



shaping global nanofuture



QUARTERLY REPORT FOR Q1 2022

XTPL S.A.

Wrocław, 18 May 2022

LETTER FROM THE MANAGEMENT BOARD

Ladies and Gentlemen, Dear Shareholders and Investors,



In the just-ended first quarter of 2022, XTPL achieved further important milestones. First of all, we started the current year as a more mature organization on the business and technological level. We have demonstrated with our activities that XTPL technology and solutions enjoy widespread interest among industrial players in the market and can be successfully commercialized. This is evidenced for example by two significant agreements that we signed in the first quarter. The first agreement is for work on the development of a special formulation of nanoink for the international Israeli company Nano Dimension. The product that we are developing for this company is intended for its industrial customers and will be mainly used for the

production of PCBs. This will mean XTPL's first industrial implementation. It is worth mentioning here that we have completed and obtained acceptance for the first stage of development as part of the technological phase of the agreement with Nano Dimension, which also triggers the first payment tranche for the Company.

The second important partnership that we were working on and finalized shortly after the end of the first quarter, is the agreement with the American company nScript. Its offer will be expanded to include our proprietary silver nanopaste CL85, which will be available for use in the products manufactured by nScript's industrial clients from the medical, defense and space sectors. Before the agreement was finalized, our product underwent many tests that confirmed its quality and competitiveness. At the same time, throughout the first quarter of this year, we have completed six orders for nanoinks.

As regards our two other business lines, during the first quarter we made deliveries and provided training to the clients who had ordered the Delta Printing System (DPS) last year. As planned, all the ordered devices were received by their owners, and now we are getting regular positive feedback about DPS capabilities. We are also working on further sales of devices to new clients. Some of the interested buyers have already included the purchase of DPS in their budgets for the current year and are awaiting their approval by the relevant bodies. In this product commercialization area, it was important for us to choose clients who would join the group of informal ambassadors of the XTPL technology. This is best illustrated by our cooperation with the University of Brescia, where a team of researchers led by Professor Torricelli is developing next-generation organic and biodegradable biosensors using XTPL's electronics printing technology. This work is also on the radar of another group of potential buyers – international manufacturers with an established market position.

Once the technology is implemented on industrial lines of global manufacturers, we evaluate it in nine main processes. This happens at the appropriate pace set by the project schedules of our partners.

The ongoing commercialization process is also supported by an extended international network of distributors who help us build business relationships and promote our technology in selected foreign markets, and support the sale of our products. In recent months, we have begun cooperation with representatives for the Western European market: the German company merconics, and for the Indian market: Vertex Global Solutions, based in Mumbai.

The technology, whose capabilities we are constantly exploring and expanding, is protected first by patent applications and then by approved patents. The invention is protected from the moment the application is submitted to the appropriate patent office. It takes about 4–5 years to complete the patent process and obtain appropriate protection for the invention. In Q1 2022, we have successfully completed one such process. It resulted in the patent being granted by the Japanese Patent Office for the method of forming lines less than 1 micrometer wide using the XTPL proprietary ink with silver nanoparticles. Outside of Japan, the patent application is already protected in the United States, China and

Germany. We are also taking steps to obtain protection in other countries, including Israel, Vietnam and Taiwan. At present, our patent cloud contains 24 applications in total.

All the activities that we carried out in the first quarter of 2022 allowed us to achieve consolidated revenue of PLN 930 thousand from the sale of our products and services, compared to PLN 65 thousand reported in the same period last year. The notable increase in sales confirms the success of our strategy of commercializing the Company's technological solutions. The value of EU grants obtained was PLN 1,085 thousand compared to PLN 976 thousand in the first quarter of 2021. Sales growth generates revenues but also requires expenditures. Accordingly, we are steadily increasing our machinery park. We have also strengthened our technology team to effectively serve the clients that have signed contracts with us this year. The proceeds from those contracts will materialize in the following quarters and will shore up our cash position. Already after the first quarter, despite development expenditure, cash flows dropped to PLN -889 thousand compared to PLN -1,877 thousand in Q1 2021. Operating cash flows were PLN -189 thousand (vs PLN -880 thousand in Q1 2021). EBITDA was PLN -2,406 thousand vs PLN -2,258 thousand.

Traditionally, the first quarter is a period of many industry events. On-site meetings are slowly making a comeback, which facilitates networking and establishing business contacts. From January to the end of March this year we took part in three events, including the InnoLAE conference and LOPEC. In addition to technological events, we also participate in events dedicated to stock exchange investors. We are certainly pleased with the growing interest from foreign investors, who recognize the pace of the Company's development and clearly declare that they are closely watching the growth and progress of XTPL. In Poland, we had the opportunity to take part in the 10th anniversary edition of the Warsaw Stock Exchange Innovation Day amongst companies that successfully make inroads into foreign markets.

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

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

Kind regards,
Filip GrANEK, PhD



Jacek Olszański



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Information about the report and a glossary of terms and abbreviations

1 INFORMATION ABOUT THE REPORT AND A GLOSSARY OF TERMS AND ABBREVIATIONS

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

As at 31 March 2022 ("**Balance Sheet Date**"), the share capital of XTPL S.A. amounted to PLN 202,922.20 and consisted of 2,029,222 shares with a nominal value of PLN 0.10 each ("**Shares**").

This document ("**Report**") contains the Report of the Management Board of XTPL S.A. on the activities of XTPL Group ("**Group**", "**XTPL Group**") and on the activities of XTPL S.A. for the first quarter of 2022 ("**Management Report**"), as well as standalone and consolidated financial statements of XTPL S.A. and the XTPL Group.

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

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date ("**Report Date**") is 18 May 2022.

The consolidated financial statements mean the condensed consolidated financial statements (including the Company and the Subsidiaries) for the period from 1 January to 31 September 2022 prepared in accordance with the International Financial Reporting Standards approved for application in the EU. The standalone financial statements contained in the Report mean the Parent Company's financial statements for the period from 1 January to 31 March 2022 ("**Reporting Period**"), prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

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

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

"**Regulation on current and financial reports**" – the Finance Minister's Regulation of 29 March 2020 on current and periodic reports released by the issuers of securities and the conditions for equivalent treatment of the information required by the laws of non-member states.

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

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

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

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

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

DEFINITIONS:

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

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

CAD means Computer Aided Design

Aerosol Jet means a printing method that uses aerodynamic focusing to apply a material in the form of a dense cloud of micron-size droplets on the substrate

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

Deposition means depositing a material locally

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

FPD (Flat-Panel Display) means a flat display

IP (Intellectual Property) means intellectual and industrial property

Laser-induced forward transfer (LIFT) means a method of direct material deposition using a laser to transfer material from the donor layer onto a substrate

MEMS means an integrated electromechanical structure with at least one specific dimension in the micro scale (0.1–100 µm)

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

micro-LED (uLED, µLED) means flat display technology based on semiconductor electroluminescent diodes (LED), in which each pixel is a microscopic LED diode

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

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

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

PCB means printed circuit board made of insulating material with electronic connections, intended for assembly of electronic components

R&D – Research and Development

SEM means scanning electron microscope

Flash sintering means a method of curing a material using high-energy light within milliseconds

Financial highlights

2 FINANCIAL HIGHLIGHTS

2.1 Introduction

The selected financial data presented below contain basic figures (in thousands of zlotys and converted into euro) summarizing the financial position of the Company and XTPL Group.

Exchange rates applied

Balance sheet items have been converted at the average euro exchange rate announced by the National Bank of Poland, effective as at the balance sheet date.

The items of the income statement and the statement of cash flows were converted at the average EUR exchange rate being the arithmetic mean of the average EUR exchange rates announced by the National Bank of Poland and effective as at the last day of each completed month.

The table below contains the euro exchange rates used to convert the data in this report.

	2022		2021	
	January–March		January – March/ December 2021	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for balance sheet items	4.6525	4.1801	4.6603	3.9676
for profit or loss and cash flow items	4.6472	4.1638	4.5721	3.8128

2.2 Selected standalone figures

	1 January – 31 March 2022 (PLN '000)	1 January – 31 March 2021 (PLN '000)	1 January – 31 March 2022 (EUR '000)	1 January – 31 March 2021 (EUR '000)
Net revenue from the sale of products and services	930	65	200	14
Revenue from grants	689	624	148	136
Profit (loss) on sales	-273	-33	-59	-7
Profit (loss) before tax	-2,683	-2,495	-577	-546
Profit (loss) after tax	-2,683	-2,495	-577	-546
Depreciation/amortization	241	67	52	15
Net cash flows from operating activities	-279	-823	-60	-180
Net cash flows from investing activities	-608	-975	-131	-213
Net cash flows from financing activities	-34	-2	-7	-1

	31 March 2022 (PLN '000)	31 December 2021 (PLN '000)	31 March 2022 (EUR '000)	31 December 2021 (EUR '000)
Equity	3,754	5,288	807	1,150
Short-term liabilities	6,125	5,923	1,316	1,288
Long-term liabilities	1,942	1,616	417	351
Cash and cash equivalents	3,567	4,473	767	973
Short-term receivables	1,154	1,845	248	401
Long-term receivables	351	449	75	98

2.3 Selected consolidated figures

	1 January – 31 March 2022 (PLN '000)	1 January – 31 March 2021 (PLN '000)	1 January – 31 March 2022 (EUR '000)	1 January – 31 March 2021 (EUR '000)
Net revenue from the sale of products and services	930	65	200	14
Revenue from grants	689	624	148	136
Profit (loss) on sales	-273	-33	-59	-7
Profit (loss) before tax	-2,633	-2,250	-567	-492
Profit (loss) after tax	-2,634	-2,251	-567	-492
Depreciation/amortization	241	67	52	15
Net cash flows from operating activities	-189	-880	-41	-192
Net cash flows from investing activities	-666	-680	-143	-149
Net cash flows from financing activities	-34	-317	-7	-69
	31 March 2022 (PLN '000)	31 December 2021 (PLN '000)	31 March 2022 (EUR '000)	31 December 2021 (EUR '000)
Equity	3,499	4,983	752	1,083
Short-term liabilities	6,132	5,947	1,318	1,293
Long-term liabilities	1,942	1,616	417	351
Cash and cash equivalents	3,705	4,580	796	996
Short-term receivables	1,164	1,855	250	403
Long-term receivables	33	33	7	7

Management Report

3 MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF XTPL S.A. AND XTPL GROUP

3.1 INFORMATION ABOUT XTPL S.A. AND ITS GROUP

3.1.1 Key information about the Issuer

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

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

As regards financial reporting, the Group and the Company use IASs/ IFRSs.

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

3.1.2 Group structure

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

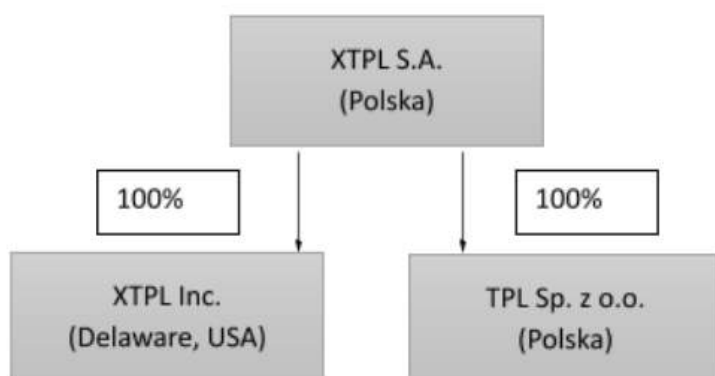
On 31 January 2019, XTPL S.A. acquired all shares in XTPL Inc., a newly formed entity based in the state of Delaware, United States. The share capital of XTPL Inc. is USD 5,000. XTPL S.A. acquired 100% of the stock at the nominal price. XTPL Inc. is consolidated using the line-by-line method.

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

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

The Company has no plants or branches.

Structure of XTPL Group as at the Report Date:



In the first quarter of 2022, the organization of the Group did not change.

3.1.3 Issuer's governing bodies

Management Board

As at the Balance Sheet Date and the Report Date:

As at the Balance Sheet Date:	As at the Report Date:
Filip Granek, PhD, CEO	Filip Granek, PhD, CEO
Jacek Olszański – Management Board Member	Jacek Olszański – Management Board Member

Powers of the Management Board

Filip Granek, PhD – CEO, Shareholder

Co-creator of the technology and founder of XTPL. He is an expert in nanotechnology, printed electronics, solar cells and modern technological processes for the production of semiconductor elements.

For nearly 10 years, he worked for most prestigious international research institutions and Hi-Tech companies, including: Fraunhofer ISE (Germany), ECN (Netherlands), ANU (Australia), Kingstone Semiconductor Company Ltd (China).

He led research work in close cooperation with the largest photovoltaic industry representatives from Europe, Asia and the United States. He has won many awards and distinctions, including the Burgen Scholarship (Academia Europaea) and a scholarship from the Foundation for Polish Science; he is a member of the prestigious Young Academy of Europe; obtained a scholarship from Ministry of Science and Higher Education for outstanding young scientists and from DAAD, Germany. He received the prestigious LIDER research grant financed by the National Center for Research and Development, and was awarded in the ranking of outstanding innovators of new Europe: "New Europe 100 Challengers".

Winner of the 16th edition of the 2018 EY Entrepreneur of the Year competition. He was awarded for his work on the disruptive technology that has a serious chance to change the world for the better. He is also the winner in the New Business category, where the award is granted for using own scientific experience to create an globally innovative product. At the Wrocław Research Centre EIT+, he built a new laboratory from scratch and set up an interdisciplinary scientific team which is currently implementing a number of research projects. He has 70 scientific publications and 30 international patent applications and patents to his name.

Filip Granek does not pursue any business activity outside the Issuer that would be of major significance to the Company's business.

His responsibilities at XTPL include supervision over R&D activity, business and sales development and HR, marketing and strategy management.

Jacek Olszański – Management Board Member, CFO

He holds a master's degree in economics from the Poznań University of Economics. He has 25 years' hands-on experience in finance and controlling gained in corporate groups. Previously worked for KGHM Polska Miedź S.A. and Selena Group, where he held a number of managerial functions. He run his own business in the market of controlling services outsourcing. Supervisory Board and Audit Committee member at companies from various sectors, including companies listed on the Warsaw Stock Exchange. Jacek Olszański joined XTPL S.A. in October 2018, originally as financial manager. His responsibilities at XTPL include managing the Company's financial and economic affairs, shaping the Company's strategy, financial reporting and oversight over the compliance area.

Jacek Olszański does not pursue any business activity outside the Issuer that would be of major significance to the company's business.

