds were converted into shares with a nominal value of PLN 3,378 thousand, which did not affect the Company's financial position.

The impact of the pandemic and the war in Ukraine on the Company's operations was described in Note 3.12.66 and Note 3.12.67 of the report, respectively.

3.7 Approval of the financial statements

This financial report for the period from January 1, 2023 to December 31, 2023 was approved for publication by the XTPL Management Board on 25 April 2024.

3.8 Annual standalone statement of financial position

ASSETS	NOTE	31.12.2023	31.12.2022
Non-current assets		14,654	8,103
Property, plant and equipment	4,5,6,7,8,9	5,072	4,298
Intangible assets	1,2,3	9,549	3,439
Long-term receivables	13	33	366
Current assets		32,165	9,573
Inventories		1,830	948
Trade receivables	18	1,193	776
Other receivables	19	2,914	1,801
Cash and cash equivalents	20	26,043	5,891
Other assets		185	157
Total assets		46,819	17,676

EQUITY AND LIABILITIES	NOTE	31.12.2023	31.12.2022
Total equity		32,479	4,153
Share capital	23	230	203
Supplementary capital		36,084	1,531
Reserve capital		2,792	5,048
Retained earnings, including:		-6,627	-2,629
- <i>current period profit/loss</i>		-6,255	-2,257
Long-term liabilities		4,970	6,447
Long-term financial liabilities	25	169	3,573
Deferred income in respect of grants	30	4,801	2,874
Short-term liabilities		9,370	7,076
Trade liabilities	26	1,947	1,429
Short-term financial liabilities	29	3,980	337
Other liabilities	27	1,797	3,021
Deferred income in respect of grants	30	1,646	2,289
Total equity and liabilities		46,819	17,676

3.9 Annual standalone statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME PLN '000	NOTE	01.01.2023 31.12.2023	- 01.01.2022 31.12.2022
Continued operations			
Sales	39	15,475	12,817
Revenues from the sale of products and services	41	13,418	10,042
Revenue from grants	39	2,057	2,775
Cost of sales	42	8,427	6,832
Research and development expenses		5,044	6,081
Cost of finished goods sold		3,383	751
Gross profit (loss)		7,048	5,985
General and administrative expenses	42	11,901	7,814
Other operating income	46	11	-
Other operating costs	47	40	11
Operating profit (loss)		-4,882	-1,840
Financial revenues	48	369	8
Financial expenses	49	1,742	425
Profit/ loss before tax		-6,255	-2,257
Income tax	16.28	-	-
Net profit (loss) on continued operations		-6,255	-2,257
Discontinued operations		-	-
Net profit (loss) on discontinued operations			
Net profit (loss) on continued and discontinued operations		-6,255	-2,257
Other comprehensive income		-	-
Total comprehensive income		-6,255	-2,257
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-2.71	-1.11
Diluted		-2.66	-1.09
On continued and discontinued operations			
Ordinary		-2.71	-1.11
Diluted		-2.66	-1.09
number of shares to calculate ordinary profit (loss) per share		2,304,222	2,029,222
number of shares to calculate diluted profit (loss) per share *		2,349,877	2,074,877

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

3.10 Annual standalone statement of changes in equity

STATEMENT OF CHANGES IN EQUITY PLN '000	Share capital	Supplementary capital	Reserve capital	Retained earnings	Total
As at January 1, 2023	203	1,531	5,048	-2,629	4,153
Comprehensive income:	–	–	–	-6,255	-6,255
Profit (loss) after tax	–	–	–	-6,255	-6,255
Other comprehensive income	–	–	–	–	–
Transactions with owners:	–	34,553	-2,257	2,257	34,580
Issue of shares	27	34,553	–	–	34,580
Incentive scheme	–	–	–	–	–
Distribution of profit	–	–	-2,257	2,257	–
Value of conversion rights under convertible bonds	–	–	–	–	–
As of December 31, 2023	230	36,084	2,792	-6,627	32,479
As at January 1, 2022	203	8,129	3,926	-6,970	5,288
Comprehensive income:	–	–	–	-2,257	-2,257
Profit (loss) after tax	–	–	–	-2,257	-2,257
Other comprehensive income	–	–	–	–	–
Transactions with owners:	–	-6,598	1,122	6,598	1,122
Issue of shares	–	–	–	–	–
Incentive scheme	–	–	1,149	–	1,149
Distribution of profit	–	-6,598	–	6,598	–
Value of conversion rights under convertible bonds	–	–	-27	–	-27
As at December 31, 2022	203	1,531	5,048	-2,629	4,153

3.11 Annual standalone statement of cash flows

STATEMENT OF CASH FLOWS PLN '000	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Cash flows from operating activities		
Profit (loss) before tax	-6,255	-2,257
Total adjustments:	1,463	7,002
Depreciation/amortization	1,840	1,004
FX gains (losses)	-28	2
Interest and profit distributions (dividends)	36	177
Profit (loss) on investing activities	1,321	157
Change in the balance of provisions	187	43
Change in the balance of inventories	-881	-388
Change in the balance of receivables	-1,375	-742
Change in short-term liabilities, except bank and other loans	-893	2,330
Change in other assets	-28	-54
Change in the balance of grants to be settled	1,284	3,324
Income tax paid	–	–
Incentive scheme valuation	–	1,149
Total cash flows from operating activities	-4,792	4,745
Cash flows from investing activities		
Inflows	468	271
Disposal of tangible and intangible assets	–	169
Repayment of long-term loans	180	100
Interest on financial assets	288	2
Outflows	9,112	2,740
Acquisition of tangible and intangible fixed assets	7,791	2,606
Acquisition of financial assets	790	–
Long-term loans granted	531	134
Other investment outflows	–	–
Total cash flows from investing activities	-8,644	-2,469
Cash flows from financing activities		
Inflows	34,776	-
Issue of shares	34,580	–
Bank and other loans	196	–
Issue of bonds	–	–
Outflows	1,216	833
Acquisition of own shares	–	–
Payment of dividend	–	–
Repayment of bank and other loans	–	–
Purchase of debt securities	–	221
Lease payments	1,059	530
Interest	157	81
Total cash flows from financing activities	33,560	-833
Total cash flows from investing activities	20,124	1,443
Change in cash and cash equivalents:	20,152	1,418
– change in cash due to FX differences	28	-25
Cash and cash equivalents at the beginning of the period	5,920	4,477
Cash and cash equivalents at the end of the period	26,044	5,920

3.12 Notes

Notes are an integral part of these financial statements.

3.12.1 Intangible assets

INTANGIBLE ASSETS PLN '000	31.12.2023	31.12.2022
Acquired concessions, patents, licenses and similar rights	–	2
Intellectual property rights	–	–
Other intangible assets	507	–
Completed development	2,029	2,398
In-process development expenditure	7,013	1,039
Total (net)	9,549	3,439
Previous amortization	2,015	1,745
Total (gross)	11,564	5,184

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 December 31, 2023, the Company did not have any agreements whereby it would be required to purchase any intangible assets. In 2023 and 2022, no impairment charges were posted for intangible assets. Under the item "Other intangible assets" as at December 31, 2023, the Company presents expenses incurred in 2023 related to the construction of integrated software and the website of the Parent Company. The assets were not put into use by December 31, 2023.

	PLN '000
In-process development expenditure, including	
Salaries	4,275
External services	1,387
Materials	732
Other	619
Impairment allowances for capitalized expenditure	–
Total	7,013

Completed development and in-process development are described in point 3.12.15 of this report.

3.12.2 Change in intangible assets by type

As at 31.12.2023

PLN '000 (except intangible assets under development)	Acquired concessions, patents, licenses and similar rights	Intellectual property rights	Completed development	Total intangible assets

Gross value of intangible assets at the beginning of the period	100	1,095	2,951	4,146
Increases	–	–	–	–
Acquisition	–	–	–	–
Decreases	76	24	–	100
Gross value of intangible assets at the end of the period	24	1,071	2,951	4,046
Accumulated amortization at the beginning of the period	98	1,095	553	1,746
Increases	2	–	369	371
amortization for the current year	2	–	369	371
Decreases	76	24	–	100
Accumulated amortization at the end of the period	24	1,071	922	2017
impairment allowances at the beginning of the period	–	–	–	–
impairment allowances at the end of the period	–	–	–	–
Net value of intangible assets at the end of the period	–	–	2,029	2029

As at 31.12.2022

PLN '000 (except intangible assets under development)	Acquired concessions, patents, licenses and similar rights	Intellectual property rights	Completed development	Total intangible assets
Gross value of intangible assets at the beginning of the period	100	1,095	2,951	4,146
Increases	–	–	–	–
Acquisition	–	–	–	–
Decreases	–	–	–	–
Gross value of intangible assets at the end of the period	100	1,095	2,951	4,146
Accumulated amortization at the beginning of the period	85	1,095	184	1,364
Increases	13	–	369	381
amortization for the current year	13	–	369	381
Decreases	–	–	–	–
Accumulated amortization at the end of the period	98	1,095	553	1,745
impairment allowances at the beginning of the period	–	–	–	–
impairment allowances at the end of the period	–	–	–	–
Net value of intangible assets at the end of the period	2	–	2,398	2,400

3.12.3 Amortization of intangible assets

Amortization of intangible assets is included in the following items as part of the statement of comprehensive income.

ITEM IN THE STATEMENT OF COMPREHENSIVE INCOME	Year ended	Year ended
Research and development expenses	371	381
Cost of finished goods sold	–	–
General and administrative expenses	–	–
Total	371	381

3.12.4 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT PLN '000	31.12.2023	31.12.2022
Tangible assets, including:	4,574	1,415
technical equipment and machines	975	280
vehicles	79	–
other tangible assets	3,520	1,135
Tangible assets under construction	497	2,882
Property, plant and equipment	5,071	4,297

Tangible assets under construction include expenditure related to the construction of the prototype printing devices as part of grant projects. No tangible assets are used as collateral. In 2023 and 2022, no impairment charges were posted for tangible assets.

TANGIBLE ASSETS LEASED	2023-12-31			2022-12-31		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
technical equipment and machines	225	-130	95	225	-55	170
other tangible assets	1,934	-788	1,146	1,098	-209	889
vehicles	97	-19	78			
Total	2,256	-937	1,319	1,323	-264	1,059

3.12.5 Tangible assets on balance sheet – ownership structure

TANGIBLE ASSETS ON BALANCE SHEET (OWNERSHIP STRUCTURE) PLN '000	31.12.2023	31.12.2022
Own	3,752	3,238
used based on any rental, lease or a similar contract	1,319	1,059
Total tangible assets on the balance sheet	5,071	4,297

3.12.6 Changes in tangible assets by type

As at 31.12.2023

CHANGES IN TANGIBLE ASSETS BY TYPE PLN '000 (except for tangible assets under construction)	technical equipment and machines	vehicles	other tangible assets	Total tangible assets
Gross value of at the beginning of the period	1,690	92	1,905	3,687
Increases	1,069	98	3,585	4,752
acquisition	1,069	98	3,585	4,752
Decreases	765	–	66	831
Gross value at the end of the period	1,994	190	5,424	7,608
Accumulated depreciation at the beginning of the period	1,409	92	769	2,270
Increases	368	19	1,200	1,587
depreciation for the current period	368	19	1,200	1,587
decreases	758	–	65	823
Accumulated depreciation at the end of the period	1,019	111	1,904	3,034
impairment allowances at the beginning of the period	–	–	–	–
impairment allowances at the end of the period	–	–	–	–
Net value of tangible assets at the end of the period	975	79	3,520	4,574

As at 31.12.2022

CHANGES IN TANGIBLE ASSETS BY TYPE PLN '000 (except for tangible assets under construction)	technical equipment and machines	vehicles	other tangible assets	Total tangible assets
Gross value of at the beginning of the period	1,443	91	1,042	2,576
Increases	338	1	1,067	1,405
acquisition	338	1	1,067	1,405
Decreases	92	–	204	296
Gross value at the end of the period	1,690	92	1,905	3,686
Accumulated depreciation at the beginning of the period	1,165	91	432	1,688
Increases	288	1	353	642
depreciation for the current period	288	1	353	642
decreases	44	–	15	59
Accumulated depreciation at the end of the period	1,409	92	769	2,271
impairment allowances at the beginning of the period	–	–	–	–
impairment allowances at the end of the period	–	–	–	–
Net value of tangible assets at the end of the period	280	–	1,135	1,415

3.12.7 Depreciation of tangible assets

Depreciation of tangible assets is reported in the following items of the statement of comprehensive income.

ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME PLN '000	Year ended 31.12.2023	Year ended 31.12.2022
Research and development expenditure	1,224	524
Cost of finished goods sold	73	10
General and administrative expenses	171	88
Total	1,468	622

3.12.8 Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS PLN '000	01.01.2023	01.01.2022
	31.12.2023	31.12.2022
XTPL printers, 3D	821	–
Computer sets	268	197
Rheometer	–	162
Laser measuring system	–	144
Centrifuge	–	592
Anti-vibration system	–	46
Server with software	–	–
Pressure control system and other	17	15
Movement system and components of the gantry system	2,470	–
Other laboratory equipment	163	71
Office equipment	73	–
Total significant acquisitions	3,812	1,227

The incurred expenditure enables further development of UPD technology, both in the material area and the development of subsequent models of printing devices.

3.12.9 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. As at the Balance Sheet Date, the Company did not have any agreements whereby it would be required to purchase any tangible assets.

3.12.10 Investment properties

As at the Balance Sheet Date, no investment properties were included in the Company's statement of financial position.

3.12.11 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.

3.12.12 Transfers between individual fair value hierarchy levels in respect of financial instruments

In the Reporting Period, no transfers took place between individual fair value hierarchy levels in respect of financial instruments.

3.12.13 Long-term receivables and long-term investments

Long-term receivables PLN '000	31.12.2023	31.12.2022
Loans granted	–	322
Security deposits	33	44
Total long-term receivables	33	366

In 2020, the Company's Management Board posted an impairment allowance for 100% of the shares in the subsidiary XTPL Inc. (PLN 19 thousand) due to the stage entity's development.

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.

On December 14, 2023, XTPL Inc. issued 3,000 shares, 100% of which were acquired by XTPL S.A. The value of the new shares was established at USD 1,086 thousand. XTPL S.A. acquired the shares by converting a loan of USD 850 thousand and interest on the loan of USD 236 thousand. Moreover, on December 14, 2023, the value of the 8,000 shares of XTPL Inc. held by XTPL S.A. was increased by USD 200,000 through a capital contribution. As a result of the above, in 2023, the Company's books of account presented an increase of PLN 5,080 thousand in the gross value of the investment in XTPL Inc. (PLN 5,099 thousand vs PLN 19 thousand reported before). As at the balance sheet date of December 31, 2023, taking into account the early stage of XTPL Inc. sales operations, the value of the investment in XTPL Inc. is fully covered by an impairment allowance. Details of the impairment allowance recognized in 2023 is presented in Note 3.12.15.

3.12.14 Capital expenditures

CAPITAL EXPENDITURE INCURRED PLN '000	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
<i>– including on environmental protection</i>		
Expenditures on tangible assets under construction	13	1,155
Tangible assets purchased	1,296	412
Intangible assets purchased	507	
In-process development expenditure	5,975	1,039
Investments in properties	–	–
Total investments in non-financial fixed assets	7,791	2,606
Loans granted	531	134
Acquisition of treasury bills	–	–
Acquisition of shares	789	–
Total investments in financial fixed assets	1,320	134

Total capital expenditure

9,111

2,740

3.12.15 Impairment allowance for financial assets, tangible assets, intangible assets or other assets and reversal of the impairment allowance

Intangible fixed assets – completed development: Delta Printing System - net carrying amount of PLN 2,029 thousand.

As required by IAS 36 Impairment of Assets, the Company's Management Board carried out an impairment test for the Company's assets: cost of completed development – by comparing their carrying amount with recoverable amount. As part of the procedure, the management tested all the previous assumptions underlying the decisions to recognize the development expenditure as an asset. The probability and value of future economic benefits were verified. The test was based on a 5-year forecast, with discount rate of 11.31%. The discount rate includes a risk-free rate based on 10Y treasury bonds, a market risk premium based on A. Damodaran's calculations, 1Y WIBOR + commercial banks' margin, and a beta calculated on the basis of the Company's quotations. The discount rate also takes into account the specific risk of the Company and the premium for the type of assets. The Company did not include the residual value in the test model.

When calculating sales forecasts, account was taken of the fact that the main application field for commercialization based on completed development was the display market (the ODR segment). Three revenue streams were identified: the sale of demonstration printers, sale of printer consumables and services, and license fees.

The test results showed that the recoverable amount of intangible assets exceeds their carrying amount, so there is no need to post any impairment allowances for those assets.

The table below presents the sensitivity of the model to the change in the discount rate.

change in WACC						
9.81%	10.31%	10.81%	11.31%	11.81%	12.31%	12.81%
26,242	25,720	25,211	24,714	24,229	23,756	23,294

Intangible assets – in-process development: laboratory printers in a glove box – book value of PLN 2,402 thousand.

As required by IAS 36 Impairment of Assets, the Company's Management Board carried out an impairment test for the Company's assets: cost of in-process development – by comparing their carrying amount with recoverable amount. As part of the procedure, the management tested all the previous assumptions underlying the decisions to recognize the development expenditure as an asset. The probability and value of future economic benefits were verified. The test was based on a 5-year forecast, with discount rate of 11.31%. The discount rate includes a risk-free rate based on 10Y treasury bonds, a market risk premium based on A. Damodaran's calculations, 1Y WIBOR + commercial banks' margin, and a beta calculated on the basis of the Company's quotations. The discount rate also takes into account the specific risk of the Company and the premium for the type of assets. The Company did not include the residual value in the test model.

When calculating sales forecasts, account was taken of the fact that the main application field for commercialization based on completed development was the display market (the ODR segment). Three revenue streams were identified: the sale of demonstration printers, sale of printer consumables and services, and license fees.

The test results showed that the recoverable amount of intangible assets exceeds their carrying amount, so there is no need to post any impairment allowances for those assets.

The table below presents the sensitivity of the model to the change in the discount rate.

change in WACC						
9.81%	10.31%	10.81%	11.31%	11.81%	12.31%	12.81%
4,641	4,506	4,376	4,249	4,125	4,005	3,888

Intangible assets – in-process development: printers/ printing heads for operating on large substrates – book value of PLN 3,630 thousand

As required by IAS 36 Impairment of Assets, the Company's Management Board carried out an impairment test for the Company's assets: cost of in-process development – by comparing their carrying amount with recoverable amount. As part of the procedure, the management tested all the previous assumptions underlying the decisions to recognize the development expenditure as an asset. The probability and value of future economic benefits were verified. The test was based on a 5-year forecast, with discount rate of 11.31%. The discount rate includes a risk-free rate based on 10Y treasury bonds, a market risk premium based on A. Damodaran's calculations, 1Y WIBOR + commercial banks' margin, and a beta calculated on the basis of the Company's quotations. The discount rate also takes into account the specific risk of the Company and the premium for the type of assets. The Company did not include the residual value in the test model.

When calculating sales forecasts, account was taken of the fact that the main application field for commercialization based on completed development was the display market (the ODR segment). Three revenue streams were identified: the sale of demonstration printers, sale of printer consumables and services, and license fees.

The test results showed that the recoverable amount of intangible assets exceeds their carrying amount, so there is no need to post any impairment allowances for those assets.

The table below presents the sensitivity of the model to the change in the discount rate.

change in WACC						
9.81%	10.31%	10.81%	11.31%	11.81%	12.31%	12.81%
9,317	9,039	8,768	8,505	8,249	8,000	7,757

Intangible assets – in-process development: industrial printing head – book value of PLN 972 thousand.

As required by IAS 36 Impairment of Assets, the Parent Company's Management Board carried out an impairment test for the Company's assets: cost of in-process development – by comparing their carrying amount with recoverable amount. As part of the procedure, the management tested all the previous assumptions underlying the decisions to recognize the development expenditure as an asset. The probability and value of future economic benefits were verified. The test was based on a 5-year forecast, with discount rate of 11.31%. The discount rate includes a risk-free rate based on 10Y treasury bonds, a market risk premium based on A. Damodaran's calculations, 1Y WIBOR + commercial banks' margin, and a beta calculated on the basis of the Company's quotations. The discount rate also takes into account the specific risk of the Company and the premium for the type of assets. The Company did not include the residual value in the test model.

When calculating sales forecasts, account was taken of the fact that the main application field for commercialization based on completed development was the display market (the ODR segment). Three revenue streams were identified: the sale of industrial printing heads, sale of printer consumables and services related to the use of printing heads, and license fees.

The test results showed that the recoverable amount of intangible assets exceeds their carrying amount, so there is no need to post any impairment allowances for those assets.

The table below presents the sensitivity of the model to the change in the discount rate.

change in WACC						
9.81%	10.31%	10.81%	11.31%	11.81%	12.31%	12.81%
18,722	18,257	17,803	17,361	16,930	16,510	16,101

Impairment of financial assets: investment in the subsidiary XTPL Inc.

The financial statements include an impairment allowance on the full value of financial assets: shares in the subsidiary XTPL Inc. On December 14, 2023, XTPL Inc. issued 3,000 shares, 100% of which were acquired by XTPL S.A. The value of the new shares was established at USD 1,086 thousand. XTPL S.A. acquired the shares by converting a loan of USD 850 thousand and interest on the loan of USD 236 thousand. Moreover, on December 14, 2023, the value of the 8,000 shares of XTPL Inc. held by XTPL S.A. was increased by USD 200,000 through a capital contribution. The above measures were aimed at ensuring funding for the operations of XTPL Inc. on the North American market in 2024, in accordance with XTPL's 2023-2026 Strategy.

As a result of the above, in 2023, the Company's books of account presented an increase of PLN 5,080 thousand in the gross value of the investment in XTPL Inc. (PLN 5,099 thousand vs PLN 19 thousand reported before).

Adopting the prudent valuation principle, due to the early stage of XTPL Inc. sales operations, a full impairment allowance on the value of shares in XTPL Inc. was recognized as at December 31, 2023. The impairment allowance of PLN 1,382 thousand taken to the Company's profit or loss for 2023 includes XTPL's capital contribution USD 200 thousand to the subsidiary and the value of loan tranches granted to the entity in 2023 (USD 130 thousand) before December 14, 2023, i.e. before the debt was converted into XTPL Inc. equity.

After the balance sheet date, on March 29, 2024, XTPL Inc. finalized the first order for the Delta Printing System device for an industrial client based in California, USA.

3.12.16 Total deferred tax assets and liabilities

Deferred income tax assets due to negative temporary differences PLN '000	Statement of financial position as at		Impact on the statement of comprehensive income
	31.12.2023	31.12.2022	01.01.2023 - 31.12.2023
Due to differences between the carrying amount and the tax value:			
Accruals for unused annual leaves	87	51	36
Provision for remuneration	3	6	-3
Provision for the cost external services	46		46
Loan valuation	-	6	-6
Total deferred tax assets	136	63	73
Offset against the deferred tax liability	-136	-63	-73
Net deferred tax assets	-	-	-

Deferred tax liability caused by positive temporary differences PLN '000	Statement of financial position as at		Impact on the statement of comprehensive income
	31.12.2023	31.12.2022	01.01.2023 - 31.12.2023
Due to differences between the carrying amount and the tax value:			
Interest on loans and deposits	-	-	-
Leased tangible assets	136	63	73
Total deferred tax liability	136	63	73
Offset against the deferred tax assets	-136	-63	-73
Net deferred tax liability	-	-	-

Negative temporary differences and tax losses for which no deferred tax asset was recognized in the statement of financial position:	Recognition basis assets as at 31.12.2023	Recognition basis assets as at 31.12.2022	Date of expiry of negative temporary differences, tax losses
In respect of:			
Wages and salaries	–	79	–
Accruals for unused annual leaves	–	–	–
Provision for the cost external services	133	531	–
Tax losses	20,882	25,307	2024 / 2028

No deferred tax assets were created under the above headings due to uncertainty as to the possibility of using this asset in future periods.