Supervisory Board:

As at the Balance Sheet Date and the Report Date:

As at the Balance Sheet Date:	As at the Report Date:
Wiesław Rozłucki, PhD – Chairman of the Supervisory Board, an independent Supervisory Board Member	Wiesław Rozłucki, PhD – Chairman of the Supervisory Board, an independent Supervisory Board Member
Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board	Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
Andrzej Domański – Deputy Chairman of the Supervisory Board, an independent Supervisory Board Member	Andrzej Domański – Deputy Chairman of the Supervisory Board, an independent Supervisory Board Member
Beata Turlejska – SB member	Beata Turlejska – SB member
Piotr Lembas – an independent SB member	Piotr Lembas – an independent SB member

Prof. Herbert Wirth – an independent SB Member	Prof. Herbert Wirth – an independent SB Member
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Audit Committee:

As at the Balance Sheet Date and the Report Date:

Name	Role
Piotr Lembas	Chairman of the Audit Committee
Wiesław Rozłucki. PhD	Audit Committee Member
Prof. Herbert Wirth	Audit Committee Member
Andrzej Domański	Audit Committee Member

3.1.4 Employment and information about the Issuer's employee team

As at the Balance Sheet Date, the Company employed 34 people.

Our Team:

The development of XTPL ultra-precise printing technology is a success of the Company's entire team, which, using its interdisciplinary knowledge and experience, keeps achieving further technological and business goals. Technological progress is the result of intensive cooperation of engineers and specialists who pool competences of many areas of technology, business and operations.

What distinguishes the XTPL technology team is its interdisciplinary knowledge in fields such as physics, optics, chemistry, mechanics, electronics and programming. The technology team represents 65% of all employees and carries out work in individual laboratories: Application Laboratory, Nanoinks and Nanomaterials Laboratory, Mechatronic Laboratory, Material Characterization and Pre-Post Treatment Laboratory, and Numerical Simulations Laboratory.

The technology team is backed up by an operations team, which provides support in the areas of finance, law, HR, procurement, IT and project management. At the same time, the Marketing Department is responsible for marketing and PR/IR activities. Making inroads into new markets and establishing new customer relations is the responsibility of the Business Development Team.

Women accounted for 4–3% of the full XTPL team. At the same time, in the technology team, women represented 34% of the staff.

Team training and development:

Upskilling training courses are implemented in consultation with the team leaders and the Company's management board. Most training courses are organized on the employees' initiative. The development of the XTPL team is promoted by regular participation in domestic and foreign conferences, as well as in on-site and online industry events. Some of those events were held remotely due to the pandemic.

Benefits:

XTPL offers its employees a benefits package in the form of a non-wage benefits program. XTPL offers: private medical care, health & life insurance, sports program, program of awards for patent applications, the possibility of telecommuting, access to the Company's corporate library and funding for English language courses. The Company also implemented an incentive scheme based on shares and warrants.

3.1.5 Organizational and capital connections

Except for its affiliation with the subsidiary XTPL Inc. and the subsidiary TPL sp. z o.o., XTPL has no other organizational connections.

3.1.6 Description of operations and basic products and services

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

XTPL's strategic goal is commercialization of its platform technology of ultra-precise printing of nanomaterials in the area of advanced electronics.

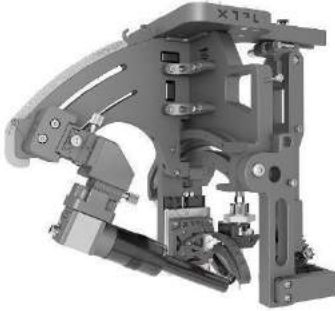
TECHNOLOGY:

The Ultra Precise Deposition (UPD) technology developed and patented by the Company in response to the three market megatrends in the production of modern electronics. The industry is currently strongly focused on further miniaturization of the size and weight of electronic devices, modifying their forms and properties, and moving towards an increased flexibility and three-dimensionality. A critical global trend is also environmental protection based on efficient use of limited resources while reducing the production waste, which is enabled by additive technology.

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

PRODUCTS

EPSILON printing module for industrial integration



The EPSILON head developed by the Issuer is a printing module that can be integrated with industrial devices. It can be used by industrial integrators and end users to benefit from new possibilities of printing high-resolution functional features at ultra-high density. This innovative printing head with dedicated nanoinks enables ultra-precise creation of conductive lines on a selected substrate (application field). EPSILON integrates all the functions required by the XTPL® UPD technology along with electronic control and the proprietary XTPL® UPD Process Control Software package. In terms of commercialization of this business line, the Company is engaged in nine evaluation processes with international, global producers of new generation consumer electronics.

Delta Printing System (DPS)



The Delta Printing System is an independent research and development and prototype system designed to test the capabilities of XTPL's UPD technology on various substrates and with the use of the Issuer's nanoinks. The role of the device is also to promote the Issuer's technology among global opinion leaders from the deep-tech industry – including the best academic and scientific centers as well as R&D institutes of electronics manufacturers.

The Issuer began the commercialization of this business line late in 2020/ early in 2021. The Company sold 5 devices:

- to the University of Stuttgart, Germany (Q4 2020);
- to Karlsruhe Institute of Technology "KIT", Germany (Q3 2021);
- to PORT in Poland (Q4 2021);
- to the Glasgow University, UK (Q4 2021);
- to the University of Brescia in Italy (Q4 2021).

The Issuer is gradually delivering the devices to the buyers.

Highly concentrated nanoinks



Developed by the Company's in-house R&D team, the nanoinks with a unique formulation are one of the elements of XTPL ultra-precise deposition method. They have special physicochemical properties enabling full utilization of the UPD method's potential. In this way, the Company can develop the additive technology comprehensively, with concurrent work on the ink deposition head and constant adaptation of the deposition material. Most of the inks used by XTPL are based on silver nanoparticles. Other elements are also used, including gold, copper and platinum, as well as quantum dots, for example. Owing to the diversity of materials, XTPL can flexibly respond to the needs of the market and individual clients. The XTPL method can also accommodate many commercially available materials, which may expand the area of its application in

the future, giving customers real technological versatility. With the small size of silver nanoparticles, in the range of 35 to 50 nm, their high stability and high electrical conductivity after the sintering process, the product is attractive for the ongoing development projects in the field of printed electronics.

Thanks to the proven compatibility and highly efficient application of XTPL inks in non-UPD printing method, such as: LIFT (Laser Induced Forward Transfer), Aerosol Jet printing (with pneumatic systems), and high-viscosity ink micro-dispensing techniques, the Company has been able to expand the group of its customers to include users of other commercial technologies. By entering the market of conductive materials and expanding the range of its inks available for other market segments, XTPL has decided to develop its nanoinks proposition as a complementary and stand-alone business line.

APPLICATION:

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

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

3.1.7 Business model, strategy and development outlook

BUSINESS MODEL:

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

- **LICENSING:**
The Company develops a technological solution dedicated to a particular application field, which is licensed to a partner who on its basis builds devices that allow the technology to be used in industry. In this case, the Company generates revenue from license fees related to the sale of devices equipped with the developed technology.
- **STRATEGIC PARTNERSHIP AND DISTRIBUTION AGREEMENTS:**
The Company develops a technological solution dedicated to a particular application field; the solution is then commercialized in cooperation with a strategic partner under a joint venture agreement. In this case, commercialization tasks are divided between the partners in accordance with their competencies and potential. The Company participates in profits achieved through the joint venture.

Another possible option is to acquire a distributor for the Company's technology and products in a particular geographical region. In this case, the terms of cooperation and contracts will be determined depending on the market, the distributor's position, and the obligations agreed by the Parties.

- SALE OF PRODUCTS

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

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

International Distributor Network

Starting from 2021, the Company began building a distribution network that will facilitate the promotion of XTPL technologies and products on the Issuer's most important markets. The need for that model of operation arose in 2020, when the coronavirus outbreak derailed the organization of on-site industry events. The difficulties building direct relations with potential buyers of XTPL technology prompted the Management Board to look for an alternative solution. As a result, during 2021 XTPL quickly attracted first five distribution companies to represent it on Asian and European markets. In Q1 2022, partnership was forged with another two companies. In addition, in 2019, the Issuer also set up a commercial presence in the form of a subsidiary in the United States.

MARKET ENVIRONMENT AND OUTLOOK

With its technology, the Company is targeting the market of electronics, the production of which could potentially be completely replaced by additive printing. The market is growing fast. In 2021, its value exceeded USD 45 billion, with the display market having the highest share in it (USD 40.2 billion, according to IDTechEx). According to the same report, the value of components produced solely by printing methods exceeded the USD 6.5 billion in 2021. Other reports, such as Markets and Markets, suggest that the value of the printed electronics market in 2021 was almost USD 10 billion, and in 2026 it is expected to reach USD 23 billion. According to the authors of the report, the value of that market is driven by the increasing demand for energy-efficient thin and flexible consumer electronics.

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

Value of the R&D equipment market

According to the Issuer's estimates based on available market data, the global annual sales of printers for R&D, rapid prototyping and small-lot production in the area of broadly understood printed electronics amount to approx. 250–500 devices per annum. The price of those printers ranges from EUR 50 thousand to more than EUR 500 thousand per device.

Value of the conductive nanoinks market

According to data published in the Markets and Markets market report, the global market for conductive inks reached USD 3.0 billion in 2020, and is expected to reach USD 3.7 billion in 2025. The market is buoyed by the growing use of electronics in the rapid urbanization processes, miniaturization of electronic components, as well as by the possibility of reducing production costs while maintaining high electrical conductivity and efficient manufacturing in line with environmental protection standards.

DEVELOPMENT DIRECTIONS AND FOCUS AREAS:

An exceptional feature of the XTPL technology is the possibility of its application in many fields of industry.

Presented below are applications in the areas that are currently key for the Company:

Displays:

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

Another area of application of the technology for flat panel displays is the precise printing of electrical connections for LEDs in micro-LED displays. The Company's technology can be used for printing repeatable conductive structures with a diameter of less than 10 μm and a very aspect ratio. These unique properties are much in demand amongst manufacturers of future micro-LED displays.

FHE (flexible hybrid electronic) sector:

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

Semiconductors market

Another market for the Company's technology is the semiconductor market. Its special application areas include making electronic connections on complex 3D topographies and heterogeneous substrates in advanced integrated circuits or microelectromechanical systems (MEMS). According to an analysis carried out by Mordor Intelligence that takes into account the impact of the COVID-19 pandemic, in 2020, the global market for advanced integrated circuits reached USD 24.93 billion, and by 2026 is expected to grow even to USD 38.62 billion. The size of this market shows great possibilities: not only in terms of potential application of the UPD technology in new areas, but also in the research and prototyping of new systems.

In this area, the Company is conducting active talks (at various levels of advancement) with market leaders.

Moving forward, the growth of the electronics market will be strongly driven by the areas where conventional production methods cannot be applied. By marketing its UPD technology embodied by the Delta Printing System, the Company promotes the innovative, proprietary solution that is used by pioneering research and scientific centers in their research and development, while at the same time defining breakthrough standards for the production of future electronic devices.

The new, already identified and pre-verified application areas for the XTPL technology include:

- PCB (printed circuit boards) market
- biosensors market
- photovoltaic cells market.

All the Company's R&D work takes place in Poland. Commercialization will be primarily focused on markets of North America (mainly the United States), Asia (China, Korea, Taiwan, Japan) and EMEA.

3.1.8 Protection of intellectual and industrial property

The policy of building a patent family plays an crucial role in the processes of commercialization of the technological solutions designed and implemented the Company. Intellectual property is a product and a competitive advantage of XTPL. For this reason, patent cloud development has a major impact on the business value – the size and appropriate protection of the cloud are key to the market position. XTPL solutions are protected from the moment of patent filing with the appropriate office.

The Company distinguishes five patent groups for its technology and products based on that technology:

1. UPD process – patents describing the ultra-precise deposition process or a device used for this process
2. Nanoinks – patents protecting various nanoink formulations
3. Software – patents protecting the solutions implemented in the software that controls the printing devices
4. Application fields – patents describing solutions to specific technological problems using the UPD method
5. Characterization and quality control – patents related to the characterization and quality control of selected components of the printing head

As at the balance sheet date, the Company has 1 patent granted and 24 patent applications filed.

3.2 XTPL'S ACTIVITY AND ACHIEVEMENTS IN Q1 2022

3.2.1 Calendar of key events in Q1 2022

Date	Event
January 2022	<ul style="list-style-type: none"> ● Starting cooperation with a distributor of the Company's technologies and products in the German, Austrian, French and Swiss markets: merconics based in Germany. ● Patent granted by the Japanese Patent Office for the Company's method of forming lines <1 micrometer wide using the XTPL-developed silver nanoink (patent application: "Bottom-up method for forming wire structures upon a substrate"). ● Entering into a cooperation agreement with the Israeli company Nano Dimension Ltd. for development of a special formulation of conductive ink based on metallic nanoparticles with high conductivity intended for industrial applications in the products of Nano Dimension designed for the production of PCBs. ● Publishing preliminary estimates of the Company's consolidated revenues from the sale of products and services for the fourth quarter and for the whole of 2021.
February 2022	<ul style="list-style-type: none"> ● Starting cooperation with a distributor of the Company's technological solutions in the Indian market: Vertex Global Solutions based in Mumbai.

March 2022	<ul style="list-style-type: none">• Received grant recommendation as part of the competition HORIZON-CL4-2021-DIGITAL-EMERGING-01-31 – Research and Innovations Actions (RIA) organized by the European Commission under the Horizon Europe Framework Programme (HORIZON) for the project “Building Active MicroLED displays By Additive Manufacturing” developed by a consortium to which XTPL belongs. The consortium also includes: ALEDIA from France, BARCO NV from Belgium, QustomDot BV from Belgium, X DISPLAY COMPANY TECHNOLOGY LIMITED from Ireland, X-CELEPRINT LIMITED from Ireland, and the University of Stuttgart from Germany.• Entering into a strategic cooperation agreement with the Department of Information Engineering/ Dipartimento di Ingegneria dell’Informazione from the University of Brescia in Italy to work together on development of new generation organic and biodegradable biological sensors using the Company-developed electronics printing technology.
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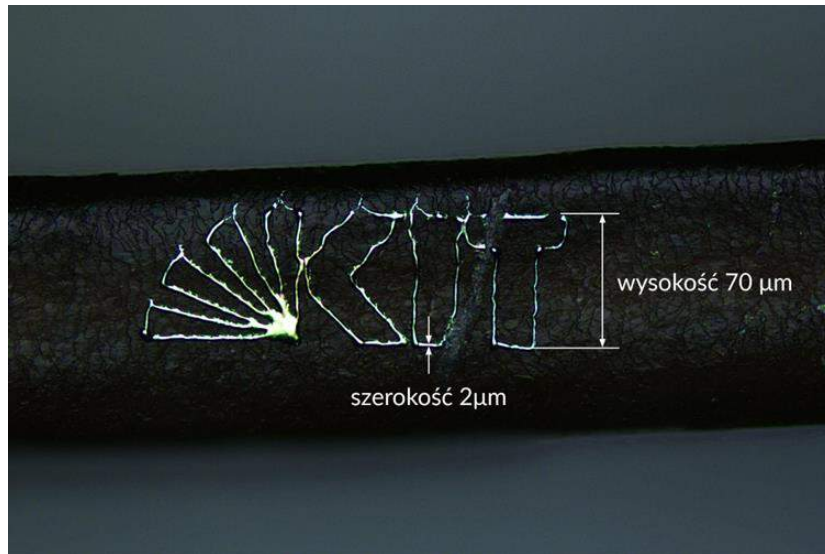
3.2.2 Issuer’s progress and achievements in the commercialization of technologies and products

In the first quarter of 2022, the Company continued activities aimed at closing further sales transactions within all business lines.

Delta Printing System:

During the Reporting Period, the XTPL team responsible for the commercialization of the Delta Printing System held numerous talks and engaged in many interactions with potential clients. As a result, the Company expanded its list of experts from around the world, operating mainly in the microelectronics, microsystems, semiconductors, biosensors, displays and similar industries, who highly value the technology developed by the Company and are potential buyers of XTPL products in the following years.

The unprecedentedly high printing precision, especially when using highly-viscous metallic inks is the main advantage of the Delta Printing System that makes global technological innovators interested in this device. Users of the Delta Printing System appreciate the device also for its ease of use, platform character and the ability of quick start without long prior preparation, and for not having to clean the printing elements once the work is finished. The printed logo of KIT on a human hair is an unusual way of showing the possibilities of the Company’s technology and device. Importantly, this kind of printout can be made right after a short user training conducted by the Company's team.



Logo of Karlsruhe Institute of Technology printed on a human hair

(photo courtesy of Georg Gramlich [IHE], KIT).

The Company's efforts helped stimulate interest in the Delta Printing System among potential buyers from such areas as microelectronics, biosensors, semiconductors, advanced integrated circuits, displays, etc., The information received by the Company's Management Board from interested buyers shows that some university clients have already submitted grant applications that reflect a budget for the purchase of the Delta Printing System.

Additionally, during the Reporting Period, cooperation agreements were signed with local distributors in selected European countries: Austria, Italy, Belgium, Luxembourg, Denmark, the Netherlands, France, Spain, Germany, Switzerland (merconics GmbH & Co. KG) and in India (Vertex Global Solutions), which significantly increased the Company's ability to reach new customers potentially interested in the Delta Printing System device. XTPL expects that in the following quarters of 2022 the Company may receive orders originating from those partnerships.

The interest of potential buyers of the Delta Printing System is particularly attracted by the Company's activities aimed at direct relationship-building, participation in trade fairs and conferences, cooperation with local distributors and promotion of the device by its current users, who present and publish the results achieved by means of the Company's technology. The possibility of making microelectronic structures that previously could not be achieved using alternative methods is highly noted both by academic and industrial communities.

Metallic nanoinks:

The fundamental concepts of nanoinks production elaborated by the Company during the development of conductive materials for the UPD technology have been commended by representatives of scientific and industrial communities as extremely valuable in terms of production of new types of electronic devices with the use of additive technologies. Those concepts respond to the high requirements of the rapidly growing market for conductive inks, including the need for efficient deposition at a high load of the metallic

component. The developed know-how enables the Company to sell its inks to various segments of the printed electronics market, animating further advances along this path of the Company's development.

Growing sales are generated on the back of this business line. The unique properties of XTPL inks have been successfully put to use in the projects of clients who operate in the sectors nanotechnology, OLED displays, and smart devices for medical technologies, using inkjet printing techniques, LIFT (Laser Induced Forward Transfer), and micro-dispensing techniques for high-viscosity inks. In the reporting period, the Company finalized 6 ink sale transactions.

The Company's laboratories are working on new formulations of nanoinks. Once finalized, they will be added to the XTPL offer. In the Reporting Period, the Company also held talks with leaders of electronics manufactured by means of the additive method, and is talking to them about the establishment of strategic partnerships in the area of conductive inks.

If the negotiations and ensuing business relations are successful, additional distribution channels will be established for nanoinks, and growing revenues will be achieved from the sale of those products. One of those strategic alliances is a private label agreement with the American company nScript, signed after the end of the Reporting Period. XTPL's Ag Nanopaste CL85 will be added to nScript's product offer and will be marketed to nScript's production system users from medical device, defense and space sectors.

Industrial implementations of the Company's technological solutions

As regards the Issuer's third, key business line – implementation of the XTPL technology on the production lines of global electronics manufacturers – work was conducted on nine projects from the Company's project pipeline. In addition to the reported pipeline, the Company intends to have up to five projects that will be developed to bring them to a higher level of evaluation.

Furthermore, in the Reporting Period the Company maintained its focus on the tasks related to the commercialization of the UPD technology in industrial applications for new, potential clients.

At the same time, the Company also engaged in talks with industrial entities regarding the use of the UPD technology in other types of advanced devices. This applies to displays made in micro-LED technology and advanced integrated circuits.

At this point, it should also be noted that the Company has achieved a significant milestone regarding cooperation in the area of industrial solutions, namely the signing of an agreement with Nano Dimension Ltd. The agreement was signed on 10 January 2022. Nano Dimension is implementing a globally innovative system of PCB production based on ink-jet printing methods. In connection with the Agreement, XTPL will develop, on a commercial basis, a special formulation of conductive ink for the devices manufactured and supplied by Nano Dimension. Nano Dimension Ltd. is a NASDAQ-listed provider of intelligent machines for the fabrication of Additively Manufactured Electronics (AME).

Commercialization activities in the Flat Panel Display sector (ODR)

The Company continues cooperation with manufacturers of high-resolution OLED displays.

Based on talks and market analyses, the Company has also focused on micro-LED displays.

As regards the Issuer's activities in the FPD sector, it should be noted that in Q1 2022, the Company received information that the project "Building Active MicroLED displays By Additive Manufacturing" developed by a consortium to which the Issuer belongs had been recommended for co-financing in the competition HORIZON-CL4-2021-DIGITAL- EMERGING-01-31 – Research and Innovations Actions organized by the European Commission under the Horizon Europe Framework Programme.

Commercialization activities in the area of micro-assembly of advanced integrated circuits

The Company's technological solution consisting in the possibility of printing using material of very high viscosity on 3D surface topographies has attracted attention from manufacturers of advanced integrated circuits. With the UPD technology, it is possible to make precise electrical connections in SiP (System-in-Package) systems, which bring together two or more integrated circuits in one housing. Entities with whom talks are being held are global top-tier producers in this area, based in North America, Asia and Europe.

3.2.3 Achieving further milestones in technology development

The first milestone is related to the Delta Printing System as the demonstrator of the XTPL technology. Since Q1 of 2022, the nano-printing process control software has enabled the import of designs in the CAD format conventionally used in industry. In this way, users of XTPL devices, both from the R&D area and industry, can easily use existing designs, and efficiently create new patterns of even very complex, multi-layer structures.

The Company also completed the first stage of the technological phase under the agreement with Nano Dimension Ltd. The Agreement relates to developing a new generation conductive nanoink for industrial applications in the Client's products designed for the production of PCBs. Establishment of the cooperation and performance of the agreement with the industrial partner in the nanoinks business line is also testament to the continued commercialization potential of the XTPL technology, which in the longer perspective may support its implementation on the production lines of global players in the market of modern electronics.

Another milestone relates to the development of the Ultra-Precise Deposition technology itself. In this context, the greatest emphasis was placed on the development of the procedure of sintering the printed structures by means of a laser or flash lamp in low-temperature drying (up to 100°C). The aim here is to achieve the highest possible electrical conductivity under the given conditions that guarantee the safety of other elements of microelectronic systems.

3.2.4 Issuer's activities designed to its intellectual and industrial property

In Q1 2022, the Management Board of XTPL S.A. obtained patent protection from the Japanese Patent Office for the Company's method of forming lines with a width below 1 micrometer using the XTPL-developed ink containing nanoparticles of silver. The patent was granted in response to the patent application "Bottom-up method for forming wire structures upon a substrate" (ESPI Current Report no. 2/2022 of 5 January 2022).

The Company has adapted its process of filing patent application to the recommendations of the patent offices cooperating with it and the advisors from the executive board of XTPL Inc. based in the United States. The recommendations concern, *inter alia*, an appropriate combination of new technological solutions and inventions into a single patent application. This is expected to increase the quality of individual submissions and consequently strengthen protection of the Company's intellectual property.

According to ESPI Current Report No. 45/2020 of 23 November 2020, the Management Board expected that by submitting the applications in the model described above, by the end of 2022 the number of all the Company's applications to date would be 26.

As at the date of publication of this report, the Company's Management Board does not see any risk to achieving this target. The Company is gradually increasing its competitive edge by filing further patent applications.

As at the Balance Sheet Date, the Company had 24 patent applications filed in total. As at the Balance Sheet Date, the Company had one patent approved, covering the territory of Japan, China, South Korea, Germany and the USA. As at the Report Date, the Company had trademarks registered with the Patent Office of the Republic of Poland and the European Union Intellectual Property Office, as well as in China.

3.2.5 Issuer's participation in industry events

In the first quarter of 2022, XTPL took part in industry events are an excellent opportunity to showcase the Company's unique technology to leading representatives of industry and science from around the globe.

On 22–24 February 2022, the Company participated in **innoLAE 2022**. The conference had an extensive program, including plenary speeches by world-renowned speakers, two parallel oral presentation sessions, a poster session on the latest research results, and an exhibition with leading companies and organizations. Filip Granek, PhD, CEO of the XTPL, gave a presentation "Ultra-Precise Deposition: an additive manufacturing process for large-area electronics".

Then, on 9 March 2022, the Company participated in the **TechBlick Lounge-Exhibition**, the largest remotely-held event for the community of printed, hybrid, InMold, 3D, R2R and textile electronics. Łukasz Kosior, Business Development Manager at XTPL, gave a presentation "Ultraprecise printed viscous silver inks for semiconductor packaging applications".

On 22–24 March 2022, XTPL participated in **LOPEC** (Large-area, Organic and Printed Electronics Convention) – devoted to large-area, organic and printed electronics, which is one of the most important international events in the printed electronics industry. During the convention, Filip Granek, PhD, CEO of XTPL, gave a presentation "Ultra-Precise Deposition: A Versatile Tool for Microfabrication".

In Q1 2022, XTPL actively participated in three international industry events. At the same time, the Company keeps track of and analyzes upcoming industry events and scientific conferences at which it could present its technology and products in the following quarters of 2022.

3.2.6 Other events

- **Conclusion of an agreement for distribution of the Issuer's technological solutions**

On 4 January 2022, the Issuer reported the signing of an agreement signed between the Issuer and merconics GmbH & Co. KG based in Germany, providing for distribution of the Issuer's technological solutions in selected European countries (ESPI Current Report no. 1/2022). Under the agreement, merconics GmbH & Co. KG will be the distributor of XTPL's technological solutions in Europe, including on the German, Austrian, French and Swiss markets. The purpose of the cooperation is to support the Issuer in expanding the range of applications

for the Company's technology and products at R&D centers, scientific institutions and technological corporations. The partnership will also increase awareness and visibility of the Issuer's solutions among global market players.

- **Start of cooperation with Nano Dimension to develop a new generation conductive nanoink for industrial applications in the Client's products designed for the production of PCBs**

On 10 January 2022 (ESPI Current Report no. 3/2022), the Company advised about the signing of a cooperation agreement with the Israeli company Nano Dimension Ltd. whereby the Company will develop a special formulation of conductive ink based on metallic nanoparticles with high conductivity intended for industrial applications in the Client's products designed for the production of PCBs.

Nano Dimension Ltd. is a NASDAQ-listed provider of intelligent machines for the fabrication of Additively Manufactured Electronics (AME). Nano Dimension is implementing a globally innovative system of PCB production based on ink-jet printing methods.

In connection with the Agreement, XTPL will develop, on a commercial basis, a special formulation of conductive ink for the devices manufactured and supplied by Nano Dimension.

- **Preliminary estimates of revenues from the sale of products and services for Q4 2021 and 2021**

On 24 January 2022, the Issuer's Management Board reported preliminary estimates of the Company's consolidated revenues from the sale of products and services for the fourth quarter and for the whole of 2021. Details are presented in ESPI Current Report no. 5/2022.

- **Conclusion of an agreement for distribution of the Issuer's technological solutions in India**

On 18 February 2022, the XTPL Management Board advised about the signing of a distribution agreement between the Issuer and Vertex Global Solutions based in Mumbai (India), providing for distribution of XTPL's technological solutions (ESPI Current Report no. 6/2022).

Vertex specializes in providing innovative solutions for industrial manufacturers of displays, semiconductors and organic photovoltaic cells. The firm's founders have over 25 years of experience in the industry. Under the agreement, Vertex will be the distributor of XTPL's technological solutions in the Indian market. The purpose of the cooperation is to introduce the Issuer's technologies and products to the specified market, as well as to increase the awareness and visibility of the Company's solutions among global players present in that market.

India ranks among global leaders in terms of research and development prospects. It has a large base of educated employees and a rapidly growing internal market. In the opinion of the Company's Management Board, the distribution agreement will facilitate the commercialization of the XTPL technology in one of the largest Asian markets.

- **Project of a consortium that includes the Issuer recommended for co-financing by the European Commission**

On 21 March 2022, the Company's Management Board advised that it had received information that the project "Building Active MicroLED displays By Additive Manufacturing" developed by a consortium to which the Issuer belongs had been recommended for co-financing in the competition HORIZON-CL4-2021-

DIGITAL-EMERGING-01-31 – Research and Innovations Actions organized by the European Commission under the Horizon Europe Framework Programme (ESPI Current Report no. 7/2022).

The consortium also includes:

- ALEDIA (France)
- BARCO NV (Belgium)
- QustomDot BV (Belgium)
- X DISPLAY COMPANY TECHNOLOGY LIMITED (Ireland)
- X-CELEPRINT LIMITED (Ireland)
- and the University of Stuttgart (Germany).

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

- Total Project value: EUR 4,293,263.75;
- The Issuer's participation in the Project: EUR 429,812.50;
- Recommended co-financing for the Issuer: EUR 429,812.50;
- Implementation period: 24 months.

- **Agreement signed by the Issuer with the University of Brescia relating to strategic cooperation in the field of new generation bioelectronics**

On 22 March 2022, the Issuer signed a strategic cooperation agreement with the Department of Information Engineering (Dipartimento di Ingegneria dell'Informazione) from the University of Brescia in Italy [UniBs]. The purpose of the cooperation is to work together on development of new generation organic and biodegradable biological sensors using the Company-developed electronics printing technology. The Management Board provided relevant information in ESPI Current Report no. 8/2022 of 22 March 2022.