3.12.17 Inventories

INVENTORIES PLN '000	31.12.2023	31.12.2022
Materials	1,495	733
Work in progress	334	213
Finished products	1	2
<i>Impairment allowance on inventories</i>	-	-
Total	1,830	948

In the Reporting Period, no impairment allowance on inventories was created or reversed.

3.12.18 Trade receivables

TRADE RECEIVABLES PLN '000	31.12.2023	31.12.2022
Trade receivables, including:	1,203	786
Up-to-date	912	786
Overdue	291	–
- 1-30	21	–
- 31-90	70	–
- 91- 180	200	–
- 180 - 365	–	–
- over a year	–	–
including claimed in court	–	–
Total gross trade receivables	1,203	786
Impairment allowances on receivables	–	–
Total net trade receivables	1,203	786
- from related parties	–	–

3.12.19 Other receivables

OTHER RECEIVABLES PLN '000	31.12.2023	31.12.2022
Other receivables, including:		
Statutory receivables (except income tax)	1,333	542
Other receivables	1,437	1,259
including claimed in court	–	–
Short-term loans granted	144	–
Total gross other receivables	2,914	1,801
Impairment allowances on receivables	–	–
Total net other receivables	2,914	1,801
– from related parties	–	–

3.12.20 Cash and cash equivalents

CASH AND CASH EQUIVALENTS PLN '000	31.12.2023	31.12.2022
Cash, including:	26,043	5,891
– cash on hand	–	–
– cash in bank	26,043	5,891
Other cash (short term deposits)	–	–
Other cash assets	–	–
Total cash and other cash assets	26,043	5,891

3.12.21 Restricted cash, including cash in the VAT account

As at the Balance Sheet Date, the Company did not have any cash in its VAT account. Restricted cash presented by the Company also includes PLN 861 thousand worth of funds blocked in favor of a lessor.

3.12.22 Assets held for sale

In the current and comparable periods, the Company did not identify any held-for-sale assets or assets related to discontinued operations.

3.12.23 Share capital

July 12, 2023 saw the end of subscription for the Issuer's series V shares. On July 12, 2023, the Issuer's Management Board made a statement on the final determination of the share capital in the Company's Articles of Association to the effect that the Company's share capital is PLN 230,422.20 (two hundred and thirty thousand four hundred and twenty-two zlotys and 20/100) and is divided into 2,304,222 (two million three hundred and four thousand two hundred and twenty-two) ordinary bearer shares with a nominal value of PLN 0.10 (ten grosz) each, including:

REF.	number of shares	series
1	670,000	A
2	300,000	B
3	30,000	C
4	198,570	D
5	19,210	E
6	19,210	F
7	68,720	G
8	68,720	H
9	10,310	I
10	5,150	J
11	10,310	K
12	140,020	L
13	155,000	M
14	47,000	N
15	41,400	O
16	42,602	P
17	78,000	S
18	125,000	T
19	275,000	V

Below, the Company presents a summary of its public offer (private placement) of the series V ordinary bearer shares issued under Resolution No. 03/06/2023 of the Company's Extraordinary General Meeting of June 12, 2023 ("Series V Shares").

1. Placement start and end dates: June 22 to July 12, 2023;
2. Share allocation date: The issue of Series V Shares took the form of a private placement under Article 431 § 2(1) of the Commercial Companies Code whereby an offer was made to designated investors to take up the Series V Shares. Consequently, no share subscription orders were received and no share allocations were made within the meaning of Article 434 of the Commercial Companies Code.
3. Number of shares covered by the subscription: The private placement of the Series V Shares included not fewer than 1 and not more than 275,000 Series V Shares
4. Reduction rate in individual tranches: All the Series V Shares were acquired by the investors by way of a private placement. Due to the type of the offer, no subscription orders were made and as a result no reduction was applied. The issue of the Series V Shares was not divided into tranches
5. Number of securities for which subscription orders were made: The issue of the Series V Shares was carried out by way of a private placement, so no subscription orders were made for them. 275,000 Series V Shares were acquired in the private placement.

6. Number of securities allocated as part of the placement: The issue of Series V Shares was carried out by way of a private placement, so no share allocations were made within the meaning of Article 434 of the Commercial Companies Code. 275,000 Series V Shares were acquired in the private placement.

7. Issue price: The Series V Shares were acquired for an issue price of PLN 133.00 (one hundred and thirty-three zlotys) per share.

8. Payment for the shares: The Series V Shares were fully paid up in cash. The Series V Shares were not paid up by any set-off of claims.

9. Number of persons who placed subscription orders for the shares in individual tranches: The issue of the Series V Shares was carried out by way of a private placement, so no share subscription orders were received and no share allocations were made within the meaning of Article 434 of the Commercial Companies Code. The Series V Shares were acquired by a total of 35 investors.

10. Number of persons to whom the shares were allocated as part of the placement in individual tranches: The issue of the Series V Shares was carried out by way of a private placement, so no share subscription orders were received and no share allocations were made within the meaning of Article 434 of the Commercial Companies Code. The Series V Shares were acquired by a total of 35 investors.

11. Names of the underwriters who took up securities under underwriting agreements: No underwriting agreements were signed and the Series V Shares were not acquired by underwriters.

12. Placement value: the number of Series V Shares acquired x their issue price: The value of the offer of Series V Shares was PLN 36,575,000.

13. Total costs that have been included in the issuance costs: As at the date of publication of the report, the total costs included in the issuance costs were PLN 1,994,155, including:

- a) preparing and conducting the offer: PLN 1,994,155;
- b) underwriters' fees: not applicable;
- c) preparing the prospectus, including consultancy: not applicable;
- d) promoting the offer: not applicable.

In 2023, the costs of issuing Series V Shares of PLN 1,994,155 decreased the Company's supplementary capital created from the share premium.

The average placement cost per one Series V Share is: PLN 7.25.

CHANGE IN SHARE CAPITAL	01.01.2023-	01.01.2022-
Balance at the beginning of the period	203	203
Increases	27	–
Decreases	–	–
Balance at the end of the period	230	203

3.12.24 Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS PLN '000	01.01.2023 - 31.12.2023	01.01.2022- 31.12.2022
Balance at the beginning of the period	272	229
increased/ created	187	152
utilization	-	-
release	-	109
Balance at the end of the period	459	272

The change in provisions presented in the table above relates to provisions created for unused annual leaves by Company's employees. The above provisions are presented in the statement of financial position under other liabilities.

3.12.25 Long-term financial liabilities

Long-term financial liabilities PLN '000	31.12.2023	31.12.2022
Bonds	-	3,180
Lease liabilities	168	393
Balance at the end of the period	168	3,573

Bonds PLN '000	31.12.2023	31.12.2022
Nominal value	3,378	3,378
Interest accrued	375	206
Value of conversion rights	-405	-405
Balance at the end of the period	3,348	3,180

In accordance with Resolution No. 04/06/2020 of the Extraordinary General Meeting of XTPL S.A. of 8 June 2020 on the issue of bonds convertible into series U shares, and a conditional share capital increase by issuing series U shares, depriving shareholders of all their preemptive rights to the convertible bonds and series U shares, on 30 July 2020 the Management Board of XTPL S.A. adopted a resolution on the allocation of 48,648 series A registered bonds convertible into the Company's series U shares with a nominal value of PLN 74 per bond, and a total nominal value of PLN 3,599,952. The bonds were issued at an issue price equal to their nominal value. The bonds are subject to redemption on 30 July 2022. The interest rate on the Bonds is fixed and amounts to 2% per annum, calculated on the nominal value of the Bonds starting from the allocation date (excluding that date) to the redemption date or early redemption date (including that date) and will be paid on one of those dates. As part of conversion of the Bonds into the Issuer's series U shares, there will be one U series share allocated to each Bond, and the conversion price will be equal to the nominal value of one Bond. The bondholder has the right to request the conversion of the Bonds into series U shares not earlier than 1 (one) month prior to the redemption date and not later than 11 (eleven) business days prior to the redemption date. The Issuer is not entitled to redeem all or part of the Bonds before the redemption date. The Bonds will not be listed on the regulated market or in an alternative trading system. The Bonds are unsecured. The Bonds were offered under Article 33(1) of the Bonds Act of 15 January 2015, as amended, and Article 1(4)(a) and (b) of Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading

on a regulated market, and repealing Directive 2003/71/EC, by making a Bond purchase proposal to maximum 149 investors selected by the Company's Management Board, without preparing a prospectus or an information memorandum.

On 6 July 2022, the Issuer concluded an agreement with the bondholder to purchase 2,993 series A bonds of the Company convertible into series U shares for the purpose of their redemption. The Issuer communicated this fact in ESPI current report no. 20/2022, referring to ESPI No. 12/2022 of 25 May 2022. In consideration for the purchase of the Bonds, the Issuer was to pay the bondholder PLN 230,122.83, which included the nominal value of the purchased Bonds of PLN 221,482 and interest of PLN 8,640.83. The sale price of the Bonds included all receivables resulting from the purchased Bonds.

After the settlement of the Bond purchase transaction, the Issuer redeemed the Bonds and submitted an application for their deregistration from the securities register kept by the Central Securities Depository of Poland. After the Bond redemption, the total number of issued and not redeemed Series A convertible bonds of the Company is 45,655.

On 20 July 2022, the Company's Management Board issued ESPI Current Report No. 23/2022, advising that the Company had entered into an agreement on changing the terms of the Bond issue with two bondholders holding all issued and unredeemed Company's series A bonds convertible to series U shares – 45,655 bonds with a total nominal value of PLN 3,378,470, registered in the securities register kept by the National Depository for Securities S.A. under No. ISIN PLO228300011.

Based on the second sentence of Article 7(1) sentence 2 of the Bond Act of 15 January 2015 and under the concluded Agreements, the terms of the Bonds were changed as follows:

- a) redemption date: the redemption date of the Bonds was changed from 30 July 2022 to 30 January 2024;
- b) interest rate: the interest rate on the Bonds (which from the Bond allocation date to 30 July 2022 is fixed and amounts to 2% per annum) is calculated on the nominal value of the Bonds, and as of 31 July 2022 to the redemption date or to the early redemption date will be 5% p.a., calculated on the nominal value of the Bonds. Other terms of the Bonds issue remain unchanged.

The change of the terms of the issue of the Bonds was previously approved by the General Meeting of the Company by Resolution no. 03/06/2022 of the Extraordinary General Meeting of the Company of 21 June 2022 on changing resolution No. 04/06/2020 of the Extraordinary General Meeting of 8 June 2020 on the issue of bonds convertible into series U shares, and a conditional share capital increase by issuing series U shares, depriving shareholders of all their preemptive rights to the convertible bonds and series U shares, and on amending the Articles of Association, which was communicated by the Issuer in ESPI Current Report No. 16/2022 of 21 June 2022.

In accordance with IAS 32 Financial Instruments: Presentation, as at 30 July 2020, the complex financial instrument was subject to measurement. At the initial recognition, the value of the complex financial instrument was assigned to equity and to liabilities.

Upon initial recognition, the fair value of the liability component is the present value of the future contractual cash flows, discounted at the interest rate used by the market at that time for instruments with similar credit characteristics, cash flows and the same terms, but without the conversion option.

As at the measurement date, the Company was unable to identify any bonds with those parameters on the CATALYST market, issued by an entity with capital/ debt characteristics similar to those of XTPL S.A.

Due to the lack of reference to the measurement, an alternative approach was used, based on the Black-Scholes option valuation model taking into account the valuation as at the date of initial recognition, i.e. 30 July 2020

As at the balance sheet date of December 31, 2023, the liability arising from the issued bonds, taking into account the maturity date in 2024, was presented as short-term financial liabilities.

After the Balance Sheet Date, bondholders holding all the Issuer's series A convertible bonds issued and not redeemed until that date, issued on the basis of EGM Resolution 04/06/2020 of June 8, 2020, as amended by EGM resolution No. 03/06/2022 of June

21, 2022, in a total number of 45,655 (“Convertible Bonds”), submitted to the Company a declaration on the exercise of the right to exchange Convertible Bonds for series U shares of the Company.

Due to the receipt of the bondholders' declarations on the exchange of all issued and outstanding convertible bonds, the bondholders acquired 45,655 series U ordinary shares of the Company, with a nominal value of PLN 0.10 each, issued on the basis of EGM resolution No. 04/06/2020 of June 8, 2020, amended by EGM resolution No. 03/06/2022 of June 21, 2022. Due to the above, the convertible bonds were converted into shares with a nominal value of PLN 3,378 thousand, which did not affect the Company's financial position.

Taking into account the conversion of the convertible bonds into shares after the balance sheet date, the value of the share capital of the Parent Company increased compared to the value of the share capital reported as at December 31, 2023 by PLN 4,565.50 to PLN 234,987.70. As at the date of approval of these consolidated financial statements for publication, this increase has not been registered in the National Court Register.

3.12.26 Trade liabilities

SHORT-TERM TRADE LIABILITIES PLN '000	31.12.2023	31.12.2022
due to related parties	–	–
due to other entities	1,947	1,429
Total short term trade liabilities	1,947	1,429

3.12.27 Other short-term liabilities

OTHER SHORT-TERM LIABILITIES PLN '000	31.12.2023	31.12.2022
Short term liabilities:		
statutory obligations, except income tax	315	490
employee benefits	863	673
purchase of non-financial (investment) fixed assets in respect of business travel costs	–	–
liabilities under contracts - advance payments received	609	1,845
Other	9	13
Total other short-term liabilities, excluding provisions	1,797	3,021

3.12.28 Obligations in respect of employee benefits

OBLIGATIONS IN RESPECT OF EMPLOYEE BENEFITS	31.12.2023	31.12.2022
Short term liabilities:		
remuneration	403	401
payments for unused annual leave	460	272
Other	–	–
Total:	863	673

3.12.29 Short term financial liabilities

Short-term financial liabilities PLN '000	31.12.2023	31.12.2022
Bonds	3,348	–
Lease liabilities	436	337
Bank loans	196	–
Balance at the end of the period	3,980	337

Detailed information on liabilities arising from the issued bonds is presented in Note 3.12.25 of these financial statements.

The Company has overdraft agreements in place for a total amount of PLN 2,400 thousand:

with Santander Bank: limit of PLN 300 thousand until April 30, 2024;

with ING Bank Śląski: limit of PLN 400 thousand until March 31, 2025;

with BNP Paribas: limit of PLN 1,700 thousand until August 19, 2024.

LEASE LIABILITIES PLN '000	Minimum lease payments		Current value of minimum lease payments	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Lease liabilities, payable:				
up to one year	483	384	436	336
up to 1 month	31	25	25	20
1 to 3 months	62	50	50	41
3 to 6 months	217	75	205	62
6 to 12 months	173	234	156	213
1 to 5 years inclusive	188	405	168	393
Above 5 years	–	–	–	–
Total:	671	789	604	729
Less: costs to be incurred in subsequent periods	67	60	–	–
Current value of minimum lease payments	604	729	604	729
Long term lease obligations (payable over more than 12 months)	–	–	168	393
Short-term lease obligations (payable up to 12 months)	–	–	436	336

In 2023, the Company incurred PLN 9,000 in costs related to the lease of low-value assets and PLN 775 thousand in costs on account of short-term leases. In the current reporting period, the Company did not incur costs related to variable lease payments not included in the measurement of lease liabilities.

3.12.30 Deferred income in respect of grants

Description	31.12.2023	31.12.2022
Long-term, including:	4,801	2,874
– grants to assets	4,801	2,874
– advance payments on R&D	-	-
Short-term, including:	1,646	2,289
– grants to assets	494	-
– advance payments on R&D	1,152	2,289
Total	6,447	5,163

In the reporting year, the Group implemented four projects co-financed from public funds:

“Innovative technology for precise deposition of conductive mesh for application in new generation OLED displays”, under agreement POIR.01.01.01-00-0998/20 of 23.12.2020 signed with the National Center for Research and Development (NCBiR).

Project duration: 01.07.2020 – 31.12.2023

Project value: 16,003,028.33

Eligible costs: 16,003,028.33

Funding: 11,673,831.24

The project’s objective is to develop an additive printing technology of ultra-precise metallic structures designed to reduce resistance of the transparent cathode in new generation TE-OLED displays.

“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” – a project carried out under agreement No. POIR.01.01.01-00-1852/20 dated May 28, 2021 signed with the National Center for Research and Development (NCBiR).

Project duration: 01.10.2020 – 31.12.2023

Project value: 11,614,839.84

Eligible costs: 11,614,839.84

Funding: 7,653,510.30

The purpose of the project is to develop and build an innovative printing head for automatically depositing paste, with precise control based on machine learning algorithms, as well as to develop silver and copper nanopastes to cover the step with a maximum height of 80 µm for applications in microelectronics.

“Filing a PCT patent application for a method of manufacturing ultra-fine conductive metallic lines” – a project carried out under agreement No. POIR.02.03.04-02- 0001/16 of 15.11.2016 with the Polish Agency for Enterprise Development.

Project duration: 18.01.2018 - 31.12.2023

Project value: PLN 881,610.00

Eligible costs: PLN 774,200.00

Funding: PLN 387,100.00

The purpose of the project is to obtain industrial property protection for the globally innovative method of manufacturing ultra-thin conductive metallic lines.

The method enables the fabrication of TCFs.

The project “Building Active MicroLED displays By Additive Manufacturing” based on agreement No. 101070085 of 20 June 2022 with the European Commission.

Project duration: 01.09.2022 - 31.08.2024

Project value: EUR 4,293,263.75

XTPL's budget: EUR 429,812.50

Funding: EUR 429,812.50

The project is designed to develop an innovative technology for the production of flexible microLED displays using precise additive printing technologies.

3.12.31 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

None in the Reporting Period.

3.12.32 Information on redemption and repayment of debt and equity securities

In the Reporting Period, no events took place in connection with redemption or repayment of debt or equity securities.

3.12.33 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.

3.12.34 Fair value of the individual classes of financial assets and liabilities

PLN '000	Category	Book value		Fair value	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Financial assets					
Loans granted	WwgZK	144	322	144	322
Trade receivables	WwgZK	1,193	776	1,193	776
Other receivables	WwgZK	2,770	1,801	2,770	1,801
Cash and cash equivalents	WwgZK	26,043	5,891	26,043	5,891
Total		30,150	8,790	30,150	8,790
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	196	–	196	–
Bond liabilities	WwWGpWF according to IFRS 16	3,348	3,180	3,348	3,180
Lease liabilities	PZFwgZK	604	729	604	729
Trade liabilities	PZFwgZK	1,947	1,429	1,947	1,429
Other liabilities	PZFwgZK	1,797	3,021	1,797	3,021
Total		7,892	8,359	7,892	8,359

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 December 31, 2022 was not materially different from the values presented in the financial statements. This is because:

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

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

3.12.35 Capital management

The key goal of the Company's capital management is to maintain safe capital ratios to facilitate the Group's operations and increase its value.

CAPITAL MANAGEMENT PLN '000	31.12.2023	31.12.2022
Interest bearing borrowings	196	–
Bonds issued	3,348	3,180
Lease liabilities	604	729
Trade and other liabilities	3,743	4,450
Less cash and cash equivalents	-26,043	-5,891
Net debt	-18,152	2,468
Equity	32,479	4,153
Equity and net debt	14,327	6,621
Leverage	-127%	37%

3.12.36 Description of the post-employment benefit plan

The Company does not operate any post-employment benefit plan within the meaning of IAS 19.

3.12.37 Proposed profit distributions (loss cover) for the financial year

The Company's Management Board proposes to cover the net loss of PLN 6,255 thousand incurred by the Parent Company in the reporting period from the supplementary capital.

3.12.38 Explanations to the statement of cash flows

	PLN '000	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
PBT presented in the statement of comprehensive income		-6,255	-2,257
PBT presented in the statement of cash flows		-6,255	-2,257
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS			
Realized interest on financing activities		157	81
Realized interest on investing activities		-288	-2
Unrealized interest on financing activities		170	104
Unrealized interest on investing activities		-3	-6
Total interest and dividends:		36	177
CHANGE IN THE BALANCE OF RECEIVABLES			
Change in the balance of trade receivables		-417	583
Other receivables		-958	-1,325
Total change in the balance of receivables		-1,375	-742
CHANGE IN THE BALANCE OF LIABILITIES			
Change in the balance of trade liabilities		518	336
Other liabilities		-1,411	1,994
Total change in the balance of liabilities:		-893	2,330
Cash and cash equivalents at the end of the period			
Statement of cash flows		26,044	5,920
Statement of financial position		26,043	5,891
Inflows from grants			
– to operations		2,057	2,775
– to assets		1,977	1,757
– advance payments not settled / (settled)		-634	1,384
Total inflows from grants		3,400	5,916

The difference between the balance of cash presented in the statement of financial position as at December 31, 2023 and the value of cash presented in the statement of cash flows results from the exchange rate differences relating to the valuation of cash held in the bank accounts.

3.12.39 Related party transactions

2023	PLN '000	To subsidiaries	To joint ventures	To key management personnel*	With other related parties**
Purchase of services		180	-	-	-
Loans granted		531	-	-	-
Financial expenses – interest on loans		2	-	-	-

2022	PLN '000	To subsidiaries	To joint ventures	To key management personnel*	With other related parties**
Purchase of services		180	-	-	-
Loans granted		134	-	-	-
Financial expenses – interest on loans		5	-	-	-

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

** the item includes entities linked through key management

Terms of related party transactions

Sales to and purchases from related parties are made on an arm's length basis. Any overdue liabilities/ receivables existing at the end of the period are interest-free and settled on cash or non-cash basis. The Group entities do 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.

3.12.40 Net revenue from sales

NET REVENUE FROM SALES PLN '000	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
Research and development revenue	2,238	6,704
Revenue from the sale of products	11,180	3,338
Revenue from grants	2,057	2,775
Total net revenue from sales	15,475	12,817

3.12.41 Information about seasonality of business and cycles

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

3.12.42 Operating segments

The Company's reporting segments are based on product groups.

As at the Reporting Date, the Company distinguished three product groups:

- Delta Printing System laboratory printers;
- silver-based conductive nanoinks;
- research services related to printing on client-supplied substrates in the manner specified by the client, in order to demonstrate the suitability of the XTPL technology to solve technological production problems (Proof of Concept).

SALES REVENUE BY SEGMENTS PLN '000	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
Sale and lease of printers	10,605	2,960
Nanoinks and other consumables	575	378
Research and development services	2,238	6,704
TOTAL	13,418	10,042

As at December 31, 2023, the Company's statement of financial position presents PLN 774 thousand in respect of trade receivables and PLN 334 thousand relating to expenditure on work in progress, as well as PLN 609 thousand as advance payments towards deliveries. The above amounts relate to the segment of laboratory printers – the Delta Printing System.

As at December 31, 2023, the Company recognized in the statement of financial position an amount of PLN 378 thousand relating to trade receivables in the R&D services segment.

As at December 31, 2023, the Company recognized in the statement of financial position an amount of PLN 50 thousand relating to trade receivables in the ink and consumables segment.

As at December 31, 2022, the Company's statement of financial position presents PLN 782 thousand in respect of trade receivables and PLN 213 thousand relating to expenditure on work in progress, as well as PLN 1,845 thousand as advance payments towards deliveries. The above amounts relate to the segment of laboratory printers – the Delta Printing System.

All the Company's sales revenues of PLN 13,418 thousand come from transactions with foreign buyers.

The following countries were the key contributors to our sales: China (52.0%), Israel (14.8%), Germany (8.8%).