As part of the agreement, the Company will ensure technological and expert support relating to its proprietary technology and the Delta Printing System. On the other hand, the Department will provide XTPL with information on the results of its work and outcomes of microproduction of printed biosensors integrated with 3D, adaptable, and flexible substrates. The information will be based on feedback received from industry partners. In addition, results of the research will be published in publicly available scientific articles and presented at the most important international scientific conferences.

- **Settlement of the incentive scheme**

On 31 March 2022, the Company's Management Board and the Supervisory Board, in accordance with the resolution of the Extraordinary General Meeting of 24 April 2019, granted the Company's employees and collaborators the right to acquire 22,105 shares and acquire 50,000 subscription warrants, including 5,000 shares for the CEO Filip Granek and 5,000 shares for the Management Board Member Jacek Olszański, and 3,000 subscription warrants for the CEO Filip Granek, and 3,000 subscription warrants for the Management Board Member Jacek Olszański.

The valuation of the financial instruments granted in 2022 is PLN 1,149 thousand, and was reflected in this financial report.

3.2.7 Events occurring after the balance sheet date

3.2.7.1 Signing an agreement with the US company nScript for the sale XTPL's conductive nanopaste CL85

On 5 April 2022, a licence agreement was signed between the Issuer and the US company nScript, Orlando, Florida, providing for the sale of conductive nanopaste CL85 developed and produced by XTPL. Under the Agreement, the nanopaste produced by the Issuer will be distributed by nScript to its customers under the nScript brand. Since 2002, nScript has designed and manufactured high-precision microdispensing equipment for printed electronics, electronics packaging, solar cell metallization, communications, 3D printing and bioprinting. Its customers include military, academic and research institutes, government agencies and national labs, as well as privately-owned technology corporations. nScript technological solutions are used by manufacturers from the medical, defense and space sectors. The information to this effect was published by the Management Board on 5 April 2022 in ESPI Current Report no. 9/2022.

3.2.7.2 The Company completes the first stage of the technological phase under the agreement with Nano Dimension Ltd

On 11 April 2022, the first stage of development as part of the technological phase of the activities specified in the agreement was completed and approved by Nano Dimension Ltd (ESPI Current Report no. 10/2022 of 11 April 2022). The Agreement relates to developing a new generation conductive nanoink for industrial applications in the Client's products designed for the production of PCBs. Under the Agreement, completion of the first stage of the technological phase and the Client's approval of the work triggers the payment of the first tranche. The related revenue will be recognized in Q2 2022 and will significantly influence the financial results for that period. This means that the Issuer has entered the next stage of work under the technological phase defined in the agreement, aimed at creating a dedicated nanoink formulation. The Agreement between the Issuer and Nano Dimension provides for four main stages in the technological phase.

3.2.7.3 Participation in industry conferences

After the balance sheet date, i.e. on 27 April 2022, XTPL took part in the Smart Systems Integration conference. During the conference, Łukasz Kosior, Business Development Manager at XTPL, gave a presentation "Novel Approach to Deposit Conductive and Insulating Features at Micrometer Scale for Manufacturing of Smart Systems".

On 8 May 2022, the Company took part in the Display Week. This is one of the world's most important event in the sector of modern displays. XTPL presented its technological solutions during the SID's Display Week Symposium. Mirosław Woszczyzna, PhD, Product Director at XTPL, gave a presentation "Deposition of Conductive and Insulating Materials at Micrometer Scale for Display-Component Prototyping".

On 12 May 2022, Filip Granek, CEO of XTPL, took part in a discussion panel "How can Polish innovators contribute to the European Innovation Area (EIA) and what does the EIA mean for the Polish ecosystem and innovators?" during the Impact'22 event.

In 2022, the Company also plans to take part in the 2022 IEEE 72nd Electronic Components and Technology Conference, which is scheduled to start on 31 May 2022. This is an international event bringing together experts in microelectronic technologies, components and systems to network and exchange experiences.

Next, the Company plans to take part in IEEE FLEPS 2022, which is a forum for scientists, engineers and practitioners from around the world to present the latest research, ideas and applications in the field of flexible, printed sensors and systems. The event will take place on 10–13 July 2022.

3.2.7.4 Participation in investor events

After the end of Q1 2022, on 20–22 April 2022, the Company, represented by the members of the Management Board, took part in the Virtual Institutional Investors Conference – Virtual Züri 2022 – organized by Raiffeisen Bank International AG.

On 27 April 2022, two earnings calls took place with the participation of the Management Board of XTPL. The first meeting was held in Polish and the second in English. During both videoconferences, the Company's Management Board presented the financial results for 2021 and the key events and achievements in the previous year.

On 28 April 2022, the Company's Management Board member took part in the conference for investors GPWInnovationDay, during which they presented XTPL's activities and current achievements.

The Company plans to take part in two investor events in the short-term. The first of the scheduled events is the Equity Forum – German Spring Conference, which will take place on 23–25 May 2022. This is one of the largest capital market conferences in Germany, which is an opportunity to engage in dialogue on market developments, innovations and future trends. During the conference, the XTPL Management Board will have many meetings with investors, analysts and journalists. Another event in which the Company will participate is Erste's CEE Innovation & Technology Conference to be held on 25 May 2022. The conference is intended for institutional investors. During the event, the Company's Management Board will hold numerous to discuss financial results and present the most important information about the Company.

3.3 FINANCIAL PERFORMANCE

3.3.1 Principles for drafting the Quarterly Financial Statements

3.3.1.1 General information and basis of preparation

The financial statements of XTPL Group (standalone and consolidated financial statements) cover the period of three months ended 31 March 2022, and the comparative data for the period of three months ended 31 March 2021. They were prepared using the historical cost convention.

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

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

The financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the annual financial statements of XTPL S.A. for 2021 as published on 26 April 2022.

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

3.3.1.2 Currency of the financial statements

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

3.3.1.3 Description of significant accounting principles

For the purpose of preparing the quarterly condensed financial statements, the same accounting principles have been used as in the last annual financial statements for 2021 published on 26 April 2022. They have been described in the following sections: 3.6, 3.7 and 3.14 of the Standalone Financial Statements for 2021 (available [here](#)) and the Consolidated Financial Statements for 2021 (available [here](#)).

3.3.2 Factors and events, including extraordinary ones, having a significant impact on the condensed financial statements

In the Reporting Period, in the condensed financial statements the Company recognized the cost the incentive scheme for employees and collaborators based on the Company's shares, in the portion relating to the period ended 31 March 2022. The date of recognition of costs was the moment when the persons covered by the scheme were offered the purchase of the shares. The cost of the scheme (fair value of the shares issued) was estimated at PLN 1,149 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,149 thousand has no impact on the Company's and the Group's assets or financial position, or their ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	WITHOUT THE INCENTIVE SCHEME	WITH THE INCENTIVE SCHEME
	PLN'000	PLN'000
Continued operations		
Sales		
Research and development revenue		
Revenue from the sale of products		
Revenue from grants		
Cost of sales		
Research and development expenses		
Cost of finished goods sold		
Gross profit (loss)		
General and administrative expenses		
Other operating income		
Other operating costs		
Write-off of goodwill		
Operating profit (loss)		
Financial revenues		
Financial expenses		
Profit/ loss before tax		
Income tax		
Net profit (loss) on continued operations		

3.3.3 Achievement of financial forecasts

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

3.3.4 Factors which may affect the Issuer's results in subsequent quarters

Factors which may affect the Company's and the Group's operations and results in the following quarters:

- Signing commercial contracts, and progress of work on paid evaluation initiatives, licensing or joint-development agreements in relation to the Issuer's technology;
- Ability to protect and safeguard intellectual and industrial property, including the number and scope of submitted patent applications;
- Favourable trends in the electronics industry;
- Acquiring additional financing in the form of grants and subsidies supporting the Issuer's research and development activities;
- Economic consequences of the war in Ukraine;
- Situation in financial markets and development of the coronavirus pandemic.

3.4 OTHER INFORMATION

3.4.1 Impact of the SARS-CoV-2 pandemic on the Company's and Group'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 XTPL team members are provided with laptops and company phones with internet access. They can use the GSuite apps to smoothly continue work from home. 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. XTPL 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.

3.4.2 Impact of the war in Ukraine on the Company's and 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.

The Company and its employees undertook a number of activities to help Ukrainian war refugees:

- introduced an additional day off per month for volunteering for all employees
- published job ads on a portal dedicated to Ukrainian refugees
- collected toys and essential items for children from an Ukrainian orphanage who came to Poland
- offered accommodation to Ukrainian refugees
- sewed clothes for children from Ukraine
- helped in sorting donations at local help centers
- donated computer equipment to the crisis management center that helps refugees
- helped in transporting Ukrainian citizens from the railway station to their place of accommodation
- provided material support to Ukrainian soldiers
- paid contributions to verified fundraisers.

3.4.3 Changes in the Issuer's Group organization

Not applicable. In the Reporting Period, no changes took place in the Group organization.

3.4.4 Acquisition of own shares

Not applicable. None in the Reporting Period.

3.4.5 Non-arms length transactions with related entities

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

3.4.6 Proceedings before courts and other bodies

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

3.4.7 Guarantees given and received

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

3.5 RISK FACTORS AND THREATS RELATED TO THE COMPANY'S AND THE GROUP'S BUSINESS ENVIRONMENT

3.5.1 Risk factors and threats related to the Company's and the Group's business environment

3.5.1.1 Macroeconomic risk

The Company's and the Group's activity depends on the macroeconomic situation in the markets in which the Company plans to start the sale of its products and services, primarily in the United States, Asia and Western Europe. Profitability of the Company's operations will depend, inter alia, on the economic growth, consumption and investment level (particularly in the electronics sector), fiscal and monetary policy, inflation, and especially the level of expenditures on consumer electronics in those countries. All these factors may have an impact on the Company's and the Group's financial results, and thus may also affect implementation of the Company's development strategy.

3.5.1.2 Currency risk

Due to the fact that the Company's and the Group's clients are international entities, most of the Company's revenues related to the commercialization of technology are settled in foreign currencies (mainly the euro and the US dollar). At the same time, as the Company is based in Poland, most of its ongoing expenses will be settled in the Polish zloty. As a result, the Company may be exposed to a significant FX risk. Volatility of exchange rates may primarily cause changes in the value of the Company's revenues and receivables after their conversion into PLN. Despite the significant weakening of the Polish currency related to the outbreak of the war in Ukraine, the Company and the Group do not see currency risk as a significant threat to the expected level of their operating profitability. The weakening of the Polish zloty strengthens the cash position of the Company as an exporter. A significant portion of purchases of materials and components for the production of printers is settled in euro. As a result, revenues from foreign currency sales constitute a natural hedge against exchange rate movements. As and when required, the Company and the Group will resort to FX risk management instruments available in the banking market.

3.5.1.3 New technology risk

The market in which the Company and the Group operate is characterized by rapid development of technologies. For this reason, the development of the Company's and the Group's operations entails constant tracking and analysis of new market trends and identification of emerging potential competitors and technological solutions they implement. There is a risk that if the current market trends change, the Company and the Group will be forced to look for new applications for its technology outside of what it previously saw at its core business or to incur expenditures to make its existing solutions more competitive. Likewise, the Company and the Group can not rule out that in the future a new technology will be developed which will make the solutions offered by the Company and the Group unattractive for potential clients. Materialization of this risk will mean additional costs, which will adversely affect profitability of the Company's and the Group's operations. In addition, the need to perform additional work may delay the moment of commercialization of the Company's and the Group's product.

3.5.1.4 Competitive risk

The Company and the Group operate in a very attractive market of modern technologies characterized by a steadily growing demand. In this market, there is a number of players whose experience and capital resources are higher than those of the Company. As the market is changing fast, there is a risk of a new entity emerging whose offer will be more innovative than the Company's and the Group's offer. A competitive edge may be obtained by implementing innovative, unique solutions that are attractive for prospective clients in utility and economic terms.

At present, the Company is not aware of any solutions that would technically offer better parameters for the ultra-precise printing of nanomaterials. However, it cannot be ruled out that a new entity or a solution will emerge that will surpass the Company's technology in some or all key parameters. There is also a risk that the Company and the Group will be unable to respond quickly or effectively to the changing market environment, and consequently the solutions offered by the Company and the Group will be considered less competitive. Materialization of this risk may have a negative impact on the sale of the Company's and the Group's products and services and, in consequence, on its trading performance.

3.5.1.5 Risk related to the development of the SARS-CoV-2 pandemic

Due to the market in which the Company operates, the situation related to the coronavirus threat fundamentally does not affect the Issuer's operational activity. The Company has developed a number of procedures depending on the level of risk and applies them as appropriate depending on the situation. Office workers may perform their duties remotely (they are provided with a company phone with Internet access and a laptop). Technology staff work in compliance with all the standards announced by state authorities. Some technology staff are involved in the development of new grant applications, and therefore may also partly work from home. As a rule, all meetings take place using video- or teleconferencing. The planned operations related to the shipment of products take place in conformity with the requirements in force in the country of destination.

3.5.2 Sources of supply

The Company commercializes and develops its proprietary nanoprinting technology. Due to the advancement of the technology, the Company makes use of a wide range of products and services available in the market, the key ones being measurement, research, conductive nanoinks formulation development and patent protection services as well as services related to rental of specialist equipment and laboratories. The great diversity and variability of the Company's R&D work is reflected in the number of sources of supply it uses. As a result, in 2021, the Company reached a 56% threshold of purchases from one supplier – provider of research services and lessor of laboratories and office space

(100%). At the same time, the Company steadily increases its laboratory equipment and limits the use of outsourced measurement and research services.

In the manufacturing process, the Company sources materials and chemical reagents, which are the key inputs for the production of highly conductive inks offered by XTPL S.A. and uses suppliers of components and materials in the process of making the Delta Printing System devices.

The chemicals suppliers base is highly fragmented. No supplier exceeds 20% of total purchases in this category. In addition, there are many high-quality materials available in the market and there is no risk of dependence on any single source of supply. Importantly, the vast majority of chemicals are purchased in the domestic market, so potential problems with global supply chains have only limited impact on the Company.

In terms of materials and components for the production of printers, one supplier reached 32% of the total value of purchases in this category. The other suppliers do not exceed 15% of the total turnover. The Company constantly forges relationships with new entities and builds a base of alternative suppliers.

3.5.3 Risk factors related to the Company's and the Group's operations

3.5.3.1 Risk related to the technology commercialization process

The Company's and the Group's business model provides for a gradual commercialization of the technology of printing ultra-thin conductive lines for various applications in printed electronics. At present, the commercialization process already covers printing devices and nanoinks. In terms of industrial implementations on clients' production lines, the target business model is that the Company and the Group will commercialize their technological solutions through licensing or will manage the whole value chain, i.e. manufacture, product marketing, distribution and provision of specialized services tailored to the client's needs. The choice of the commercialization model will depend on the results of negotiations with the partner, specific nature of the particular application field and the Issuer's assessment regarding effectiveness of each of the possible commercialization methods in that field.

Currently, the Company is involved in nine industrial implementation projects, which confirms the market need for solutions offered by the XTPL technology. In addition, the Company signed and carries out an agreement with Nano Dimension Ltd. to develop a next generation conductive nanoink for industrial applications in the firm's products designed for the production of PCBs. This agreement is the first agreement signed with an industrial partner and is a milestone in the Company's development.

However, there is a risk that introduction of devices into individual markets will not be in line with the current expectations due to, for example, a lack of or insufficient demand in target countries, misidentification of potential clients' needs, misidentification of legal conditions, incomplete adaptation of the Company's products to the requirements of foreign markets, an ineffective promotional campaign or an unexpected emergence of a competitor. Occurrence of the above events may stifle the Company's and the Group's growth dynamics, adversely impacting their operations and financial position.

3.5.3.2 Risk of failure to achieve revenues

At the present stage of the Company's development, this risk should be considered negligible. In the financial year, the Company significantly increased its sales revenues compared to the previous year. The main stream of those revenues was the sale of printing devices. The Company intends to develop this product group rapidly, also by building its distribution network (external distributors) all over the world. At the same time, the Company steadily increases its revenues from the sale of inks and other consumables for printers. Furthermore, the Company has an agreement with

an industrial entity to develop a next generation conductive nanoink. The first revenues on this account will be recognized in 2022.

3.5.3.3 Risk of low product quality

The Company's and the Group's business model providing for a gradual introduction of the technology of printing ultra-thin conductive lines for various applications in printed electronics gives rise to a risk of defects, insufficient product quality or unsatisfactory performance of the technology at the initial phase of its commercialization. However, the emergence of unforeseen defects and problems should be taken into account. Such situations may result in a negative first reception of the Company's and the Group's products and, consequently might dampen interest in and demand for the product. As a result, the Company and the Group might not receive revenues in the expected amount.

3.5.3.4 Risk related to the business development model and the failure deliver the Company's and the Group's strategy

The goal of the business model is commercialization of the Company's ultra-precise technology of printing a wide range of nanomaterials. The Company is already commercializing its first products – technology carriers. It also conducts nine projects related to the implementation of technologies on the production lines of partners, but the Company does not yet implement a repeatable business model in the area with the greatest potential. Due to the geographic and economic conditions in the market, the Company will develop its business presence mainly in the United States, Asia and Western Europe. The Company intends to build its market position through organic growth, primarily based on further development of its technology. Due to a number of factors, the Company is unable to guarantee in full that its business development model will work. The Company's future in the broadly understood printed electronics market depends on its ability to create and implement a successful long-term development strategy and to continue to develop its technology. The risk of making bad decisions resulting from improper assessment of the situation or the Company's inability to adapt to changing market conditions, incorrect strategic assumptions, including in relation to the developed technology and the adopted commercialization plan and the degree of demand from potential clients, may mean that the business development model will not be effective and the future financial results might be lower than currently expected.

3.5.3.5 Risk related to the difficulty with acquiring experienced and specialized employees

The high level of technological advancement of the Company's research leads to a constant increase in the requirements regarding skills and experience of employees. Next to technology, the engineering and scientific staff is the Company's most valuable asset. The pace and quality of the Company's R&D is directly related to the skills of specialists who form the R&D team. The Company employs engineers from the fields of chemistry, physics, electronics, mechanics, material engineering, programming and numerical simulations. Nearly in all these fields, the number of specialists available for hiring is not high. As regards acquisition of the best specialists, the Company competes with firms both in Poland and abroad.

As the Company expands the size of its operations, this factor may be of particular importance in the future as it might limit the development potential. Difficulties in sourcing employees may delay work or force the Company to abandon certain projects.

3.5.3.6 Risk of losing key team members

The Company's activity is based on a narrow team of people with relevant know-how who pool competencies in engineering and technical, financial management and strategic management of the Company. For this reason, losing key people may adversely affect the Company's further business, its financial, property and economic condition as well as its development prospects as it may impair the Company's potential to sell its products, develop its technology, win new contracts and properly manage already existing contracts.

Most of the Company's personnel are people employed in operational roles. They do tasks which require expertise, skill and education. The Company is exposed to the risk of losing some of its operational staff, which might weaken the organizational foundations of the Company's business. These situations might result in the Company's stability being undermined and force it to raise remuneration levels in order to retain employees. As a result, it may affect the Company's operating costs.

3.5.3.7 Risk of dependence on future counterparties

Due to the specific nature of industrial implementation projects (with high contract values), commercialization of the first projects will result in major dependence on individual clients. Hence, the Company conducts projects with many partners in various markets and application fields.

The sale of printing devices and consumables does not pose such a risk due to the one-sided nature of transactions in the case of printers and the fragmented market in the case of consumables.

Due to the fact that the Company supplies advanced technical equipment, there is a risk of dependence on suppliers of materials and components. The Company tries to diversify supply sources, forges partnerships and builds a base of alternative suppliers, but it should be kept in mind that with such technically advanced devices, the replacement of components is also subject to risk in terms of efficiency of the manufactured devices.

3.5.3.8 Risk of potential disclosure of confidential information on technology

Implementation of the Company's strategy depends, inter alia, on the fact that the holders of confidential information, particularly that concerning development and technological processes related to the ultra-precise printing technology. There is a risk that sensitive information will be divulged by persons connected with the Company, which may result in the information being used by competitors, despite the intellectual property protection measures used by the Company. The indicated risk factor may have a negative impact on the Company's business, financial position, development prospects, results and share price.

3.5.3.9 Risk of intellectual property infringement

The Company operates in an area where regulations concerning industrial and intellectual property rights and their protection are of significant importance. At present, there are no proceedings under way regarding infringement of any industrial or intellectual property rights in which the Company would be involved. The Company intends to conduct its business in such a way as not to infringe any third party rights in this respect. However, it can not be ruled out that third parties would bring claims against the Company regarding infringement of industrial and intellectual property rights by the Company. Even if unwarranted, such claims might adversely affect the schedule of the Company's strategy implementation, and the defense against such claims may involve significant costs, which may adversely impact the Company's financial results. In addition, during work on its own patent applications, the Company carefully reviews the available literature and patents known at present. However, there is a risk of infringement of intellectual property

rights related to patents that have been submitted but not published yet. Cooperation with external partners gives rise to similar risks. Formally unauthorized entities might attempt to use the intellectual property of XTPL by either violating or attempting to circumvent the patent application. The circumstances described above may have a material adverse effect on the Company's development prospects, results and financial position.

3.5.3.10 Risk of technology scaling

Due to the fact that the technology underlying the printing process developed by XTPL is based on highly innovative solutions, there is a risk that an increase in its use from laboratory to industrial scale might end up unsuccessfully. This risk may materialize due to difficulties with obtaining technology parameters in industrial production that would be equally stable as those obtained in the laboratory. In addition, there is a risk that the technology developed may not be sufficiently effective for certain production processes in industry (e.g. due to a failure to achieve satisfactory production process efficiency).

3.5.3.11 Risk of a failure to reach the target clients and achieve sales plans

XTPL clients will include, in particular, large manufacturers of devices for the fabrication of electronics. They have long communication and decision-making channels. There is a risk that a proposition from XTPL, as a company with a short market history, will be assessed as not reliable enough. This may delay delivery of the Company's sales targets or indeed lead to a failure to acquire a targeted client. However, an increase in sales, especially the sales of printing devices, is accompanied by a steady increase in awareness of the XTPL technology, both among direct buyers, including research institutes, and indirect ones, such as industrial partners that research institutes cooperate with. In addition, the Company itself has established a number of relationships with industrial partners and is now working with them on nine projects.

3.5.3.12 Risk of emergence of a competitive technological solution

New technological solutions that are in competition against XTPL are constantly being developed in the global technology market. A comparison of the parameters of the currently available solutions with the parameters achieved in the XTPL technology shows, in the Company's opinion, that competitive technologies offer solutions with weaker parameters and oftentimes higher production costs compared with what is expected to be achieved by the industrial XTPL solution. The Company has undertaken measures designed to cover its technology with extensive patent protection. As at the report date, the Company's competitive risk can be described as low, as the developed solutions are less effective than those on which the Company is working at present. However, it is not possible to rule out the possibility that a more technologically advanced or more cost-effective solution might emerge in the market. There is also a risk that competitors might significantly increase their expenditures to promote available solutions. These risks may materially affect the Company's development outlook.

3.5.3.13 Risk of loss of financial liquidity and access to financing

As at the Report Date, the Company's revenues from the sale of products and services, supported by grant proceeds, are sufficient to secure its operating activities. However, it should be noted that except for nanoink sales, the Company has not yet achieved stable, recurring income.

There is also a risk of financing the operations when the business is taken to an industrial scale.

3.5.3.14 Risk of not receiving grants and subsidies

Grants and subsidies are the second source (next to share issues) of financing the Company's research and development. There is a risk of not receiving adequate grants and subsidies, which may delay research and development.

In the past, the Company entered into a grant agreement with NCBR whereby NCBR is authorized to terminate the financing in the cases enumerated in the agreement, including when (i) the Issuer refuses to undergo or hinders inspections; (ii) the Issuer has made legal and organizational changes that jeopardize the performance of the agreement or fails to inform the NCBR of its intention to make such changes; (iii) the NCBR identifies gaps in the submitted documentation on the environmental impact of the project, and such gaps are not eliminated by a stated deadline; (iv) the beneficiary fails to comply with disclosure obligations during implementation and durability period of the project; (v) irregularities, listed directly in the agreement, occur in delivery of the project. Therefore, there is a risk that NCBR might claim reimbursement of the grant provided to the Company, in whole or in part, which may affect the financial position of the Company.

3.5.3.15 Risk of implementation of in-house technologies by the Company's potential clients

An important group of potential buyers of the technology developed by the Companies are global producers of electronic components (e.g. displays). There is a risk that these entities, which have significant technical and organizational resources, may develop their in-house nanoprinting solutions, and consequently will not be interested in the product offered by the Company.

3.5.3.16 Risk of unforeseen events

The Company is exposed to the risk of extraordinary events, such as technical failures (e.g. of electrical networks, either internal or external), natural disasters, acts of war, etc. These events might impair the effectiveness of or disrupt the Company's operations. In such circumstances, the Company may be exposed to unforeseen costs.

3.5.3.17 Human factor risk

In its production activity, the Company works with people employed under employment contracts and other civil law contracts. Actions performed by these persons as part of their work may lead to errors caused by improper performance of their duties. Such actions may be intentional or unintentional and may lead to disruptions and delays in the commercialization process.

3.5.3.18 Risk of failure of the equipment used in the Company's and the Group's operations

In its operations, the Company relies on properly working specialist equipment. There is a risk that in the event of a serious equipment failure which cannot be addressed immediately, the Company may be forced to temporarily suspend some or all of its activities until the failure is removed. Equipment failures may also lead to a loss of the data used for developing the Company's product. An interruption in business or loss of key data for a particular project may result in the Company being unable to perform its obligations under existing contracts or cause a loss of these contracts, which may adversely affect the Company's financial performance.

3.5.3.19 Risk of insufficient insurance coverage

The Company enters into insurance contracts in the course of its activity. However, it can not be ruled out that insurance risks will materialize in the Company's activity that will go beyond the scope of insurance coverage, or unforeseen events occur that are out of scope of the existing insurance policies. Such events may have an adverse impact on the Company's trading performance.

3.5.3.20 Risk of court and administrative proceedings

According to the available information, no court or administrative proceedings are pending against the Company that would have a significant impact on its operations. However, the Company's future sales activity will give rise to potential risks associated with possible customer claims in relation to the products sold. The Company also enters into commercial contracts with external entities whereby both parties are required to provide specified service/ consideration. This in turn gives rise to a risk of disputes and claims arising from such contracts. These disputes or claims may adversely affect the Company's reputation and, consequently, its financial results.

3.5.3.21 Risk of related-party transactions

The Company enters into transactions with its related parties. Where competent tax authorities question the methods of how the Company has determined market conditions for related-party transactions, this may have negative tax implications for the Company, potentially causing a material adverse effect on its business, financial position and results.

3.5.3.22 Risk of intellectual property rights and application patents

The Company's technology may be the basis for other entities to develop derivative or related technologies. There is a risk that such entities will decide to submit application patents based on the Company's technology. As a result, the Company, as the holder of the underlying patent, will have to cooperate with a third party, as the application patent holder, to ensure commercial implementation of a particular technology. In terms of intellectual property rights, the Company uses works created by persons employed under employment contracts.

3.5.3.23 Risk related to commercialization agreements

Due to the specific nature of its operations, the Company may use various types of commercialization agreements (license agreements, JDAs, product sale agreements, joint venture agreements). However, it is not possible to rule out the market risk related to a failure to find a partner interested in purchase of the Company's products or commercialization. Market risk is also affected by changes in potential clients' strategies, changes resulting from movements in market trends and inability to reach decision makers. In addition, account should be taken of the risk of default by a contractual partner or the risk of the Issuer's failure to abide by the terms of the contract due to materialization of any of the risks described above. Should any of these circumstances occur, this may adversely affect the Issuer's operations, financial results and/or development prospects.

3.6 SHAREHOLDING STRUCTURE

3.6.1 Shareholding structure

The shareholding structure as at the Balance Sheet Date and the Report Date was as follows (shareholders holding at least 5% of the total number of votes at the General Meeting):

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek	316,998	15.62%	316,998	15.62%
2.	Deutsche Balaton Group*	246,203	12.13%	246,203	12.13%
3.	Sebastian Młodziński	233,657	11.51%	233,657	11.51%
4.	ACATIS Investment	195,663	9.64%	195,663	9.64%
5.	Pankiewicz Venture	185,008	9.12%	185,008	9.12%
6.	Others	851,693	41.97%	851,693	41.97%
	TOTAL	2,029,222	100.0%	2,029,222	100.0%

* Deutsche Balaton AG and Heidelberger Beteiligungsholding AG

Since 26 April 2022 (publication date of the annual report for 2021) there have been no changes relating to significant shareholdings in XTPL shares.

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

In the Reporting Period, the Company did not receive any notifications of a drop below the 5% threshold of the total number of votes in the Company.

3.6.3 Shares held by members of management and supervisory bodies

Ref.	Name	Role	Shares held as at 31 March 2022	Shares held as at the Report Date
1.	Filip Granek, PhD	CEO	316,998	316,998
2.	Jacek Olszański	Management Board Member	1,250	1,250
3.	Wiesław Rożucki, PhD	Chairman of the Supervisory Board	–	–
4.	Bartosz Wojciechowski, PhD	Deputy Chairman of the Supervisory Board	1000	1000
5.	Prof. Herbert Wirth	Supervisory Board Member	–	–
6.	Piotr Lembas	Supervisory Board Member	–	–

7.	Beata Turlejska	Supervisory Board Member	–	–
8.	Andrzej Domański	Deputy Chairman of the Supervisory Board	–	–

Since 26 April 2022 (publication date of the annual report for 2021) there have been no changes relating to significant shareholdings by Management Board or Supervisory Board members.