In 2023, one counterparty contributed PLN 5.8 million (43.3%) to total sales. Those sales revenues relate to the segment of Delta Printing System laboratory printers and inks & consumables. The Company's key partner (distributor) in the financial year ended December 31, 2023 was Yi Xin Technology (HK) Co Limited,

3.12.43 Operating costs

OPERATING COSTS	PLN '000	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
Depreciation/ amortization, including		1,958	1,003
– depreciation of tangible assets		1,586	622
– amortization of intangible assets		372	381
Use of raw materials and consumables		5,444	2,926
External services		7,237	4,614
Cost of employee benefits		10,045	6,414
Taxes and charges		183	172

Other costs by type	1,555	648
Value of goods and materials sold	–	–
Total costs by type, including:	26,422	15,777
Items reported as research and development costs	5,044	6,081
Items reported as cost of finished goods sold	3,383	751
Items reported as general and administrative expenses	11,901	7,814
Change in finished goods	120	92
Cost of producing services for internal needs	5,974	1,039

3.12.44 Employment

As at the Balance Sheet Date: 70 people

At the end of 2022: 45 people

3.12.45 Cost of employee benefits

COST OF EMPLOYEE BENEFITS PLN '000	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
Salaries under employment contracts	6,906	4,180
Salaries under civil law contracts, including contracts for specific work	1,315	289
Social security and other benefits	1,824	796
Costs of the incentive scheme	–	1,149
Total	10,045	6,414

3.12.46 Incentive scheme

In 2023, no rights were granted to eligible persons under the incentive scheme in force at the Company.

3.12.47 Other operating income

OTHER OPERATING INCOME	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
Gain on disposal of non-financial fixed assets	–	–
Provision released	–	–
Reversal of impairment allowances on assets	–	–
Other income:	–	–
damages and penalties received	–	–
COVID-19 anti-crisis shield	–	–
reimbursement of court costs	–	–
expired settlements	–	–

Other	11	–
Total other operating income	11	–

3.12.48 Other operating costs

OTHER OPERATING COSTS	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
Loss on disposal of non-financial fixed assets	–	–
Provision released	–	–
Creation of impairment allowances on assets	–	–
Other costs:	–	–
penalties, fines, damages	–	–
Donations	–	–
Expired settlements	–	–
Other	40	11
Total other operating costs	40	11

3.12.49 Financial revenues

FINANCIAL REVENUES	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
Interest on bank accounts	291	3
Interest on bank accounts	–	5
FX gains	78	–
Other	–	–
Total net financial revenues	369	8

3.12.50 Financial expenses

FINANCIAL EXPENSES	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
Financial expenses in respect of finance leases	146	61
Interest expense in respect of bonds	169	113
Costs of bank fees	10	13
Interest expense in respect of a loan received	–	–
FX losses	–	81
Cost of interest due to the state	28	–
Creation of impairment allowances on assets	1,382	157
Other	7	–

Total financial expenses	1,742	425
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Details on the impairment allowance recognized on assets is presented in Note 3.12.15. to these financial statements.

3.12.51 Reconciliation of the effective tax rate

RECONCILIATION OF THE EFFECTIVE TAX RATE	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
Gross profit/(loss) before tax on continued operations	-6,255	-2,257
Profit/(loss) before tax on discontinued operations	-	-
Profit/(loss) before tax	- 6,255	-2,257
Tax at the Polish statutory rate of 19%	-1,188	-429
Unrecognized deferred tax assets in respect of tax loss	626	-
Non-tax deductible costs	939	990
Increase in tax costs	-	-
Non-taxable revenues	-377	-561
Tax at the effective tax rate	-	-
Income tax (charge) recognized in the statement of comprehensive income	-	-
Income tax attributable to discontinued operations	-	-

3.12.52 Discontinued operations

No discontinued operations occurred either in the current or in the previous reporting period.

3.12.53 Types and amounts of changes in estimates presented in prior periods of the present financial year or changes to estimates presented in prior financial years

In the Reporting Period, no changes to estimates were made.

3.12.54 Correction of errors from previous periods

In the Reporting Period, no corrections were made on account of errors from previous periods.

3.12.55 Tax settlements

Tax payment and other regulated areas of business (including customs or currency-related activities) may be subject to inspection by administrative bodies, which have the right to impose high fines and sanctions. In the absence of well-established legislation, Polish regulations tend to be unclear and inconsistent. There are frequent differences in interpretation of tax regulations both within State administration bodies and between such bodies and corporations, which gives rise to uncertainties and conflicts. As a result, the tax risk in Poland is substantially higher than in the countries with a more mature tax system. Tax payments may be

inspected for five years after the year when the tax was paid. As a result of inspections, additional tax may be assessed for the Company in addition to the tax paid before. In the Company's opinion, as at the Balance Sheet Date, appropriate provisions existed for the identified and quantifiable tax risk.

3.12.56 Hedge accounting

The Company does not use hedge accounting.

3.12.57 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, organizational 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 primarily dependent on the Company's internal situation and market conditions.

PRICE RISK

In the Reporting Period, 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, mainly in USD and EUR.

Part of the Company's settlements is denominated in foreign currencies. As at December 31, 2023, the Company has assets denominated in foreign currencies, which include trade receivables. The value of the liabilities in foreign currencies as at the balance sheet date relates to trade liabilities. Therefore, there is a risk related to the negative impact of FX changes on the financial results achieved by the Company. In order to mitigate the possible effects of exchange rate fluctuations, the Company monitors the current exchange rates on an ongoing basis.

Rate prevailing on the last day of the year:	31.12.2023	31.12.2022
1 EUR / 1 PLN	4.3480	4.6899
1 USD / 1 PLN	3.9350	4.4018

Average rate, calculated as the arithmetic mean of the rates applicable on the last day of each month in the period:	01.01.2023 31.12.2023	01.01.2022 31.12.2022
1 EUR / 1 PLN	4.5284	4.6883
1 USD / 1 PLN	4.1823	4.4679

Presented below is the estimated impact on the Company's financial result of a potential adverse change in the value of PLN in relation to EUR and USD in relation to the carrying amounts as at December 31, 2023:

	As at 31.12.2023 in currency	As at 31.12.2023 in PLN	Estimated rate change in %	Effects of changes in exchange rates in PLN
Trade receivables in currency:				
EUR	194	843	+/- 5%	+/- 42
USD	88	346	+/- 5%	+/- 17
Trade liabilities in currency:				
EUR	92	400	+/- 5%	+/- 20
USD	29	114	+/- 5%	+/- 6

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. Consequently, the recent interest rate hikes do not affect the Company's operations. Consequently, the Company did not apply interest rate hedges, considering that interest rate risk is not significant for its business.

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 lease agreements.

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

In the Reporting Period, the Company had a PLN 2,400 thousand overdraft agreement. The facility was used rarely and for a short term only.

The table below shows the Company's financial obligations as at December 31, 2023 and comparative data as at December 31, 2022 by maturities based on contractual non-discounted payments.

2023-12-31	On demand	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Bond obligations	–	3,753	–	–	–	3,753
Lease liabilities	–	93	390	188	–	671
Bank loans	–	–	196	–	–	196
Trade and other liabilities	–	3,134	–	–	–	3,134
Total	–	6,980	586	188	–	7,754

2022-12-31	On demand	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Bond obligations	–	–	–	3,585	–	3,585
Lease liabilities	–	75	309	405	–	789
Trade and other liabilities	–	2,605	–	–	–	2,605
Total	–	2,680	309	3,990	–	6,979

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

3.12.58 Material settlements on account of court cases

At the reporting date there are no court proceedings pending whose value would be considered material. Moreover, in the Reporting Period no material settlements were made on account of court cases.

3.12.59 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 Reporting Period, 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.

3.12.60 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 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 December 31, 2022 is PLN 3,400 thousand. It is caused by the payment of the next two tranches of subsidies totaling PLN 3,400 thousand. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in materialization of the above contingent liabilities. As

at the date of approval of the financial statements there were no undisclosed liabilities resulting from any agreements of material value.

CONTINGENT LIABILITIES PLN '000	31.12.2023	31.12.2022
Promissory notes	22,525	19,125
Total contingent liabilities	22,525	19,125

3.12.61 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.

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

Not applicable.

3.12.63 Remuneration, bonuses or benefits for members of the Company's bodies

Management Board:

Name	Role	2023	2022
Filip Granek	CEO	360	612
Salary under employment contract		360	360
Incentive scheme valuation		–	252
Jacek Olszański	Management Board Member	360	612
Salary under employment contract		360	360
Incentive scheme valuation		–	252

The value of remuneration includes remuneration under the employment contract.

Detailed information on the conditions and amount of remuneration of the Management Board:

Filip Granek – PhD, CEO:

Receives remuneration based on an employment contract at PLN 30,000 gross monthly.
He did not receive any bonus or reward for the Reporting Period.

Jacek Olszański – Management Board Member

Receives remuneration based on an employment contract at PLN 30,000 gross monthly.
He did not receive any bonus or reward for the Reporting Period.

Supervisory Board:

Name	Role	2023	2022
Wiesław Rozłucki, PhD	Chairman of the Supervisory Board	96.0	96.0
Bartosz Wojciechowski, PhD	Deputy Chairman of the Supervisory Board	24.0	24.0
Andrzej Domański	Deputy Chairman of the Supervisory Board	20.0	24.0
Piotr Lembas	Supervisory Board Member	12.0	12.0
Beata Turlejska	Supervisory Board Member	12.0	12.0
Prof. Herbert Wirth	Supervisory Board Member	12.0	12.0

Members of the Supervisory Board receive a fixed monthly remuneration of PLN 1,000 (except for the Chairman, whose monthly remuneration is PLN 8,000 and Deputy Chairmen, whose monthly remuneration is PLN 2,000).

In 2023, the remuneration of Andrzej Domański, Vice Chairman of the Supervisory Board, was PLN 20,000 due to his resignation from the position of Vice Chairman of the Supervisory Board of the Company with effect from October 29, 2023 due to his appointment to perform a public function (ESPI No. 52/2023 of October 29, 2023).

Audit Committee:

Name	Role	2023	2022
Piotr Lembas	Chairman of the Audit Committee	12.0	12.0
Wiesław Rozłucki	Audit Committee Member	12.0	12.0
Herbert Wirth	Audit Committee Member	12.0	12.0
Andrzej Domański	Audit Committee Member	10.0	12.0

Members of the Audit Committee receive a fixed monthly remuneration of 1,000 PLN.

In 2023, the remuneration of Andrzej Domański, Vice Chairman of the Supervisory Board, was PLN 10,000 due to his resignation from the position of Vice Chairman of the Supervisory Board of the Company with effect from October 29, 2023 due to his appointment to perform a public function (ESPI No. 52/2023 of October 29, 2023).

3.12.64 Transactions with the audit firm

On 8 July 2021, the Issuer concluded an agreement on audit of the standalone and consolidated financial statements with **4AUDYT sp. z o.o.** with its registered office in Poznań (60-846) at ul. Kochanowskiego 24/1, with share capital of PLN 100,000.00, NIP 7811817052, entered under KRS number 0000304558 in the National Court Register, Register of Entrepreneurs kept by the District Court for Poznań Nowe Miasto i Wilda in Poznań.

The agreement provides for:

1. audit of the standalone financial statements of XTPL S.A. prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and related interpretations published in the form of European Commission Regulations (IFRSs/ IASs) for the period from **January 1, 2021 to December 31, 2021.**
2. audit of the consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **January 1, 2021 to December 31, 2021.**
3. limited review of the half-yearly standalone financial statements of **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **January 1, 2021 to 30 June 2021.**

4. limited review of the half-yearly consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **January 1, 2021 to 30 June 2021**.
5. audit of the standalone financial statements of the **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **January 1, 2022 to December 31, 2022**.
6. audit of the consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **January 1, 2022 to December 31, 2022**.
7. limited review of the half-yearly standalone financial statements of **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **January 1, 2022 to June 30, 2022**.
8. limited review of the half-yearly consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **January 1, 2022 to June 30, 2022**.

The remuneration for the above services is:

- a. item 1 – net remuneration of **PLN 30,000.00** + VAT
- b. item 2 – net remuneration of **PLN 16,000.00** + VAT
- c. item 3 – net remuneration of **PLN 15,000.00** + VAT
- d. item 4 – net remuneration of **PLN 10,000.00** + VAT
- e. item 5 – net remuneration of **PLN 30,000.00** + VAT
- f. item 6 – net remuneration of **PLN 16,000.00** + VAT
- g. item 7 – net remuneration of **PLN 15,000.00** + VAT
- h. item 8 – net remuneration of **PLN 10,000.00** + VAT

The agreement was amended to include audit of compliance of financial statements in the ESEF format and increased the remuneration as below:

re b – by PLN 4,000 net + VAT;
re f – by PLN 4,000 net + VAT.