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

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

ESPI Current Report No. 20/2019 of 24 April 2019 and previous current reports contain details on resolutions concerning establishment of the incentive scheme and the issue of shares and warrants.

The valuation of the financial instruments granted in 2022 is PLN 1,149 thousand, and was reflected in this financial report.

Moreover, it is noted that in accordance with Resolution No. 04/06/2020 of the Extraordinary General Meeting of XTPL S.A. of 8 June 2020 on the issue of bonds convertible into series U shares, and a conditional share capital increase by issuing series U shares, depriving shareholders of all their preemptive rights to the convertible bonds and series U shares, on 30 July 2020 the Management Board of XTPL S.A. adopted a resolution on the allocation of 48,648 series A registered bonds convertible into the Company's series U shares with a nominal value of PLN 74 per bond, and a total nominal value of PLN 3,599,952. The bonds are subject to redemption on 30 July 2022. The bondholders have the right to request the conversion of the Bonds into the Issuer's series U shares. The conversion will be based on the rule that there will be one series U share allocated to each bond, and the conversion price will be equal to the nominal value of one bond. The bondholder has the right to 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 Company communicated this in ESPI Current Report No. 29/2020 of 30 July 2020. Exercise of the Bondholders' right to convert the Bonds into series U shares might potentially change the proportions of shares held by shareholders.

July 2022 is the redemption date of convertible bonds with a nominal value of PLN 3,600 thousand issued by the Parent Company.

The current share price of the Company is lower than the bond-to-equity conversion value. For this reason, the Parent Company's Management Board started talks with the bondholders aimed at extending the maturity date and possibly changing the interest rate of the bonds convertible into shares. Two of three bondholders, representing 94% of the debt (i.e. PLN 3,378 thousand by nominal value), expressed their willingness to sign

an agreement amending the terms of the issue. The bondholders who confirmed their willingness to conclude an agreement changing the terms are significant and long-term shareholders of the Parent Company: the ACATIS fund and the Deutsche Balaton fund. Administrative activities aimed at finalizing the agreement are currently underway, although the agreement itself has not been signed yet – its signing will be confirmed by the Company by a relevant communication. The remaining 6% of the debt will be repaid by the Parent Company on the original maturity date.

3.6.5 Presence on the stock market

3.6.5.1 XTPL S.A. on the Warsaw Stock Exchange

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

WSE Ticker	XTP
ISIN	PLXTPL000018
Number of shares	2,029,222
Free float	44%
Indexes	WIG-Poland, WIGtech, WIGtech Total Return, INNOVATOR

According to statistical data provided by the WSE, at the end of Q1 2022, the Company's capitalization on the WSE regulated market was PLN 102.27 million (EUR 21.98 million). During the entire period, the value of trading in the Company's shares exceeded PLN 15.18 million (EUR 3.31 million), placing the Company at 130th position among all the 414 listed issuers. The highest price per share was PLN 76.60, and the lowest price was PLN 42.80.

Analytical coverage

In 2020, Stifel Europe Bank AG has started issuing recommendations for XTPL – XTPL is the first Polish company covered by that bank. Stifel is a European financial services firm, specializing in Equity Brokerage, Investment Banking and Fixed Income, which is following about 400 predominantly European stocks. The Stifel Group is particularly strong when it

comes to cooperating with technology investors from many countries, including the United States. Analytical reports in Poland are distributed by Erste Securities.

In Q1 2022, Stifel Europe Bank AG issued for the following recommendation for XTPL S.A.:

Institution	Analyst	Recommendation	Target price	Report date	publication
Stifel Europe Bank AG	Florian Pfeilschifter	BUY	PLN 225	05.01.2022	

The full history of Stifel Europe Bank AG's recommendations for the Company is available at ir.xtpl.com/pl/raporty/analityczne/

Research is distributed to Polish institutional investors by Erste Securities Polska S.A.

3.6.5.2 XTPL S.A. on the Frankfurt Stock Exchange

Since March 2020, the Company has also been listed on the Open Market at Deutsche Börse in Frankfurt (FRA ticker FRA: 5C8).

Condensed standalone financial statements

4 CONDENSED STANDALONE FINANCIAL STATEMENTS

4.1 Condensed unconsolidated statement of financial position

ASSETS PLN '000	NOTE	31.03.2022	31.12.2021
Non-current assets		6,174	5,845
Property, plant and equipment		2,981	2,615
Intangible assets		2,842	2,781
Long-term receivables		351	449
Current assets		5,647	6,982
Inventories		633	560
Trade receivables		625	1,359
Other receivables		529	486
Cash and cash equivalents		3,567	4,473
Other assets		293	104
Total assets		11,821	12,827

EQUITY AND LIABILITIES PLN '000	NOTE	31.03.2022	31.12.2021
Total equity		3,754	5,288
Share capital		203	203
Supplementary capital		8,129	8,129
Reserve capital		5,075	3,926
Retained earnings, including:		-9,653	-6,970
- <i>current period result</i>		-2,683	-6,598
Long-term liabilities		1,942	1,616
Long-term financial liabilities		214	242
Deferred income in respect of grants		1,728	1,374
Short-term liabilities		6,125	5,923
Trade liabilities		1,187	1,093
Short-term financial liabilities		3,402	3,383
Other liabilities		1,029	981
Deferred income in respect of grants		507	466
Total equity and liabilities		11,821	12,827

4.2 Condensed standalone statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	PLN'000	NOTE	1.01.2022 31.03.2022	1.01.2021 31.03.2021
Continued operations				
Sales		12	1,619	689
Revenue from the sale of services		26	402	–
Revenue from the sale of products		26	528	65
Revenue from grants		13	689	624
Cost of sales			1,892	722
Research and development expenses		14	1,715	722
Cost of finished goods sold			177	–
Gross profit (loss)			-273	-33
General and administrative expenses		14	2,374	2,337
Other operating income			–	–
Other operating costs			–	–
Operating profit (loss)			-2,647	-2,370
Financial revenues			40	210
Financial expenses			76	335
Profit/ loss before tax			-2,683	-2,495
Income tax			–	–
Net profit (loss) on continued operations			-2,683	-2,495
Discontinued operations			–	–
Net profit (loss) on discontinued operations			–	–
Net profit (loss) on continued and discontinued operations			-2,683	-2,495
Other comprehensive income			–	–
Total comprehensive income			-2,683	-2,495
Net profit (loss) per share (in PLN)				
On continued operations				
Ordinary			-1.32	-1.23
Diluted			-1.29	-1.20
On continued and discontinued operations				
Ordinary			-1.32	-1.23
Diluted			-1.29	-1.20
number of shares to calculate ordinary profit (loss) per share			2,029,222	2,029,222
number of shares to calculate diluted profit (loss) per share *			2,077,870	2,077,870

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

4.3 Condensed unconsolidated statement of changes in equity

STATEMENT OF CHANGES					
IN EQUITY PLN'000	Share capital	Supplementary capital	Reserve capital	Retained profit (loss carried forward)	Total
As at 1 January 2022	203	8,129	3,926	-6,970	5,288
Comprehensive income:	–	–	–	-2,683	-2,683
Profit (loss) after tax	–	–	–	-2,683	-2,683
Transactions with owners:	–	–	1,149	–	1,149
Incentive scheme	–	–	1,149	–	1,149
As at 31 March 2022	203	8,129	5,075	-9,653	3,754
As at 1 January 2021	203	16,311	2,777	-8,554	10,737
Comprehensive income:	–	–	–	-2,495	-2,495
Profit (loss) after tax	–	–	–	-2,495	-2,495
Transactions with owners:	–	–	1,050	–	1,050
Incentive scheme	–	–	1,050	–	1,050
As at 31 March 2021	203	16,311	3,827	-11,049	9,292

4.4 Condensed unconsolidated statement of cash flows

STATEMENT OF CASH FLOWS PLN'000	1.01.2022 - 31.03.2022	1.01.2021 - 31.03.2021
Cash flows from operating activities		
Profit (loss) before tax	-2,684	-2,495
Total adjustments:	2,405	1,672
Depreciation/amortization	241	67
FX gains (losses)	-23	-138
Interest and profit distributions (dividends)	22	-50
Profit (loss) on investing activities	50	294
Change in the balance of provisions	173	66
Change in the balance of inventories	-73	-293
Change in the balance of receivables	691	-74
Change in short-term liabilities, except bank and other loans	35	327
Change in prepayments/accruals	140	423
Income tax paid	-	-
Other adjustments	1,149	1,050
Total cash flows from operating activities	-279	-823
Cash flows from investing activities		
Inflows	101	-
Disposal of tangible and intangible assets	-	-
Repayment of long-term loans	100	-
Interest on financial assets	1	-
Outflows	709	975
Acquisition of tangible and intangible assets	667	680
Acquisition of financial assets	42	295
Long-term loans granted	-	-
Other investment outflows	-	-
Total cash flows from investing activities	-608	-975
Cash flows from financing activities		
Inflows	-	-
Contributions to capital	-	-
Bank and other loans	-	-
Issue of bonds	-	-
Outflows	34	2
Acquisition of own shares	-	-
Payment of dividend	-	-
Repayment of bank and other loans	-	-
Lease payments	27	-
Interest	7	2
Total cash flows from financing activities	-34	-2

Total cash flows from investing activities	-921	-1,800
Change in cash and cash equivalents:	-906	-1,800
– change in cash due to FX differences	-15	–
Cash and cash equivalents at the beginning of the period	4,477	10,298
Cash and cash equivalents at the end of the period, including:	3,556	8,497
– restricted cash	–	–

4.5 Notes

Note 1 Intangible assets

OTHER INTANGIBLE ASSETS	PLN'000	31.03.2022	31.12.2021
Acquired concessions, patents, licenses and similar rights		12	15
Intellectual property rights		–	–
Completed development		2,673	2,766
In-process development expenditure		157	–
Total (net)		2,842	2,781
Previous write-off		1,459	1,365
Total (gross)		4,301	4,146

All intangible assets are the property of the Company; none of these assets are used based on any rental, lease or a similar contract. The intangible assets are not used as collateral. As at 31 March 2022, the Company did not have any agreements whereby it would be required to purchase any intangible assets. In Q1 2022 and 2021, no impairment charges were posted for intangible assets.

Note 2. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS	PLN '000	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021
XTPL printers, 3D		–	145
Computer sets		33	66
Server with software		–	130
Pressure control system and other		–	22
Confocal microscope		–	400
Rheometer		169	–
Other laboratory equipment		32	–
Office equipment		–	4
Total significant acquisitions		234	767

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

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

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

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

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

Loan granted to the subsidiary.

Due to the results of the subsidiary XTPL Inc., the Management Board of XTPL S.A. assessed the value of the loans granted to the subsidiary in terms of impairment of assets. The Management Board is of the opinion that the probability of XTPL Inc. obtaining revenues as a result of a license agreement signed by the subsidiary in 2022 is low, and for this reason decided to create an impairment allowance for the loan value, including interest, i.e. PLN 50 thousand.

Note 6. Long-term receivables

Long-term receivables	PLN'000	31 March 2022	31 December 2021
Loans granted		318	416
Security deposits		33	33
Shares		–	–
Total long-term receivables		351	449

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

In the Reporting Period, no write-down (impairment allowance) of inventories was created or reversed.

Note 8. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	PLN'000	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021
Balance at the beginning of the period		229	318
increased/ created		105	150
utilization		–	–
release		–	239
Balance at the end of the period		334	229

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

Note 9. Transfers between individual fair value hierarchy levels in respect of financial instruments

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

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

PLN'000	Category as per IFRS 9	Book value		Fair value	
		31 March 2022	31 December 2021	31 March 2022	31 December 2021
Financial assets					
Loans granted	WwgZK	318	416	318	416
Trade receivables	WwgZK	625	1,359	625	1,359
Other receivables	WwgZK	799	486	799	486
Cash and cash equivalents	WwgZK	3,567	4,473	3,567	4,473
Total		5,309	6,734	5,309	6,734
Financial liabilities					
Bond liabilities	WwWGpWF	3,288	3,270	3,288	3,270
Lease liabilities	according to IFRS 16	328	355	328	355
Trade liabilities	PZFwgZK	1,187	1,093	1,187	1,093
Other liabilities	PZFwgZK	1,028	982	1,028	982
Total		5,831	5,700	5,831	5,700

Abbreviations used:

WwgZK – Measured at amortized cost

PZFwgZK – Other liabilities measured at amortised cost

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

Fair value of financial instruments that the Company held as at the Balance Sheet Date and 31 December 2020 was not materially different from the values presented in the financial statements. This is because:

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

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

Note 11. Explanations to the statement of cash flows

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

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

	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
	PLN'000	
	-	-
PBT presented in the statement of comprehensive income	-2,683	-2,495
PBT presented in the statement of cash flows	-2,684	-2,495
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS		
	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
Realized interest on financing activities	5	2
Realized interest on investing activities	-1	-
Unrealized interest on financing activities	17	-70
Unrealized interest on investing activities	1	18
Total interest and dividends:	22	-50
CHANGE IN THE BALANCE OF RECEIVABLES		
	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
Change in the balance of trade receivables	734	-3
Other receivables	-43	-71
Total change in the balance of receivables	691	-74
CHANGE IN THE BALANCE OF LIABILITIES		
	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
Change in the balance of trade liabilities	94	224
Other liabilities	-59	103
Total change in the balance of liabilities:	35	327
Cash and cash equivalents at the end of the period	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
Statement of cash flows	3,556	8,497
Statement of financial position	3,567	8,498

The amount presented in the statement of cash flows as “other adjustments” refers to the cost of remuneration included in the statement of comprehensive income in respect of the valuation of the incentive scheme (PLN 1,149 thousand).

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

Note 12. Net revenue from sales

NET REVENUE FROM SALES	PLN'000	01.01.2022 - 31.03.2022	01.01.2021 - 31.03.2021
Research and development revenue		402	–
Revenue from the sale of products and services		528	65
Revenue from grants		689	624
Total net revenue from sales		1,619	689

Note 13. Grants

Inflows from grants	PLN'000	01.01.2022 - 31.03.2022	01.01.2021 - 31.03.2021
– to operations		689	624
– to assets		–	–
Total inflows from grants		689	624

The note presents proceeds from the reimbursement of costs incurred. In addition, the Company recorded proceeds of PLN 354 thousand from advance payments towards a grant project. The proceeds were recognized under “deferred income in respect of grants” (PLN 354 thousand: long-term, and PLN 41 thousand: short-term).