Moreover, under an agreement of May 10, 2021, 4AUDYT sp. z o.o. assessed the Issuer's report on remuneration for 2019-2020 and, pursuant to the agreement of April 20, 2022, 4AUDYT sp. z o.o. assessed the Issuer's report on remuneration for 2022.

The remuneration for this service was PLN 11,000 plus VAT for 2019-2020 and PLN 7,000 plus VAT for 2022.

On August 16, 2023, the Issuer concluded an agreement on audit of the standalone and consolidated financial statements with **4AUDYT sp. z o.o.** with its registered office in Poznań (60-846) at ul. Kochanowskiego 24/1, with share capital of PLN 100,000.00, NIP 7811817052, entered under KRS number 0000304558 in the National Court Register, Register of Entrepreneurs kept by the District Court for Poznań Nowe Miasto i Wilda in Poznań.

The agreement provides for:

- point 1. Audit of the standalone financial statements of XTPL S.A. prepared in accordance with IFRS/IAS and related interpretations published in the form of European Commission Regulations ("IFRS/IAS") for the period from January 1, 2023 to December 31, 2023.
- point 2. Audit of the consolidated financial statements of XTPL Group prepared in accordance with IFRSs/IASs for the period from January 1, 2023 to December 31, 2023.
- point 3. Interim review of the half-yearly standalone financial statements of XTPL S.A. prepared in accordance with IFRSs/IASs for the period from January 1, 2023 to June 30, 2023.
- point 4. Interim review of the half-yearly consolidated financial statements of XTPL Group prepared in accordance with IFRSs/IASs for the period from January 1, 2023 to June 30, 2023.
- point 5. Certification service relating to assessment of the completeness of disclosures in the report on the remuneration of members of the Management Board and the Supervisory Board of XTPL S.A. covering 2023.

point 6. Audit of the standalone financial statements of the XTPL S.A. prepared in accordance with IFRSs/IASs for the period from January 1, 2024 to December 31, 2024.

point 7. Audit of the consolidated financial statements of XTPL Group prepared in accordance with IFRSs/IASs for the period from January 1, 2024 to December 31, 2024.

point 8. Interim review of the half-yearly standalone financial statements of XTPL S.A. prepared in accordance with IFRSs/IASs for the period from January 1, 2024 to June 30, 2024.

point 9. Interim review of the half-yearly consolidated financial statements of XTPL Group prepared in accordance with IFRSs/IASs for the period from January 1, 2024 to June 30, 2024.

point 10. Certification service relating to assessment of the completeness of disclosures in the report on the remuneration of members of the Management Board and the Supervisory Board of XTPL S.A. covering 2024.

The remuneration for the above services is:

- a. point 1 of this agreement, the Contractor will receive a net remuneration of **PLN 38,000.00** + VAT;
- b. point 2 of this agreement, the Contractor will receive a net remuneration of **PLN 25,000.00** + VAT;
- c. point 3 of this agreement, the Contractor will receive a net remuneration of **PLN 20,000.00** + VAT;
- d. point 4 of this agreement, the Contractor will receive a net remuneration of **PLN 13,000.00** + VAT;
- e. point 5 of this agreement, the Contractor will receive a net remuneration of **PLN 7,000.00** + VAT;
- f. point 6 of this agreement, the Contractor will receive a net remuneration of **PLN 40,000.00** + VAT;
- g. point 7 of this agreement, the Contractor will receive a net remuneration of **PLN 27,000.00** + VAT;
- h. point 8 of this agreement, the Contractor will receive a net remuneration of **PLN 20,000.00** + VAT;
- i. point 9 of this agreement, the Contractor will receive a net remuneration of **PLN 13,000.00** + VAT;
- j. point 10 of this agreement, the Contractor will receive a net remuneration of **PLN 7,000.00** + VAT.

4AUDYT sp. z o.o. is an audit firm in accordance with Article 46 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight, and in accordance with Article 57 of this Act is entered on the list of audit firms kept by the Polish Audit Oversight Agency under number 3363.

The auditor was selected by the Supervisory Board by resolution No. 01/08/2023 of August 14, 2023 on the selection of the audit company 4AUDYT sp. z o.o. to audit standalone financial statements of XTPL S.A. and consolidated financial statements of XTPL Group for 2023 and 2024, and interim review of separate half-yearly financial statements of XTPL S.A. and consolidated half-yearly financial statements of XTPL Group for the periods from January 1, 2023 to June 30, 2023 and from January 1, 2024 to June 30, 2024.

In the financial year 2023, the Issuer's standalone and consolidated financial statements were also audited by 4Audyt sp. z o.o.

3.12.65 Events after the balance sheet date that have not been reflected in the financial statements

Date	Event	Current Report
January 11, 2024	<p>The Issuer was informed of a grant recommendation for the project “Ultra-sound combined with bioimpedance analysis and graphene fet-enhanced wearable sensing for decentral health-monitoring” developed as part of a consortium with the Issuer. The decision is an outcome of the competition HORIZON-CL4-2023-RESILIENCE-01-33 Smart sensors for the Electronic Appliances Market organized by the European Commission under the Horizon Europe Framework Program.</p> <p>The UltraSense project is designed to develop a flexible, multi-functional device for body composition analysis and health monitoring using advanced materials and AI to promote healthier lifestyles. The Issuer's task is to develop materials that will ensure the extensibility, high performance and energy efficiency of the device.</p> <ul style="list-style-type: none"> • Total Project value: EUR 6,984,473.00; • The Issuer's participation in the Project: EUR 510,063.50; • Recommended co-financing for the Issuer: EUR 510,063.50; • Implementation period: 48 months. 	ESPI No. 1/2024 of January 12, 2024
January 12, 2024	<p>Bondholders holding all the Issuer's series A convertible bonds issued and not redeemed until that date, issued on the basis of EGM Resolution 04/06/2020 of June 8, 2020, as amended by EGM resolution No. 03/06/2022 of June 21, 2022, in a total number of 45,655 (“Convertible Bonds”), submitted to the Company a declaration on the exercise of the right to exchange Convertible Bonds for series U shares of the Company.</p> <p>Due to the receipt of the bondholders' declarations on the exchange of all issued and outstanding convertible bonds, the bondholders acquired 45,655 series U ordinary shares of the Company, with a nominal value of PLN 0.10 each, issued on the basis of EGM resolution No. 04/06/2020 of June 8, 2020, amended by EGM resolution No. 03/06/2022 of June 21, 2022.</p>	ESPI No. 2/2024 of January 15, 2024
January 19, 2024	<p>The Issuer reports preliminary estimates of its consolidated revenues from the sale of products and services for the fourth quarter and 2023.</p> <ol style="list-style-type: none"> 1. Estimated consolidated revenues from the sale of the Company's products and services in the fourth quarter of 2023 were PLN 4,402 thousand. In the same period of the previous year, the revenues were PLN 3,406 thousand. This figure does not include proceeds on account of grants related to the Issuer’s implementation of research and development projects. 2. Estimated consolidated revenues from the sale of the Company's products and services in 2023 are PLN 13,573 thousand compared to PLN 10,042 thousand posted in the previous year. This figure does not include proceeds on account of grants related to the Issuer’s implementation of research and development projects. <p>The value of grant proceeds obtained by the Company in Q4 2023 was PLN 700 thousand compared to PLN 2,874 thousand in Q4 2022. On a year-to-date basis, this figure was PLN 3,400 thousand compared to PLN 5,916 thousand in 2022. The Issuer's Management Board points out that in accordance with the rules for accounting for those grants, part of the above proceeds will be included in the Company's income statement, while the remainder will be recognized in the balance sheet as deferred income.</p>	ESPI No. 6/2024 of January 19, 2024

	<p>The estimated value of the Company's cash and cash equivalents as at December 31, 2023 was PLN 27,100 thousand compared to PLN 31,743 thousand as at September 30, 2023. The cash position was significantly influenced by the issue of series V shares (ESPI Current Report No. 37/2023 of July 12, 2023) completed on July 12, 2023, which generated proceeds of PLN 36,575 thousand. The share issue proceeds are to be used to co-finance part of the planned investments totaling approx. PLN 60 million in 2023-2026 in three key business areas: sales, production and R&D.</p> <p>At the end of 2022, the cash balance was PLN 3,358 thousand.</p>	
January 23, 2024	<p>The Issuer entered into a non-exclusive agreement with Sigma Technology Corporation based in Taiwan and China for the distribution of the Issuer's technological solutions.</p> <p>Under the agreement, the distributor will advertise and sell XTPL's technological solutions in Taiwan and China. The purpose of the partnership is to support XTPL in acquiring new industrial clients and searching for broader applications for its technologies and products, with a focus on introducing semiconductor, electronics and optoelectronics solutions.</p>	ESPI No. 7/2024 of January 23, 2024
January 30, 2024	<p>The Issuer informs that on January 25, 2024, the Company received information about the approval by the United States Patent and Trademark Office of the patent claims for the invention "Method of forming a feature by dispensing a metallic nanoparticle composition from an ink-jet print head and a metallic nanoparticle composition for ink-jet printing".</p>	ESPI No. 8/2024 of January 30, 2024
February 07, 2024	<p>The Issuer informs that on February 5, 2024, the Company received information about the approval by the United States Patent and Trademark Office of the patent claims for the invention "Method of filling a microcavity with a polymer material, a filler in a microcavity, and an apparatus for filling a microcavity on or in a substrate with a polymer material".</p>	ESPI Current Report No. 9/2024 of February 7, 2024
February 07, 2024	<p>The Management Board of XTPL S.A. – with reference to the Company's Current Report No. 2/2024 of January 15, 2024 – hereby reports that on February 7, 2024, Krajowy Depozyt Papierów Wartościowych S.A. (Central Securities Depository of Poland, KDPW) released an announcement on the date of registration in the securities depository of 45,655 series U ordinary bearer shares of the Company ("Shares"), setting it to February 9, 2024, which is the date of de-registration of series A convertible bonds of the Company (marked with the code PLO228300011), which carried the exercised right to acquire the Shares.</p> <p>On February 9, 2024, the Shares will be registered in the KDPW under the ISIN: PLXTPL000059. The Company's Management Board reports that the Company will immediately request admission and introduction of the Shares to trading on the regulated market of the Warsaw Stock Exchange S.A. and will apply to the KDPW for assimilation of the Shares and their registration under the ISIN appropriate for the other shares of the Company, namely: PLXTPL000018.</p>	ESPI Current Report No. 10/2024 of February 7, 2024
February 19, 2024	<p>The Issuer entered into a non-exclusive agreement with Youngil Education System Co., Ltd based in South Korea on the distribution of the Issuer's technological solutions.</p> <p>Under the agreement, the distributor will advertise and sell XTPL's technological solutions in South Korea. The purpose of the partnership is to support XTPL in searching for broader applications for its technologies and products at technology corporations, R&D centers and scientific institutions, with a focus on introducing semiconductor, electronics and optoelectronics solutions.</p> <p>Youngil Education System Co is a leading provider of solutions related to additive technology and 3D printing and electronics devices in South Korea. As part of the cooperation, the distributor will promote XTPL solutions among its current and new customers.</p>	ESPI Current Report No. 12/2024 of February 19, 2024
March 26, 2024	<p>The Issuer informs that on March 25, 2024 The Company received information about the approval by the Intellectual Property Office of Taiwan of its patent claims for the invention "Method for forming structure upon a substrate".</p>	ESPI Current Report No.

	The patent protection will increase the value of the potential commercialization of the Company's technology with respect to the Issuer's technological solutions for the next generation electronics market.	17/2024 of March 26, 2024
March 29, 2024	The Company's management board reported that on March 29, 2024, the Company confirmed the order placed by a new industrial customer based in California, USA for the delivery of the Delta Printing System. The DPS will be used in work on advanced packaging in integrated microelectronic devices. This is the fourth sale of a DPS device in the United States. At the same time, this is the first transaction concluded as a result of the activities of the subsidiary XTPL Inc. based in Boston, USA, which will also handle operational aspects of the transaction. The establishment of the XTPL Inc. office. in Boston is part of the Company's strategy adopted in November 2023.	ESPI Current Report No. 18/2024 of March 29, 2024
April 2, 2024	The Issuer reports that on April 2, 2024, the Issuer received a notification from a shareholder of the Company in accordance with Article 69(1) of the Act on Public Offering on the change in the share in the total number of votes at the Issuer's General Meeting.	ESPI Current Report No. 19/2024 of March 29, 2024
April 9, 2024	The Issuer informs that on April 9, 2024, the Company received information about the approval by the Korean Intellectual Property Office of its patent claims for the "Fluid printing apparatus" invention. The patent protection will increase the value of the potential commercialization of the Company's technology with respect to the Issuer's technological solutions for the next generation electronics market. The reported event confirms continued delivery of the Company's strategy of building a patent cloud for its proprietary technology and products, which will contribute to building the Issuer's credibility among potential industrial clients.	ESPI Current Report No. 20/2024 of April 9, 2024.
April 9, 2024	The Issuer informs that on April 9, 2024, the Company received information about the approval by the Korean Intellectual Property Office of its patent claims for the "Method of printing fluid" invention.	ESPI Current Report No. 21/2024 of April 9, 2024.
April 17, 2024	The Issuer reported that on April 17, 2024, the Issuer received orders for the delivery of another industrial module as part of a project aimed at industrial implementation in the display industry conducted together with HB Technology. The order represents a major progress in the current stage of the close cooperation between the Company and the Partner. The cooperation is geared towards development and industrial implementation of the device on production lines of a leading global FPD maker.	ESPI Current Report No. 22/2024 of April 17, 2024.
April 24, 2024	XTPL reports that on April 24, 2024 it confirmed the acceptance of an order for the delivery of a printing module for industrial integration for a partner from China. The printing module will be delivered to one of the key manufacturers of machines for the modern display industry on the Chinese market.	ESPI Current Report No. 24/2024 of April 24, 2024.

3.12.66 Impact of the SARS-CoV-2 pandemic on the Company's operations

As a result of the COVID-19 pandemic and due to administrative constraints, the Company developed a number of procedures that are triggered depending on the risk level. The Company is well prepared for remote work. The team members are provided with laptops and company phones with internet access. They can use the GSuite apps to smoothly continue work from home. Teamwork tools are also used to ensure work efficiency. Technological work is continued at the Company's headquarters while maintaining all sanitary requirements announced by state institutions. 95% of the Team members have been vaccinated.

The procedures do not inhibit business development. The Company conducts proactive sales support activities, also through a network of distributors. All deliveries and installations of devices at clients' sites are carried out in line with the requirements in force in the target country.

3.12.67 Impact of the war in Ukraine on the Group's operations

The war in Ukraine did not change XTPL's operating model. The Company has not been affected by any impact of the conflict on the printed electronics market. In addition, the Company:

- Is not dependent on any raw material/ component supplies from the regions of Russia, Belarus or Ukraine;
- Does not conduct sales activities in the above markets; Likewise, the Company's business strategy does not envisage sales to those countries going forward;
- Does not have any on-site or remote collaborators from those countries;
- Is exporter of goods denominated mainly in EUR, so it is not exposed to negative effects of depreciation of the zloty;
- Has not received any information from business partners from countries other than those mentioned above about their plans to introduce changes in their business activities that could adversely affect XTPL.

The Company has identified the risk that the war might impact its operations indirectly by affecting the global economy in terms of:

- reduced availability of raw materials and the related lower availability of materials and components;
- supply chain difficulties due to limitations in air transport.
-

3.12.68 Buyback of own shares

None.

3.13 Uniform description of the Group's significant accounting principles

3.13.1 Intangible assets

Intangible assets are recognized if:

- a. the intangible asset is identifiable
- b. the intangible asset is controllable
- c. it is possible to identify the way of achieving future economic benefits generated by the intangible asset.

The identification criteria is met if:

- a. the asset is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- b. arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits.

The future economic benefits flowing from an intangible include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.

The spending on intangible assets in the Company is divided into three stages:

1. spending related to the innovative and planned search for solutions, undertaken with the intention of acquiring and absorbing new scientific and technical knowledge; such spending is treated as research costs and are recognized in the profit or loss of the period;
2. The expenses related to the use of research results in business activities that meet the definition of IAS 38, until receipt of the first revenue from the sale or rental of a fixed asset or other benefits resulting from the use of an asset by the Company, are reported under the heading “intangible assets – in-process development expenditure”;
3. The expenses related to the use of research results in business activities that meet the definition of IAS 38, until receipt of the first revenue from the sale or rental of a fixed asset or other benefits resulting from the use of an asset by the Company, are transferred to “intangible assets – completed development” and are amortized.

An intangible asset is recognized if, and only if:

- a. it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- b. the cost of the asset can be measured reliably.

Before starting the second stage of work on intangible assets, the Company’s Management Board assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset, both on the income and cost side, including by estimating availability of the means needed to complete, use and generate benefits from the asset.

The Company uses judgement to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

All research completed in the financial year is analyzed on an ongoing basis in terms of commercialization potential. If the result of the assessment is positive, i.e. there are indications the intangible assets will help the Company obtain future economic benefits that can be assigned to the given assets component, while meeting the remaining conditions indicated below, the Management Board decides to start development.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, the Company can demonstrate all of the following:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b. its intention to complete the intangible asset and use or sell it;
- c. its ability to use or sell the intangible asset;
- d. how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- f. its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where there is no certainty as to fulfillment of the above conditions, development costs are recognized in the statement of comprehensive income in the period in which they were incurred (under costs of ordinary activities).

The in-process development expenditure is an item of intangible assets that is not yet available for use. According to paragraph 97 of IAS 38, development expenditure is not amortized as amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Intangible assets are amortized on a straight-line basis over the anticipated period of their economic life. The value of amortization of intangible assets is recognized in the statement of comprehensive income.

Intangible assets existing in the Company and their economic useful lives:

Licenses for computer programs	2 to 5 years
Intellectual property rights (know-how)	5 years
Completed development	During the period of using the development results

The Company has no intangible assets with an indefinite useful life.

3.13.2 Tangible assets

Tangible assets are measured at purchase cost increased by all costs directly related to the purchase and adaptation of the asset for use or at generation cost less any depreciation and impairment allowances.

Costs incurred the after the tangible assets had been put in use, such as repair and maintenance costs and running costs are reflected in profit or loss of the reporting period in which they were incurred.

However, if it is possible to demonstrate that the expenditure caused an increase in the expected future economic benefits from ownership of the asset above the originally expected benefits, then the expenditure increases the initial value of such asset (improvement).

At the time of liquidation or sale of tangible assets, any ensuing gains or losses are recognized in the statement of financial position as a difference between net proceeds from disposal (if any) and the carrying amount of this item.

In the case of tangible assets financed with grants, the amount corresponding to the initial value of such assets in the part financed with the grant is recognized in deferred income and settled over time as a grant together with depreciation of such assets.

Tangible assets are depreciated on a straight-line basis over the anticipated period of their economic life, which is as follows:

Technical equipment and machines: 4 to 15 years

Vehicles: 3 to 10 years

Other tangible assets: 2 to 4 years

Estimates regarding the economic useful life and the depreciation method are reviewed at the end of each financial year to verify if the depreciation methods and period correspond to the anticipated time distribution of the economic benefits conveyed by the tangible asset.

3.13.3 Tangible assets under construction

Tangible assets under construction are measured at the overall cost directly related to their acquisition or generation, including financial costs (except exchange differences which do not represent an adjustment to interest paid), less impairment losses.

Tangible assets under construction are not depreciated until they are completed and put in use.

3.13.4 Financial instruments

The Company has classified financial assets into the following valuation categories:

- measured at amortized cost
- measured at fair value through other comprehensive income
- measured at fair value through profit or loss.

The Company allocates financial assets to the appropriate category depending on the business model adopted for managing financial assets and considering the characteristics of contractual cash flows for a particular financial asset.

Financial assets measured at amortized cost are debt instruments held to collect contractual cash flows which include only payments of principal and interest.

To this category the Company classifies trade receivables, loans granted, other financial receivables and cash and cash equivalents.

Financial assets are measured at amortized cost using the effective interest rate. After initial recognition, trade receivables are measured at amortized cost using the effective interest rate method, including impairment allowances. Any trade receivables maturing within less than 12 months from the date of origination (i.e. without a financing element) and not transferred to factoring, are not discounted and are measured at nominal value.

Financial assets measured at fair value through other comprehensive income are:

- debt instruments whose flows contain only payments of principal and interest, and which are held to collect contractual flows and for sale;
- investments in equity instruments.

Changes in the carrying amount are measured through other comprehensive income, except for impairment losses (gains), interest income and foreign exchange differences and dividends, which are reflected in profit or loss. Assets measured at fair value through other comprehensive income include shares in other entities at the time of initial recognition.

Financial assets measured at fair value through profit or loss are financial instruments which do not meet the criteria for measurement at amortized cost or fair value through other comprehensive income. In the category of assets measured at fair value through profit or loss the Company classifies derivatives, factored trade receivables where the terms of the factoring agreement result in the respective amounts to be no longer treated as receivables, as well as loans which have not passed the SPPI test, convertible bonds, and dividends.

3.13.5 Impairment of financial assets

Assets carried at amortized cost

IFRS 9 has introduced a change in the approach to estimating the impairment of financial assets with a shift from the incurred loss model to the expected loss model. At each balance sheet date, the Company assesses the expected credit losses whether or not there are any indications of impairment.

3.13.5.1 Loans granted and receivables from related parties

The Company performs an individual analysis of all exposures, assigning them to one of three stages:

Stage 1 – where credit risk has not increased significantly since initial recognition and where 12-month expected credit loss (ECL) is recognized.

Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognized.

Exposures classified to stage 1 have impairment allowances determined based on an individually set rating, repayment profile and assessment of recovery from collateral.

For exposures classified to stage 2, the amount of impairment allowance is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future losses on account of uncollected receivables), discounted using the effective interest rate.

Impairment allowances are reversed when the present value of the estimated future cash flows is higher than the net assets employed, and a positive balance of payments with the entity concerned is expected to be achieved within the next 12 months.

3.13.5.2 Trade receivables

The Company performs a collective analysis of exposures (except for those which are subject to individual analysis as non-performing receivables) and uses a simplified matrix of allowances for individual age ranges based on expected credit losses over the entire life of the receivables (based on default ratios determined using historical data). The expected credit loss is calculated when the receivable is recognized in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of days in arrears.

3.13.5.3 Cash

The Company estimates allowances based on the likelihood of default determined using external bank ratings. The most important item of financial assets in the Company's financial statements is cash, held on accounts with banks from Santander Group, BNP Paribas and ING. Banks which are members of Santander Group and ING have a stable short-term and long-term rating, so the Company decided not to post any allowances.

3.13.6 Inventories

Inventories are assets intended for sale in the normal course of business, in the course of production or intended for sale in the form of materials, or auxiliary materials intended for consumption in production or in connection with the provision of services. Due to the nature of inventories and their purpose, inventories are divided into groups:

- raw materials
- finished and semi-finished products
- work in progress
- goods

The Company initially carries inventories at cost (purchase price or production cost).

The purchase price and production cost include all purchase costs, processing costs and other costs incurred in bringing the inventories to their current location and condition.

Inventories are carried at cost (acquisition prices/manufacturing costs), but not higher than net selling price (equal to sales price less costs related to preparing the inventories for sale and completing the sale). In the event of an increase in the value of inventories for which impairment allowances were previously made, those allowances must be reversed.

3.13.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership onto the lessee. All other leases are treated as operating leases. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

The Company is not a party to any contracts under which it would be a lessor.

The Company is a party to contracts which transfer substantially all risks and rewards incidental to ownership of the underlying assets. A lease is recognized as a tangible asset at the lower of its fair value and the present value of minimum lease payments determined at the lease commencement date. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Financial expenses are recognized directly in the statement of comprehensive income.

Tangible assets used on the basis of lease contracts are depreciated over the anticipated period of their useful life.

The operating lease fees and the subsequent lease payments are expensed in the statement of comprehensive income on a straight-line basis throughout the lease term.

The Company assumes that for contracts concluded for an indefinite period, with a notice period of less than 12 months but not meeting the definition of a lease, the practical expedient under IFRS 16 can be used.

3.13.8 Foreign currency transactions

The items included in the financial statements are presented in the Polish zloty, which is the functional currency of the Company. Transactions expressed in foreign currencies are translated at initial recognition into the functional currency as follows:

- at the exchange rate actually used, i.e. at the buy or sell rate applied by the bank at which the transaction takes place, in the case of currency sale or purchase transactions and payment of receivables or liabilities, or at the rate arising from contracts signed with the entity's bank or the rate agreed through negotiations;
- at the average exchange rate set for the particular currency by the National Bank of Poland as at the transaction date for other transactions. The exchange rate applicable at the transaction date is the average exchange rate of the National Banking of Poland announced on the last business day before the transaction.

At the end of each reporting period:

- any cash items expressed in foreign currency are converted using the closing rate applicable on that day, i.e. the average exchange rate set for the particular currency by the National Bank of Poland;
- any non-cash items measured at historical cost in a foreign currency are converted using the exchange rate (i.e. the average exchange rate set for the particular currency by the National Bank of Poland) applicable on the transaction date, and
- any non-cash items measured at fair value in a foreign currency are converted using the exchange rate (i.e. the average exchange rate set for the particular currency by the National Bank of Poland) applicable on the date of determination of the fair value.

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;
- balance sheet valuation of cash assets and liabilities other than derivative instruments expressed in foreign currencies are recognized in profit or loss.

3.13.9 Accruals

The Company recognizes prepayments and accruals to comply with the accrual principle and the matching principle. This applies to the revenues and expenses which relate to future periods and meet the recognition criteria as items of assets or liabilities, in accordance with the conceptual framework of IFRSs.

Prepayments are measured at cost at the time of initial measurement, while on the balance sheet date the cost is adjusted by the portion of the written off cost or income attributable to the previous period.

The Company recognizes unearned revenues if they relate to future reporting periods.

Unearned revenues are measured at nominal value.

3.13.10 Equity

The Company's equity is divided into:

- Registered (share) capital – recognized at the value stated in the Company's Articles of Association and entered in the National Court Register (KRS);
- Supplementary capital;

- Reserve capital;
- Retained earnings, which include the financial results of previous years and the result of the current period

3.13.11 Provisions

Provisions are recognized when the entity has a present legal or constructive obligation towards third parties as a result of past events and when it is certain or highly likely that an outflow of resources (tantamount to economic losses) will be required to settle the obligation, and when the amount of the obligation can be reliably estimated.

3.13.12 Bank loans and other loans received

At initial recognition, bank loans are recognized at cost, which is the value of cash received and which includes the cost of obtaining the loan. Then all bank and other loans are measured at adjusted purchase price (amortized cost), using the effective interest rate.

3.13.13 Borrowing costs

Borrowing costs are recognized in profit or loss in the period to which they relate.

Borrowing costs that may be directly attributed to the acquisition, construction or production of a qualifying asset affect its initial value as a part of the cost of that asset. The costs are capitalized when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably.

Borrowing costs which were incurred without any specific purpose and used to finance the acquisition or production of a qualifying asset affect the initial value of this asset in the amount determined by applying the capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Exchange differences on borrowings drawn in a foreign currency (both specific and general) affect the initial value of the qualifying asset to the extent in which it represents an adjustment of interest costs. The value of exchange rate differences adjusting the interest costs is the difference between the interest costs on similar borrowings that the Company would incur in its functional currency and the cost incurred for the foreign currency borrowings.

3.13.14 Current and deferred tax

Income tax recognized in profit or loss includes current and deferred tax.

Current tax is calculated in accordance with the applicable tax law.

Deferred tax is determined using tax rates (and laws) that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

A deferred tax liability is recognized for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred tax liability is recognized in the full amount. The liability is not discounted.

A deferred tax asset is recognized for all deductible temporary differences between the carrying amount and tax base of assets and liabilities. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference or tax loss can be utilized.

Deferred tax assets and liabilities are recognized regardless of when they are to be utilized.

Deferred tax assets and deferred tax liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction that:

- is not a business combination;
- at the time of the transaction, affects neither the pre-tax profit nor taxable profit. No deferred tax assets and deferred tax liabilities are recognized for temporary differences resulting from the initial recognition of goodwill.

Deferred tax is recognized in profit or loss for a given period, unless the deferred tax:

- arises from transactions or events which are directly recognized in other comprehensive income – in which case the deferred tax is also recognized in other comprehensive income; or
- arises from a business combination – in which case the deferred tax affects goodwill or a gain on a bargain purchase.

Deferred tax assets and deferred tax liabilities are offset if the Group entities have a legally enforceable right to set off current tax assets and current tax liabilities, and if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxpayer.

3.13.15 Revenue recognition

The Company applies the principles of IFRS 15 taking into account the 5-step revenue recognition model. The Company recognizes revenue when it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognized as an amount corresponding to the transaction price allocated to that performance obligation.

In order to determine the transaction price, the Company takes into account the terms of the contract and the customary business practices. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example certain sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer.

As at the Balance Sheet Date, the Company did not have any signed commercial contracts that could be the basis for detailed disclosures in accordance with IFRS 15.

3.13.15.1 Revenues from the sale of services (products)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the stage of completion of the transaction at the balance sheet date can be measured reliably;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

3.13.15.2 Revenue from the sale of goods and materials

The Company recognized revenue from the sale of goods and materials when the following conditions are satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognized at the fair value of the consideration received or receivable.

3.13.15.3 Interest

Interest income is recognized pro-rata to the passage of time, using an effective interest rate. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and gradually unwinds the discount in correspondence with interest income. Interest income on loans which have become impaired is recognized at the original effective interest rate.

3.13.16 Grants

Non-cash grants are recognized in the books at fair value.

Cash government grants are presented in the statement of financial position as deferred income.

Grants related to income are presented under “Revenue from grants”.

A government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. They are not credited directly to equity.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognized as income of the period in which it becomes receivable as the above fact has been disclosed.

Grants related to income are presented as revenue, separately from the related costs that the grants are intended to offset. The grants are recognized as revenue regardless of whether they were received in the form of cash or as a decrease of liabilities.

Inflows and expenses related to received grants are presented in the statement of cash flows (under cash flows from operating activities).

The benefit of a government loan at a below-market rate of interest is treated as a government grant, which is recognized and measured in accordance with IFRS 9 “Financial Instruments”, i.e. at the amount of the difference between the initial carrying amount of the loan determined in accordance with IFRS 9 and the inflows received. The grant is accounted for in accordance with IAS 20 “Accounting for government grants and disclosure of government assistance”.

The Company estimates the probability of having to return the received grants. Depending on the adopted estimate, grants received may be recognized in the profit or loss in the year when the grant-funded expenses were incurred or treated as deferred income until a reasonable certainty is obtained that the funding will not have to be returned.

The Company distinguishes the following types of risk attached to the return of grants:

Risks related to projects:

- The Company refuses to submit to or obstructs an inspection, or fails to comply with the post-inspection recommendations within the stated deadline;
- During an inspection carried out by authorized institutions, errors or deficiencies were found in the submitted documentation and they were not remedied within the prescribed period;
- The Company fails to submit a payment application on time;
- The Company fails to correct the payment application within the prescribed period or submits an application containing significant deficiencies or errors;
- The Company fails to submit information or explanations about the project;
- The Company uses the funding contrary to its intended purpose; will obtain any undue or excessive amount of the grant;
- The Company uses the funding in breach of applicable procedures;
- Continued implementation of the project by the Company is impossible or unreasonable;
- The Company discontinues the project or implements it in a manner incompatible with the contract or law;
- No progress is observed in project implementation in relation to the deadlines specified in the grant application, which might give rise to a reasonable expectation that the project will not be implemented in full or its goal will not be achieved.

The Company has the above risks under control. The Company ensures implementation of projects in accordance with the applicable guidelines and grant agreements. The Company monitors progress of projects on an ongoing basis. Where a project cannot be continued, the Company reports this to relevant institutions as soon as possible after becoming aware of this fact. The Company declares that it will not breach any conditions under the control of the Company's Management Board.

3.13.17 Contingent liabilities

A contingent liability is defined as:

- a) A possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognized in financial statements because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

3.13.18 Incentive scheme

IFRS 2 requires that the Company should recognize the related costs and equity increase for such transactions when the employee benefits are received. On the date when the individual tranches under the scheme vest in the eligible persons, the Company will estimate the remuneration costs based on the fair value of the awarded options. The cost determined in this way will be recognized in the statement of comprehensive income for a given period in correspondence with the equity position presented in the statement of financial position throughout the vesting period.

3.13.19 Management Board's estimates

The preparation of standalone financial statements requires the management board of the Company to make estimates and assumptions that affect the amounts reported in these financial statements and notes thereto. Actual results may be different

from estimates. These estimates concern, *inter alia*, provisions and impairment allowances, prepayments and accruals and adopted depreciation/ amortization rates.

3.13.19.1 Accruals for unused annual leaves

Accruals for unused holiday leaves are determined on the basis of the number of unused leave days as at a particular date and the employee's average salary as at that date, increased by the national insurance contributions payable by the employer.

3.13.19.2 Useful lives of tangible assets

Each year, the Company's Management Board verifies the residual value, depreciation method and useful lives of the fixed assets which are subject to depreciation. As at the Balance Sheet Date, the Company's Management Board is of the opinion that the useful lives of assets applied by the Company for purposes of depreciation reflect the expected period of future economic benefits from these assets.

3.13.19.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates which according to the available projections will be apply at the time when the asset is realized or the liability is settled based on tax laws that were in force or were substantively in force at the end of the reporting period.

3.13.19.4 Asset impairment tests

In accordance with the requirements of IAS 36, the Company monitors its assets in terms of impairment on an ongoing basis. At the time of a decision to start a new development project, the Company assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset, both on the income and cost side, including by estimating availability of the means needed to complete, use and generate benefits from the asset. Where there is no certainty as to the possibility of obtaining future economic benefits, technical capability or an intention to complete the development or availability of funds to complete the development or a possibility of a reliable estimate of the expenditure incurred, then development costs are recognized in the statement of comprehensive income in the period in which they were incurred (under costs of ordinary activities). At the end of each reporting period, the Company tests all previous assumptions regarding in-process development. Where there are any indications of impairment, the Company will assess the recoverable amount of the assets affected and will post relevant impairment allowances. Impairment tests are carried out to ensure that assets are carried at a value not exceeding their recoverable amount. The recoverable amount is the higher of:

- fair value, less costs to sell, if the fair value can be determined;
- value in use determined on the basis of the present value (i.e. after discounting) of the future cash flows related to the assets to be tested.

The indicators of impairment of assets at the Company are as follows:

- an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- significant changes of technological, market, economic or legal nature, with an adverse effect on the entity have taken place or are expected to take place;
- evidence is available of obsolescence or physical damage of an asset;
- significant changes to the use of an asset, with an adverse effect on the entity, have taken place or are expected to take place;
- the economic performance of an asset is or will be worse than expected.

At each balance sheet date, the Company assesses whether there are any indications that any of its may be impaired. If this is the case, the Company estimates the recoverable amount of the asset.

Whether or not there are any indications of impairment, each year the Company performs annual impairment tests for its intangible assets with an indefinite useful life or an intangible asset which is not yet available for use, by comparing its carrying amount with its recoverable amount. This test may be carried out at any time during the year, provided that each year it takes place at the same date. Different intangible assets may be tested for impairment at various dates. If an intangible asset was initially recognized during the current year, the asset is tested for impairment before the year-end.

At the end of the reporting periods presented, in the opinion of the Company's Management Board there were no indications of impairment of tangible or intangible assets. As at the balance sheet date, in accordance with the International Accounting Standard 36 "Impairment of Assets", the Company performed an impairment test for completed development and in-process development expenditures. The test results showed that the recoverable amount of intangible assets exceeds their carrying amount, so there is no need to post any impairment allowances for those assets.

3.13.20 Earnings (loss) per share

Earnings (loss) per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent Company by weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings (loss) per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent Company by the probable number of shares taking into account future issues.

Signatures:

Filip Granek, PhD
CEO

Jacek Olszański
Management Board Member

Person responsible for maintaining the Company's books of account

Edward Czuchajewski
Chief Accountant

Wrocław, April 25, 2024