Note 14. Operating costs

OPERATING COSTS	PLN '000	01.01.2022 - 31.03.2022	01.01.2021 - 31.03.2021
Depreciation/ amortization, including		241	156
– depreciation of tangible assets		146	76
– amortization of intangible assets		95	4
Use of raw materials and consumables		613	174
External services		958	1,005
Cost of employee benefits		2,357	1,780
Taxes and charges		24	11

Other costs by type	73	22
Value of goods and materials sold	–	–
Total costs by type, including:	4,266	3,148
Items reported as research and development costs	1,715	722
Items reported as cost of finished goods sold	177	–
Items reported as general and administrative expenses	2,374	2,337
Change in finished goods	–	–
<u>Cost of producing services for internal needs of the entity</u>	<u>–</u>	<u>89</u>

Recognition of the costs related to the valuation of the incentive scheme in the total amount of PLN 1,149 thousand (PLN 320 thousand recognized in the cost of research & development, and PLN 829 thousand in general and administrative expenses) has no impact on the Company's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the Company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

Note 15. Related party transactions

01.01.2022 - 31.03.2022	PLN'000	to		to key management personnel*	to other related entities **
		associates	joint ventures		
Purchase of services		–	–	–	180
Loans granted		42	–	–	–
Financial expenses – interest on loans		8	–	–	2

01.01.2021 - 31.03.2021	PLN'000	to		to key management personnel*	to other related entities **
		associates	joint ventures		
Purchase of services		–	–	–	180
Loans granted		296	–	–	–
Financial expenses – interest on loans		69	–	–	–

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

** the item includes entities linked through key management

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

In the Reporting Period, the Company created an impairment allowance for a loan granted to the related party, covering the principal amount and interest. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

Note 16. Deferred tax

	Statement of financial position as at		Impact on the statement of comprehensive income
	31.03.2022	31.03.2021	01.01.2022 - 31.03.2022
Deferred tax liability caused by positive temporary differences			
In respect of:			
Interest on loans and deposits	–	10	-10
The value of tangible asset (leased item)	74	–	74
Loan valuation	2	–	2
Total deferred tax liability	76	10	66
Set-off with deferred tax assets	-76	10	-66
Net deferred tax liability	–	–	–

	Statement of financial position as at		Impact on the statement of comprehensive income
	31.03.2022	31.03.2021	01.01.2022 - 31.03.2022
Deferred income tax assets due to negative temporary differences			
Due to differences between the tax value and the carrying amount:			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	–	–	–
Accruals for unused annual leaves	76	10	66
Provision for the cost external services	–	–	–
Total deferred tax assets	76	10	66
Set-off with a deferred tax liability	76	10	66
Net deferred tax assets	–	–	–

Note 17. Objectives and rules of financial risk management

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

Market risks:

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

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

MARKET RISK

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

- limit the volatility of pre-tax profit/loss
- increase the probability of achievement of the budget plan
- maintain the Company in good financial condition
- support the strategic decision-making process in the area of investment activity taking into account the sources of investment financing

All market risk management objectives should be considered jointly, and their 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 entity 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 31 March 2022, the Company has assets denominated in foreign currencies, which include trade receivables. The value of the Company's 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:	31.03.2022	31.12.2021
1 EUR / 1 PLN	4.6525	4.6603
1 USD / 1 PLN	4.1801	3.9676

Average rate, calculated as the arithmetic mean of the rates applicable on the last day of each month in the period:	01.01.2022 31.03.2022	01.01.2021 31.03.2021
1 EUR / 1 PLN	4.6472	4.5721
1 USD / 1 PLN	4.1638	3.8128

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 31 March 2022:

	As at 31.03.2022 in currency	As at 31.03.2022 in PLN	Estimated rate change in %	Effects of changes in exchange rates in PLN
Trade receivables in currency:				
EUR	95	445	+/- 5%	+/- 3
USD	41	177	+/- 5%	-
Trade liabilities in currency:				
EUR	55	260	+/- 5%	+/- 8
USD	29	121	+/- 5%	-

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 300 thousand overdraft agreement. The facility was used rarely and for a short term only.

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

Note 18. Material settlements on account of court cases

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

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

In the period from 1 January 2022 to 31 March 2022, no significant changes were identified in the economic position or operating conditions which would have a material impact on the fair value of the Company's financial assets and liabilities.

Note 20. Information about changes in contingent liabilities and contingent assets and non-disclosed liabilities arising from contracts in relation to the last reporting period

Contingent liabilities granted by the Parent Company were in the form of promissory notes together with promissory note declarations to secure the contracts for co-financing projects financed by the EU as well as a lease agreement.

The change in the value of contingent liabilities in relation 31 December 2021 amounts to PLN 1,085 thousand. It is caused by the payment of further tranches of grants totalling PLN 689 thousand, and advances towards grants of PLN 396 thousand. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in materialisation of the above contingent liabilities. As at the date of approval of the financial statements there were no undisclosed liabilities resulting from any agreements of material value.

	31.03.2022	31.12.2021
	PLN'000	PLN'000
CONTINGENT LIABILITIES		
Promissory notes	14,294	13,209
Total contingent liabilities	14,294	13,209

Note 21. Incentive scheme

In the Reporting Period, in the statement of comprehensive income the Company recognized the cost of the incentive scheme for employees and collaborators based on the Parent Company's shares. The date of recognition of costs was the moment when the persons covered by the scheme were offered the purchase of

the shares. The cost of the scheme (fair value of the shares issued) was estimated at PLN 1,149 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,149 thousand has no impact on the Company's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

Note 22. Information about seasonality of business and cycles

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

Note 23. Extraordinary factors which occurred in the reporting period with an indication of their impact on the financial statements

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

Note 24. Information on issue, redemption and repayment of debt and equity securities

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

Note 25. Dividend paid or declared, in total and per share, with a division into ordinary and preference shares

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

Note 26. Operating segments

SEGMENT	01.01.2022 -	01.01.2021 -
	31.03.2022	31.03.2021
	PLN'000	PLN'000
Sale and lease of printers	474	54
Research and development services	402	–
Inks and other consumables	54	11
TOTAL	930	65

Note 27. Information on default on any bank and other loans or a breach of material provisions of bank and other loan agreements where no remedial actions have been taken before the end of the reporting period

No such events occurred in the reporting period.

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

The accounting policies that were used in preparation of these financial statements for the first quarter of 2022 are consistent with the policies used in preparation of the Company's financial statements for 2021. The same policies were applied for the current and comparative period. Detailed description of the accounting principles adopted by XTPL S.A. and XTPL Group was presented in the annual financial statements for 2021.

Note 29. Types and amounts of changes in estimates presented in prior interim periods of the present financial year or changes to estimates presented in prior financial years

In the reporting period no changes in estimates were made.

Note 30. Correction of errors from previous periods

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

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

This financial information for the period from 1 January 2022 to 31 March 2022 was approved for publication by the Company's Management Board on 18 May 2022.

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

Signing an agreement with the US company nScript for the sale XTPL's conductive nanopaste CL85

On 5 April 2022, a licence agreement was signed between the Issuer and the US company nScript, Orlando, Florida, providing for the sale of conductive nanopaste CL85 developed and produced by XTPL.

Under the Agreement, the nanopaste produced by the Issuer will be distributed by nScript to its customers under the nScript brand.

Since 2002, nScript has designed and manufactured high-precision microdispensing equipment for printed electronics, electronics packaging, solar cell metallization, communications, 3D printing and bioprinting. Its customers include military, academic and research institutes, government agencies and national labs, as well

as privately-owned technology corporations. NScript technological solutions are used by manufacturers from the medical, defense and space sectors.

The Company completes the first stage of the technological phase under the agreement with Nano Dimension Ltd

On 11 April 2022, the first stage of development as part of the technological phase of the activities specified in the Agreement was completed and approved by Nano Dimension Ltd.

The Agreement relates to developing a new generation conductive nanoink for industrial applications in the Client's products designed for the production of PCBs.

Under the Agreement, completion of the first stage of the technological phase and the Client's approval of the work triggers the payment of the first tranche. The related revenue will be recognized in Q2 2022 and will significantly influence the financial results for that period. This means that the Issuer enters the next stage of work under the technological phase defined in the Agreement, aimed at creating a dedicated nanoink formulation. The Agreement between the Issuer and Nano Dimension provides for four main stages in the technological phase.

Patent approval by the US Patent and Trademark Office

On 11 May 2022, the Company received information about the conditional approval of a patent for the Company by the United States Patent and Trademark Office for its method of forming lines of several hundred nanometers wide using the XTPL-developed silver nanoink, i.e. for the patent application "METHOD FOR REMOVING BOTTLENECKS". In particular, the invention facilitates the removal of possible local bottlenecks in the lines deposited during the printing process, thereby increasing the lines' electrical conductivity and their current and mechanical strength.

Condensed consolidated financial statements

5 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5.1 Condensed consolidated statement of financial position

ASSETS PLN '000	NOTE	31.03.2022	31.12.2021
Non-current assets	5	5,856	5,429
Property, plant and equipment	2, 3, 5	2,981	2,615
Intangible assets	1, 5	2,842	2,781
Long-term receivables		33	33
Current assets		5,717	7,117
Inventories		633	560
Trade receivables		635	1,369
Other receivables		529	486
Cash and cash equivalents		3,705	4,580
Other assets		215	122
Total assets		11,573	12,546

EQUITY AND LIABILITIES PLN '000	NOTE	31.03.2022	31.12.2021
Total equity		3,499	4,983
Share capital		203	203
Supplementary capital		8,129	8,129
Own shares		-8	-8
Reserve capital		4,199	3,050
FX differences arising on translation		71	70
Retained earnings		-9,095	-6,461
Long-term liabilities		1,942	1,616
Long-term financial liabilities	25	214	242
Deferred income in respect of grants	30	1,728	1,374
Short-term liabilities		6,132	5,947
Trade liabilities	26	1,194	1,116
Short-term financial liabilities	29	3,288	3,383
Lease obligations		114	-
Other liabilities	27	1,029	983
Deferred income in respect of grants	30	507	465

Total equity and liabilities		11,573	12,546
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5.2 Condensed consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PLN'000	NOTE	1.01.2022 31.03.2022	1.01.2021 31.03.2021
Continued operations			
Sales	12	1,619	689
Revenue from the sale of services	26	402	–
Revenue from the sale of products	26	528	65
Revenue from grants	13	689	624
Cost of sales		1,892	722
Research and development expenses	14	1,715	722
Cost of finished goods sold		177	–
Gross profit (loss)		-273	-33
General and administrative expenses	14	2,363	2,240
Other operating income		–	–
Other operating costs		1	77
Operating profit (loss)		-2,637	-2,350
Financial revenues		30	140
Financial expenses		26	40
Profit/ loss before tax		-2,633	-2,250
Income tax		1	1
Net profit (loss) on continued operations		-2,634	-2,251
Discontinued operations		–	–
Net profit (loss) on discontinued operations		–	–
Net profit (loss) on continued and discontinued operations		-2,634	-2,251
Profit (loss) attributable to non-controlling interests		–	–
Profit (loss) attributable to shareholders of the parent		-2,634	-2,251
Other comprehensive income		1	-116
Items that can be transferred to profit or loss in subsequent reporting periods		1	-116
FX differences arising on conversion of foreign affiliates		1	-116
Items that will not be transferred to profit or loss in subsequent periods		–	–
Total comprehensive income		-2,633	-2,367
Total comprehensive income attributable to non-controlling shareholders		–	–
Total comprehensive income attributable to the parent company		-2,633	-2,367

Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-1.30	-1.17
Diluted		-1.27	-1.14
On continued and discontinued operations			
Ordinary		-1.30	-1.17
Diluted		-1.27	-1.14
number of shares to calculate ordinary profit (loss) per share		2,029,222	2,029,222
number of shares to calculate diluted profit (loss) per share *		2,077,870	2,077,870

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

5.3 Condensed consolidated statement of changes in equity

STATEMENT OF CHANGES								
IN EQUITY PLN '000	Share capital	Supplementary capital	Own shares	Reserve capital	FX differences arising on translation	Retained earnings	Non- controlling interests	Total
As at 1 January 2022	203	8,129	-8	3,050	70	-6,461	-	4,983
Comprehensive income:	-	-	-	-	1	-2,634	-	-2,633
Profit (loss) after tax	-	-	-	-	-	-2,634	-	-2,634
Other comprehensive income	-	-	-	-	1	-	-	1
Transactions with owners:	-	-	-	1,149	-	-	-	1,149
Issue of shares	-	-	-	-	-	-	-	-
Incentive scheme	-	-	-	1,149	-	-	-	1,149
Distribution of profit	-	-	-	-	-	-	-	-
Value of conversion rights under convertible bonds	-	-	-	-	-	-	-	-
Take-over of control over a related party	-	-	-	-	-	-	-	-
As at 31 March 2022	203	8,129	-8	4,199	71	-9,095	-	3,499
As at 1 January 2021	203	16,311	-	1,901	48	-8,070	-	10,385
Comprehensive income:	-	-	-	-	-116	-2,304	-	-2,420
Profit (loss) after tax	-	-	-	-	-	-2,251	-	-2,251
Other comprehensive income	-	-	-	-	-116	-54	-	-170
Transactions with owners:	-	-	-	1,050	-	-	-	1,050
Issue of shares	-	-	-	-	-	-	-	-
Incentive scheme	-	-	-	1,050	-	-	-	1,050
Distribution of profit	-	-	-	-	-	-	-	-
Value of conversion rights under convertible bonds	-	-	-	-	-	-	-	-
Take-over of control over a related party	-	-	-	-	-	-	-	-
As at 31 March 2021	203	16,311	-	2,951	-68	-10,375	-	9,014

5.4 Condensed consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS PLN'000	1.01.2022 - 31.03.2022	1.01.2021 - 31.03.2021
Cash flows from operating activities		
Profit (loss) before tax	-2,633	-2,250
Total adjustments:	2,445	1,370
Depreciation/amortization	241	67
Write-off of goodwill	-	-
FX gains (losses)	-14	-116
Interest and profit distributions (dividends)	24	20
Profit (loss) on investing activities	-	-
Change in the balance of provisions	173	66
Change in the balance of inventories	-73	-293
Change in the balance of receivables	691	-84
Change in short-term liabilities, except bank and other loans	18	325
Change in prepayments/accruals	236	389
Income tax paid	1	-
Other adjustments	1,149	996
Total cash flows from operating activities	-189	-880
Cash flows from investing activities		
Inflows	1	-
Disposal of tangible and intangible assets	-	-
Repayment of long-term loans	-	-
Interest on financial assets	1	-
Other investment inflows	-	-
Outflows	667	680
Acquisition of tangible and intangible assets	667	680
Acquisition of financial assets	-	-
Long-term loans granted	-	-
Other investment outflows	-	-
Total cash flows from investing activities	-666	-680
Cash flows from financing activities		
Inflows	-	-
Contributions to capital	-	-
Bank and other loans	-	-
Issue of bonds	-	-
Outflows	-	317
Acquisition of own shares	-	-
Payment of dividend	-	-
Repayment of bank and other loans	-	315
Finance lease payments	32	-

Interest	2	2
Total cash flows from financing activities	-34	-317
Total cash flows from investing activities	-889	-1,877
Change in cash and cash equivalents:	-875	-1,877
– change in cash due to FX differences	-14	–
Cash and cash equivalents at the beginning of the period	4,583	10,477
Cash and cash equivalents at the end of the period, including:	3,694	8,600
– restricted cash	–	–

5.5 Notes

Note 1 Intangible assets

OTHER INTANGIBLE ASSETS	PLN'000	31.03.2022	31.12.2021
Acquired concessions, patents, licenses and similar rights		12	15
Intellectual property rights		–	–
Completed development		2,673	2,766
In-process development expenditure		157	–
Total (net)		2,842	2,781
Previous write-off		1,459	1,365
Total (gross)		4,301	4,146

All intangible assets are the property of the Group; none of these assets are used based on any rental, lease or a similar contract. The intangible assets are not used as collateral by the Group.

As at 31 March 2021, the Group did not have any agreements whereby it would be required to purchase any intangible assets.

Note 2. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS	OF PLN '000	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021
XTPL printers, 3D		–	145
Computer sets		33	66
Server with software		–	130
Pressure control system and other		–	22
Confocal microscope		–	400
Rheometer		169	–
Other laboratory equipment		32	–
Office equipment		–	4
Total significant acquisitions		234	767

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

In the reporting period, the Group did not incur any significant liabilities on account of purchase of tangible assets.

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

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

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

In the reporting period, the Group did not recognize any impairment allowances on non-current assets.

Note 6. Long-term receivables

Long-term receivables	PLN'000	31 March 2022	31 December 2021
Loans granted		–	–
Security deposits		33	33
Shares		–	–
Total long-term receivables		33	33

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

In the Reporting Period, no write-down (impairment allowance) of inventories was created or reversed.

Note 8. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	PLN'000	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021
Balance at the beginning of the period		229	318
increased/ created		105	150
utilization		–	–
release		–	239
Balance at the end of the period		334	229

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

Note 9. Transfers between individual fair value hierarchy levels in respect of financial instruments

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

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

PLN'000	Category as per IFRS 9	Book value		Fair value	
		31 March 2022	31 December 2021	31 March 2022	31 December 2021
Financial assets					
Loans granted	WwgZK	–	–	–	–
Trade receivables	WwgZK	635	1,369	635	1,369
Other receivables	WwgZK	529	486	529	486
Cash and cash equivalents	WwWGpWF	3,705	4,580	3,705	4,580
Total		4,869	6,435	4,869	6,435
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	–	–	–	–
Bond liabilities	PZFwgZK	3,288	3,270	3,288	3,270
Lease liabilities	PZFwgZK	328	355	328	355
Trade liabilities	PZFwgZK	1,194	1,116	1,194	1,116
Other liabilities	PZFwgZK	1,029	983	1,029	983
Total		5,839	5,722	5,839	5,722

Abbreviations used:

WwgZK – Measured at amortized cost

PZFwgZK – Other liabilities measured at amortised cost

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

Fair value of financial instruments that the Group held as at 31 March 2022 and 31 December 2021 was not materially different from the values presented in the financial statements for the respective years:

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

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

Note 11. Explanations to the statement of cash flows

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

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

	01.01.2022	01.01.2021
	PLN'000	
	31.03.2022	31.03.2021
PBT presented in the statement of comprehensive income	-2,633	-2,250
PBT presented in the statement of cash flows	-2,633	-2,250
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS		
	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
Realized interest on financing activities	8	2
Realized interest on investing activities	-1	-
Unrealized interest on financing activities	17	-
Unrealized interest on investing activities	-	18
Total interest and dividends:	24	20
CHANGE IN THE BALANCE OF RECEIVABLES		
	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
Change in the balance of trade receivables	734	-3
Other receivables	43	-81
Total change in the balance of receivables	691	-84
CHANGE IN THE BALANCE OF LIABILITIES		
	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
Change in the balance of trade liabilities	77	223
Other liabilities	-59	101
Total change in the balance of liabilities:	18	324
Cash and cash equivalents at the end of the period		
	01.01.2022	01.01.2021
	31.03.2022	31.03.2021
Statement of cash flows	3,694	8,600
Statement of financial position	3,705	8,601

The amount presented in the statement of cash flows as "other adjustments" refers to the cost of remuneration included in the statement of comprehensive income in respect of the valuation of the incentive scheme (PLN 1,050 thousand).

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

Note 12. Net revenue from sales

NET REVENUE FROM SALES	PLN'000	01.01.2022 - 31.03.2022	01.01.2021 - 31.03.2021
Research and development revenue		402	–
Revenue from the sale of products		528	65
Revenue from grants		689	624
Total net revenue from sales		1,619	689

Note 13. Grants

Inflows from grants	PLN'000	01.01.2022 - 31.03.2022	01.01.2021 - 31.03.2021
– to operations		689	624
– to assets		–	–
Total inflows from grants		689	624

The note presents proceeds from the reimbursement of costs incurred. In addition, the Group recorded proceeds of PLN 354 thousand from advance payments towards a grant project. The proceeds were recognized under “deferred income in respect of grants” (PLN 354 thousand: long-term, and PLN 41 thousand: short-term).

Note 14. Operating costs

OPERATING COSTS	PLN '000	01.01.2022 - 31.03.2022	01.01.2021 - 31.03.2021
Depreciation/ amortization, including		241	156
– depreciation of tangible assets		146	76
– amortization of intangible assets		95	4
Use of raw materials and consumables		613	174
External services		980	1,077
Cost of employee benefits		2,357	1,780
Taxes and charges		24	11
Other costs by type		86	33
Value of goods and materials sold		–	–

Total costs by type, including:	4,301	3,231
Items reported as research and development costs	1,715	722
Items reported as cost of finished goods sold	177	–
Items reported as general and administrative expenses	2,409	2,420
Change in finished goods		–
Cost of producing services for internal needs of the entity	–	89

Recognition of the costs related to the valuation of the incentive scheme in the total amount of PLN 1,149 thousand (PLN 320 thousand recognized in the cost of research & development, and PLN 829 thousand in general and administrative expenses) has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the Group's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

Note 15. Related party transactions

01.01.2022 - 31.03.2022	PLN'000	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		–	–	–	–
Loans granted		–	–	–	–
Financial expenses – interest on loans		–	–	–	–

01.01.2021 - 31.03.2021	PLN'000	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		–	–	–	–
Loans granted		–	–	–	–
Financial expenses – interest on loans		–	–	–	–

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

** the item includes entities linked through key management

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

Company does not charge late interest from other related entities. Receivables from or liabilities to related parties are not covered by any guarantees given or received. They are not secured in any other way either.

Note 16. Deferred tax

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	31.03.2022	31.03.2021	01.01.2022 - 31.03.2022
In respect of:			
Interest on loans and deposits	–	10	-10
The value of tangible asset (leased item)	74	–	74
Loan valuation	2	–	2
Total deferred tax liability	76	10	66
Set-off with deferred tax assets	-76	10	-66
Net deferred tax liability	–	–	–

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	31.03.2022	31.03.2021	01.01.2022 - 31.03.2022
Due to differences between the tax value and the carrying amount:			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	–	–	–
Accruals for unused annual leaves	76	10	66
Provision for the cost external services	–	–	–
Total deferred tax assets	76	10	66
Set-off with a deferred tax liability	76	10	66
Net deferred tax assets	–	–	–

Note 17. Objectives and rules of financial risk management

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

Market risks:

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

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

MARKET RISK

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

- limit the volatility of pre-tax profit/loss
- increase the probability of achievement of the budget plan
- maintain the Group in good financial condition
- support the strategic decision-making process in the area of investment activity taking into account the sources of investment financing

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

PRICE RISK

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

CURRENCY RISK

The Group is exposed to currency risk in respect of the transactions it concludes. Such risk arises when the entity makes purchases in currencies other than the valuation currency, mainly in USD and EUR.

Part of the Group's settlements is denominated in foreign currencies. As at 31 March 2022, the Group has assets denominated in foreign currencies, which include trade receivables. The value of the Group's 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 Group monitors the current exchange rates on an ongoing basis.

Rate prevailing on the last day of the year:	31.03.2022	31.12.2021
1 EUR / 1 PLN	4.6525	4.6603
1 USD / 1 PLN	4.1801	3.9676

Average rate, calculated as the arithmetic mean of the rates applicable on the last day of each month in the period:	01.01.2022 31.03 2022	01.01.2021 31.03 2021
1 EUR / 1 PLN	4.6472	4.5721
1 USD / 1 PLN	4.1638	3.8128

Presented below is the estimated impact on the Group's financial result of a potential adverse change in the value of PLN in relation to EUR, GBP and USD in relation to the carrying amounts as at 31 December 2022:

	As at 31.03.2021 in currency	As at 31.03.2022 in PLN	Estimated rate change in %	Effects of changes in exchange rates in PLN
Trade receivables in currency:				
EUR	95	445	+/- 5%	+/- 3
USD	41	177	+/- 5%	-
Trade liabilities in currency:				
EUR	55	260	+/- 5%	+/- 8
USD	29	121	+/- 5%	-

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 Group's operations. Consequently, the Group did not apply interest rate hedges, considering that interest rate risk is not significant for its business.

LIQUIDITY RISK

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

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

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

In the Reporting Period, an overdraft of PLN 300 thousand was available to the Group. However, the facility was used by the Group rarely and for a short term only.

CREDIT RISK

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

- cooperates with banks and financial institutions with a known financial position and established reputation
- analyzes the financial position of its counterparties based on publicly available data as well as through business intelligence agencies

Note 18. Material settlements on account of court cases

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

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

In the period from 1 January 2022 to 31 March 2022, no significant changes were identified in the economic position or operating conditions which would have a material impact on the fair value of the Group's financial assets and liabilities.

Note 20. Information about changes in contingent liabilities and contingent assets and non-disclosed liabilities arising from contracts in relation to the last reporting period

Contingent liabilities granted by the Parent Company were in the form of promissory notes together with promissory note declarations to secure the contracts for co-financing projects financed by the EU as well as a lease agreement.

The change in the value of contingent liabilities in relation 31 December 2021 amounts to PLN 1,085 thousand. It is caused by the payment of further tranches of grants totalling PLN 689 thousand, and advances towards grants of PLN 396 thousand. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in materialisation of the above contingent liabilities. As at the date of approval of the financial statements there were no undisclosed liabilities resulting from any agreements of material value.

	31.03.2022	31.12.2021
	PLN'000	PLN'000
Promissory notes	14,294	13,209
Total contingent liabilities	14,294	13,209

Note 21. Incentive scheme

In the Reporting Period, in the statement of comprehensive income the Group recognized the cost the incentive scheme for employees and collaborators based on the Parent Company's shares. The date of recognition of costs was the moment when the persons covered by the scheme were offered the purchase of the shares. The cost of the scheme (fair value of the shares issued) was estimated at PLN 1,149 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,149 thousand has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

Note 22. Information about seasonality of business and cycles

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

Note 23. Extraordinary factors which occurred in the reporting period with an indication of their impact on the financial statements

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

Note 24. Information on issue, redemption and repayment of debt and equity securities

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

Note 25. Dividend paid or declared, in total and per share, with a division into ordinary and preference shares

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

Note 26. Operating segments

SEGMENT	01.01.2022 -	01.01.2021 -
	31.03.2022	31.03.2021
	PLN'000	PLN'000
Sale and lease of printers	474	54
Research and development services	402	–
Inks and other consumables	54	11
TOTAL	930	65

Note 27. Information on default on any bank and other loans or a breach of material provisions of bank and other loan agreements where no remedial actions have been taken before the end of the reporting period

No such events occurred in the reporting period.

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

The accounting policies that were used in preparation of these financial statements for the first quarter of 2022 are consistent with the policies used in preparation of the Company's financial statements for 2021. The same policies were applied for the current and comparative period. Detailed description of the accounting principles adopted by XTPL S.A. and XTPL Group was presented in the annual financial statements for 2021.

Note 29. Types and amounts of changes in estimates presented in prior interim periods of the present financial year or changes to estimates presented in prior financial years

In the reporting period no changes in estimates were made.

Note 30. Correction of errors from previous periods

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

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

This financial report for the period from 1 January 2022 to 31 March 2022 was approved for publication by the Parent Company's Management Board on 18 May 2022.

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

Signing an agreement with the US company nScript for the sale XTPL's conductive nanopaste CL8

On 5 April 2022, a licence agreement was signed between the Issuer and the US company nScript, Orlando, Florida, providing for the sale of conductive nanopaste CL85 developed and produced by XTPL.

Under the Agreement, the nanopaste produced by the Issuer will be distributed by nScript to its customers under the nScript brand.

Since 2002, nScript has designed and manufactured high-precision microdispensing equipment for printed electronics, electronics packaging, solar cell metallization, communications, 3D printing and bioprinting. Its customers include military, academic and research institutes, government agencies and national labs, as well as privately-owned technology corporations. nScript technological solutions are used by manufacturers from the medical, defense and space sectors.

The Company completes the first stage of the technological phase under the agreement with Nano Dimension Ltd

On 11 April 2022, the first stage of development as part of the technological phase of the activities specified in the Agreement was completed and approved by Nano Dimension Ltd.

The Agreement relates to developing a new generation conductive nanoink for industrial applications in the Client's products designed for the production of PCBs.

Under the Agreement, completion of the first stage of the technological phase and the Client's approval of the work triggers the payment of the first tranche. The related revenue will be recognized in Q2 2022 and will significantly influence the financial results for that period. This means that the Issuer enters the next stage of work under the technological phase defined in the Agreement, aimed at creating a dedicated nanoink formulation. The Agreement between the Issuer and Nano Dimension provides for four main stages in the technological phase.

Patent approval by the US Patent and Trademark Office

On 11 May 2022, the Company received information about the conditional approval of a patent for the Company by the United States Patent and Trademark Office for its method of forming lines of several hundred nanometers wide using the XTPL-developed silver nanoink, i.e. for the patent application "METHOD FOR REMOVING BOTTLENECKS". In particular, the invention facilitates the removal of possible local bottlenecks in the lines deposited during the printing process, thereby increasing the lines' electrical conductivity and their current and mechanical strength.

Management Board's statements

6 MANAGEMENT BOARD'S STATEMENTS

6.1 Statement of assurance

The Management Board of XTPL S.A. declares that to the best of its knowledge the quarterly condensed financial statements and the comparable data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear view of the assets, financial position and profit or loss of the Issuer. The Issuer's quarterly Management Report gives a true view of development, achievements and the situation of the Issuer, including a description of key threats and risks.

6.2 Approval for publication

This report for the first quarter of 2022 ended 31 March 2022 was approved for publication by the Issuer's Management Board on 18 May 2022.

Signature of the Management Board:

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu

