



2023 MANAGEMENT REPORT

OF XTPL S.A. AND XTPL GROUP

25 April 2024

LETTER FROM THE MANAGEMENT BOARD PRESIDENT

Ladies and Gentlemen, Dear Shareholders and Investors,

It is my great pleasure to use this introduction to XTPL's 2023 Annual Report to outline our key achievements and the goals we have reached in pursuance of XTPL's 2023–2026 Strategy adopted in 2023.

In 2023, XTPL generated its highest revenue ever, for the first time exceeding PLN 15 million. Once again, our revenue mostly comes from commercial sales, which is a testament to the advantages and merits of the proprietary ultra-precise printing technology we are developing. As part of the three business lines we are working on, XTPL's technology is gaining more and more traction, primarily in the industrial and corporate worlds, with XTPL attracting clients in all geographies that are key to the additive technologies industry. The growing recognition of our brand, along with measurable effects in the form of a rising number of proposals and business talks, creates opportunities and space for a significant re-scaling of XTPL's operations in the coming years. Our vision of a significant acceleration of XTPL's development underpinned our decision to launch a public offer in 2023 and adopt a Strategy for 2023–2026, along with setting key goals: achieving the first implementations of XTPL's technology onto the industrial lines of global makers of advanced electronics and generating PLN 100 million in revenue from the sale of products and services by the end of 2026. The public offer was highly successful: we raised over PLN 34 million net, with demand from Polish and international investors exceeding the volume of the offer several times over. This safeguards our investment plan for the following years, and allows XTPL to fully focus on delivering its goals.

XTPL's 2023–2026 Strategy homes in on two principal areas: business and sales development as well as operational development and development of the entire organization. The changes that took place at XTPL in 2023 and in recent months are a direct consequence of the company's Strategy aimed at scaling XTPL up from a mature business with an R&D profile to Poland's leading deep tech company specializing in ultra-precise nanoprinting technology that is being commercialized together with the world's leading manufacturers of advanced electronics.

A bold vision of growth requires capital expenditure and, most importantly, world-class experts working with passion within a well-ordered structure with clearly defined responsibilities, goals, and upskilling opportunities. I can say with great satisfaction that a sizeable part of that work has been completed. On the date of publication of this report, XTPL has a 91-strong team, which has doubled in size over the past 12 months. Until recently, such a pace of expanding personnel would have been beyond our reach due to our organizational structure, but once we put in place new systems, processes and management methods, we are able to effectively leverage new talents and skill sets acquired along the way. This size of our team (100 or so) currently suits us, making it possible to achieve the planned scale of growth, which will be our focus this year and in the years ahead.

To reach commercial sales revenues of PLN 100 million will also require a considerable expansion of our production capacity, which will enable XTPL to complete a larger number of orders for Delta Printing System (DPS) devices and modules for industrial implementation. At the beginning of 2023, our capacity allowed us to manufacture several DPS devices every year. Importantly, we secured orders to fully utilize this capacity – in 2023 we shipped a total of 13 devices to our clients, 10 more than in 2022. Currently, we can process orders two times faster, which means that our annual manufacturing potential has grown to over 20 devices. We are set to step up these capabilities steadily year over year, and generate increasingly higher sales for this line of business. It is worth noting that in 2024 we see a return to the standard seasonality of DPS sales, with a pronounced business increase in the second half of the year. 2023 was an

exception in this respect, as the post-pandemic rebound in China amply translated into the number of orders secured by our local distributor, Yi Xin Technology.

Once we built a sufficiently large and competent team and adequate production capabilities, our priority shifted to sales activities, which are being intensified very strongly at XTPL. After the reporting period, at the beginning of 2024, we were joined by an experienced Managing Director for North America, tasked with developing and implementing a sales strategy in this key market as well as building business partnerships, drawing on his many years of experience and an extensive international network of contacts. The first effects are already noticeable – in March 2024 we sold a DPS device to a California-based industrial client, and for the second half of the year we are planning to open our first physical Demo Center in Boston. It will house a laboratory where potential customers will be able to see XTPL technology in action and find out about our products: modules for industrial implementations, DPS devices and high-performance materials (nanoinks). Over the course of 2023 and in recent months, the number of official distributors of our technological solutions have doubled from 5 to 11 to include reputable companies from the United States, Taiwan and South Korea. The first months of working with a new distributor always involve learning about the capabilities of our products and their advantages before moving on to marketing and sales prospecting – we hope to see the first sells in 2024. Sales and marketing activities are complemented by our increasing presence at international conferences and trade shows, where XTPL exhibits or delegate speakers, taking active part in shaping expectations about the possibilities of additive technology development. In 2024, we plan to attend a host of industry events where we will be highly visible, also thanks to our distributors showcasing our products and solutions. Presence at a larger number of such events translates directly into growing sales opportunities, which we follow up with business talks using the contacts made during such events.

To achieve the scale of revenue growth assumed in our Strategy for 2023–2026 requires contributions from all three business lines, with the bulk of them coming from modules designed for industrial implementation onto the production lines of global electronics manufacturers. Following the initial successes of our solutions in the area of research and development, we are now focusing on carrying them over to the manufacturing field. It is the industrial applications of our current and future technologies that will propel XTPL's long-term growth. In 2023, together with our partners, we made signal progress, moving on to the crucial, fourth stage of industrial implementation – the building of a prototype of an industrial device with our module at the core of it. In mid-2023, we reached this stage of implementation with a global Nasdaq-100-listed US company that generates annual revenues in the order of billions of US dollars. The company is among the world's largest producers of industrial machinery for new generation electronics manufacturers operating in the semiconductor and Flat Panel Display industries. A second partner with whom we reached this key phase of technology evaluation is HB Technology, a South Korea-based manufacturer of equipment for testing and repairing devices for cutting-edge display manufacturers such as Samsung Display Corporation and Beijing BOE Display Technology. Our technology is being tested in new application areas, for example in micro-OLED displays. The collaboration in question is successful and intensive – last week we received an order for another industrial module, which will be used to build a second prototype and speed up the testing process. XTPL's pipeline includes 9 projects geared towards industrial implementation (at least at the second stage of the process, which involves testing XTPL solutions through combined efforts of our Wrocław R&D center and our partners' R&D teams, or at a later stage), 4 of which are at the most advanced stages of development, their number including the 2 projects mentioned above, which are closest to expected potential implementation. We believe that completing the entire path of evaluation for our technology and product with such a reputable partner will help ramp up the pace of other implementations. We estimate that once all 9 of our ongoing projects are validated, our potential average annual revenue will increase to approximately PLN 400 million.

In 2023, we generated a record PLN 15.5 million in revenue and PLN 13.4 million in revenue from the sale of products and services. These figures show year-on-year increases of 21% and 34%, respectively. Our reference base is growing, but we intend to maintain high growth levels and we believe that the investments we made in 2023 and in recent months will significantly boost our sales in future periods. In the short term, the implementation of the investment program weighs on profitability, which continues to be reflected in negative EBITDA or bottom line figures. It also reduces our cash position, which at the end of December 2023 totaled PLN 27.3 million, and at the end of March 2024, in line with

our estimates published last week, fell to PLN 22 million. The activities outlined above are consistent with our Strategy goals and our budget and investment plan. They are aimed at increasing the XTPL's revenue potential to generate revenue and then convert our activities undertaken within our three business lines into orders and revenue streams, also in the long term. At the same time, we have already completed key investments: in our team and in the reorganization of XTPL's internal structure.

Finally, I would like to stress how successful 2023 was for us – we made XTPL's financial position secure, adopted our 2023–2026 Strategy, plotting an audacious but achievable growth vision, and we successfully implemented the key investments the constitute the first phase of our drive towards achieving the goal of a 10-fold rise in revenues to PLN 100 million by the end of 2026. We are fully focused on the process of scaling up our business and achieving further progress in the process of industrial implementation of our technology, which, when completed, will be a watershed on XTPL's growth trajectory.

I would like to thank everyone who has contributed to XTPL's success to date – our business partners, distributors, investors and shareholders. In September 2023, XTPL debuted on the WSE's sWIG80 index, which we see as a vindication of our efforts and proof that XTPL is an increasingly important part of the Polish capital market, especially the deep tech industry. This fact gives us with an additional stimulus to work hard, especially as there is still room for growth and for opening the doors to other stock exchange indices in the future, which I hope will happen for your and the Company's benefit.

Last but certainly not least, I'd like to mention our team – all our employees, old and new – who make every endeavor to build a Polish technology champion in Wrocław, a company poised to make its mark on the global chain of advanced electronics. Thank you very much for all your efforts!

Filip Granek, PhD



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

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

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date ("**Report Date**") is 25 April 2024.

The consolidated financial statements contained in the Report mean the consolidated financial statements (including the Company and the Subsidiaries) for the year ended December 31, 2023 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 year started January 1, 2023 and ended December 31, 2023 ("**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 September 15, 2000 – Commercial Companies Code.

"**Regulation on current and periodic reports**" means the Finance Minister's Regulation of March 29, 2019 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 July 29, 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 OF INDUSTRY TERMS:

Ω (ohm) means a unit of electrical resistance

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

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

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

Adhesion means the tendency of different materials to stick together

Particle agglomeration means joining fine particles into larger parts

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

CAD – Computer Aided Design in such applications such as electrical, mechanical and construction engineering

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

Deposition means depositing a material locally

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

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

FPD (Flat-Panel Display) means a flat display

IP (Intellectual Property) means intellectual and industrial property

Conductance means electrical conductivity, which is the inverse of resistance

Viscosity – a physical property of materials (fluids) that characterizes their internal frictional force during the flow of a fluid (for example, the viscosity of water, is a low-viscosity liquid, is about 1 cP, and the viscosity of honey varies from 2,000 to 10,000 cP)

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

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

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

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

NDA (Non-Disclosure Agreement) means a confidentiality agreement

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

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

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

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

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

R&D – Research and Development

Resistance means electrical resistance

SEM means scanning electron microscope

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

TEA means a Technology Evaluation Agreement

Financial highlights

2. FINANCIAL HIGHLIGHTS

2.1 Selected standalone data

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

2.2 Selected consolidated data

Figures in PLN thousand	January 1 –December 31, 2023		January 1 –December 31, 2022	
	PLN	EUR	PLN	EUR
Net revenue from the sale of products and services	13,418	2,963	10,042	2,142
Revenue from grants	2,057	454	2,775	592
Profit (loss) on sales	7,048	1,556	5,985	1,277
Profit (loss) before tax	-4,828	-1,066	-2,118	-452
Profit (loss) after tax	-4,851	-1,071	-2,137	-456
Depreciation/amortization	1,958	432	1,004	214
Net cash flows from operating activities	-4,822	-1,065	4,724	1,008
Net cash flows from investing activities	-7,503	-1,657	-2,435	-519
Net cash flows from financing activities	33,560	7,411	-833	-178
Figures in PLN thousand	December 31, 2023		December 31, 2022	
Equity	33,592	7,726	3,975	848
Short-term liabilities	9,380	2,157	7,087	1,511
Long-term liabilities	4,970	1,143	6,447	1,375
Cash and cash equivalents	27,275	6,273	6,010	1,281
Short-term receivables	3,974	914	2,588	552
Long-term receivables	33	8	44	9

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

<u>Business name:</u>	XTPL Spółka Akcyjna
<u>Registered Office:</u>	Wrocław
<u>Address:</u>	Stabłowicka 147, 54-066 Wrocław
<u>Country:</u>	Poland
<u>KRS:</u>	0000619674
<u>NIP:</u>	9512394886
<u>REGON:</u>	361898062
<u>Registry Court:</u>	District Court for Wrocław-Fabryczna, VI Comm.Div. of the National Court Register
<u>Country of registration:</u>	Poland
<u>Share capital:</u>	PLN 234,987.70, paid up in full.
<u>Phone number:</u>	+48 71 707 22 04
<u>Website:</u>	www.xtpl.com
<u>Email:</u>	investors@xtpl.com

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

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

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

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

3.1.2 Group structure

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

On January 31, 2019, XTPL S.A. acquired all shares in XTPL Inc., a newly formed entity based in the state of Delaware, United States (now the company is based in Massachusetts). The core capital of XTPL Inc. was USD 5,000. XTPL S.A. acquired 100% of the stock at the nominal price.

On December 14, 2023, XTPL Inc. issued 3,000 shares, 100% of which were acquired by XTPL S.A. The value of the new shares was established at USD 1,086,478.89. XTPL S.A. acquired the shares by converting a loan of USD 850,000 and interest on the loan of USD 236,478.89. Moreover, on December 14, 2023, the value of the 8,000 shares of XTPL Inc. held by XTPL S.A. was increased by USD 200,000 through a capital contribution. The above measures were aimed at ensuring funding for the operations of XTPL Inc. on the North American market in 2024, in accordance with XTPL's 2023-2026 Strategy.

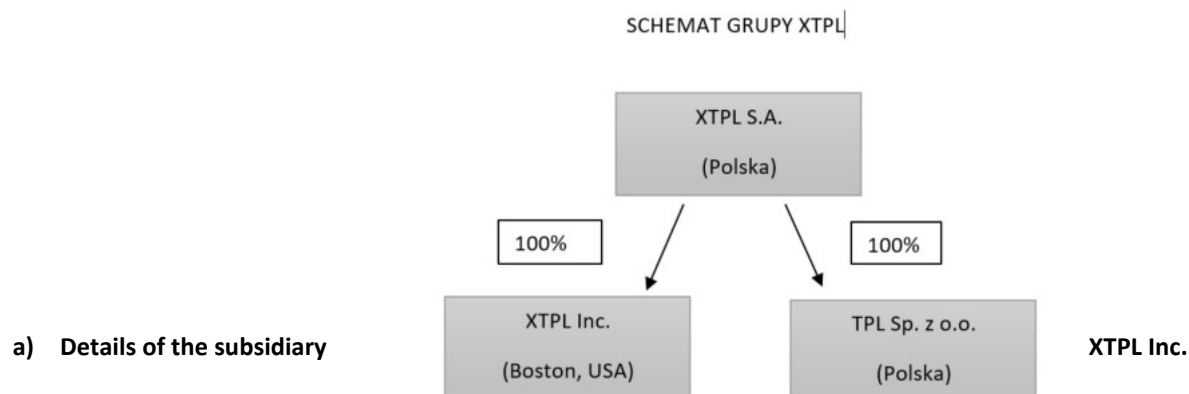
XTPL Inc. is consolidated using the line-by-line method.

On November 3, 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 parent company and its subsidiaries do not have any plants or branches.

Structure of XTPL Group as at the Report Date:



Business name:	XTPL Inc.
Country:	United States
Registered Office:	Boston
Address:	90 CANAL STREET WEST END, 4TH FLOOR City or town, State, Zip code, country: BOSTON, MA 02114
NIP:	001726856

b) Details of the subsidiary TPL Sp. z o.o.

Business name:	TPL Sp. z o.o.
Country:	Poland
Registered Office:	Wrocław
Address:	The company's registered office address is: ul. Stabłowicka 147 54-066 Wrocław
KRS number:	0000553991
Court designation:	District Court for Wrocław Fabryczna in Wrocław, 6th Commercial Division of the National Court Register
REGON:	361312719
NIP:	8943061516

Management and supervisory bodies of the Group

Members of the Management Board of the parent company XTPL S.A.

The Management Board was appointed on June 30, 2023.

The term of office of the Management Board is joint and lasts 3 years.

In the period from January 1, 2023 to December 31, 2023, the Management Board consisted of:

Filip Granek – Management Board President (CEO) since June 6, 2017

Jacek Olszański – Management Board Member since June 30, 2020

The composition of the Management Board remained unchanged until the date of preparation of this report.

Members of the Management Board of the subsidiary XTPL Inc.

The Management Board was appointed on November 24, 2023.

The term of office of the Management Board is joint and the term of office is indefinite

In the period from January 1, 2023 to December 31, 2023, the Management Board consisted of:

Filip Granek – President and CEO

Filip Granek – Treasurer

Urs Berger – Secretary

Stan Lewandowski – Assistant Secretary

The composition of the Management Board remained unchanged until the date of preparation of this report.

Management Board members of the subsidiary TPL Sp. z o.o.

The Management Board was appointed on May 29, 2020.

In the period from January 1, 2023 to December 31, 2023, the Management Board consisted of:

Jacek Olszański – Management Board President since May 29, 2020

The composition of the Management Board remained unchanged until the date of preparation of this report.

3.1.3 History

XTPL was founded in 2015 as a limited liability company. The founders sought to develop and commercialize the ground-breaking technology of manufacturing ultra-thin conductive metallic lines.

2015–2018

During the initial period of the Company's activity, a laboratory with a unique infrastructure was set up. There, within five months of intensive research and development, the Company's team achieved the ability to control the process of printing ultra-thin conductive lines which were several dozen times narrower than those available in the market at that time. This technological breakthrough allowed the Company to submit its first patent application in March 2016 for the XTPL printing method and the nanoink formulation.

On April 25, 2016, the General Meeting adopted a resolution to transform the firm into a joint-stock company (S.A.). The transformation was recorded by the registry court on 1 June 2016.

As its scale of operations expanded, on September 1, 2016 the Company transferred its research infrastructure to modern laboratories in the Wrocław Research Centre EIT+ (currently the Łukasiewicz Research Network – PORT: Polish Center for Technology Development). The team increased, and so the number and quality of the devices necessary to conduct research.

On February 21, 2017, the Extraordinary General Meeting of XTPL adopted resolution No. 02/02/2017 to split the Company's shares without decreasing its share capital, by converting the nominal value of a share to PLN 0.10.

In the first quarter of 2017, another technological barrier was broken. The Issuer's R&D team obtained the width of printed lines below 100 nanometers. Next, in the second quarter of 2017, the Company completed the prototype of the unique XTPL printer, which earned it the Technical Development Manufacturing Award at the IDTechEX Show in Berlin.

In July 2017, XTPL carried out a public issue of shares, which included 155,000 series M ordinary bearer shares. The shares were allocated to 16 (natural and legal) persons in the Institutional Investors Tranche and to 349 (natural and legal) persons in the Retail Tranche.

The Company raised PLN 10,230,000 gross from the issue. One of the investors taking up the shares was Acatis, a German investment fund acting through Universal-Investment GmbH.

On September 14, 2017, the Company's shares debuted on the NewConnect market in the Alternative Trading System. After the debut, another large investment fund from Germany, Heidelberger Beteiligungsholding AG, announced that it had exceeded the threshold of 5% of the total number of votes at the Company's General Meeting.

In subsequent periods, the Issuer consistently developed its unique technology. In the fourth quarter of 2017, the Company started testing new (except silver) nanoparticles – quantum dots and semiconductors and new substrates – silicon wafers.

In November 2018, the CEO of XTPL Filip Granek won the most prestigious award for entrepreneurs in Poland – EY Entrepreneur of 2018. He was awarded for his work on the disruptive technology that has a serious chance to change the world for the better.

2019–2021

In the first quarter of 2019, business development activities accelerated strongly as a proof-of-concept (PoC) project was elaborated for the security printing sector and for quantum dots printing. In addition, an advanced PoC project was put together for the open defect repair and semiconductors sector.

On 16 April 2019, the Company's Extraordinary General Meeting appointed Mr Wiesław Rożucki, the former CEO and co-founder of the Warsaw Stock Exchange, as the Chairman of the XTPL Supervisory Board. Now he actively supports XTPL in its activities related to capital markets and broadly understood corporate governance.

On May 23, 2019, XTPL was awarded for one of the most promising technologies among participants of the I-Zone (the innovation zone) as part of the Display Week in Los Angeles, one of the world's most important conferences of display manufacturers. Other firms awarded during the event were such giants as Apple, LG Display or Sharp.

In subsequent periods, the Issuer registered further patent applications for the XTPL printing method. One of the registered applications concerned the method of increasing the maximum current flowing through a conductive line and improving mechanical capability of conductive lines, while the other registered application focused on the printing substrate, specifically on the adaptation of this substrate to facilitate the printing of long lines with arbitrary shapes.

In the third quarter of 2019, the Issuer carries on its technological development by implementing new printing substrates – smart glass and advanced optical surfaces, and by using new nanoparticles for printing.

In August 2019, the German fund ACATIS decides to re-invest in the Company's shares. The EUR 1 million raised in this way financed the Company's business development in the United States, especially in Silicon Valley.

In September 2019, Heidelberger Beteiligungsholding AG (daughter company of Deutsche Balaton AG Group) also decided to re-invest in XTPL. The fund took up the Company's shares in a private placement. The capital raised (EUR 1.05 million) was used for further strategic strengthening of the process of commercialization of the Company's solutions in the United States and development of its patent cloud.

On December 21, 2019, XTPL was announced the best investment in the capital market in Poland in 2019. The Company brought investors a net return of almost 110%.

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

On February 24, German MainFirst Bank AG from the Stifel Group recommends "BUY" with regard to XTPL and valued the company at a PLN 215 price target. XTPL is the first Polish company covered by MainFirst.

On March 6, 2020, the Frankfurt Stock Exchange consented to admit XTPL shares to the Quotation Board segment, which is a part of the Open Market. Since that time, XTPL shares have been traded on a dual-listing basis, with the Warsaw Stock Exchange remaining the Company's main trading floor.

In March 2020, the Company finalized its first sales transaction for its nanoink based on silver nanoparticles. The delivery took place for one of the partners operating in the display sector, the first application field commercialized by XTPL.

In June, the Issuer was awarded in the "Issuer's Golden Website" competition in for the "Best IR Service" in the "small companies" category. The competition was organised by the Polish Association of Listed Companies (SEG).

On June 30, 2020, the Supervisory Board of XTPL S.A. appointed Jacek Olszański to the Company's Management Board. Since October 2018, he had served as the Company's financial manager. In addition, Beata Turlejska, Managing Partner in the Leonarto VC Fund, was appointed as a new Supervisory Board member.

On July 30, 2020, the Company adopted a resolution on the allocation of 48,648 series A registered bonds convertible into the Company's series U shares at an issue price of PLN 74 per bond. Overall, the Company's proceeds from the issue of shares and bonds were PLN 12,849,951.

In September, the German MainFirst Bank AG from the Stifel Group recommends "BUY" with regard to XTPL and valued the company at a PLN 210 price target.

On November 5, the Supervisory Board of XTPL S.A. was joined by Andrzej Domański, economist and financial market analyst with experience in managing stock exchange funds.

In November 2020, XTPL signed the first major commercial contract for the UPD technology demonstrator – XTPL Delta Printing System – a device for precise printing of micro-features, including conductive features, with the University of Stuttgart, Institut für Großflächige Mikroelektronik ("IGM").

On December 28, 2020, the Company signed a EUR 2.6 million grant agreement with the Polish National Centre for Research and Development (NCBR) for the project on development of innovative technology of precise deposition of conductive grids for next-generation OLED displays.

In February 2021, Lux Research put XTPL on the list of top young, innovative technology companies disrupting the chemicals and materials industry in 2020 in the category "materials and digital transformation".

In March, the Company was awarded for the best conference publication "Ultra-Precise Deposition Technology for High-Resolution Flat Panel Displays" at the 27th International Display Workshop (IDW'20) conference.

On March 25, 2021, XTPL S.A. has established cooperation with Bandi Consortia to support the commercialization of XTPL technology on the Korean market.

On April 14, 2021, XTPL signed a grant agreement of PLN 7.7m with NCBiR (the National Centre for Research and Development) for a project relating to the development of breakthrough printing technology of 3D micrometric conductive structures using an innovative printhead capable of printing on non-planar substrates and compatible ink for printed electronics applications.

Also in April 2021, the Company started cooperation with Yi Xin Technology, which is a distributor of the Company's technological solutions in China.

During the Display & Touch Industry Conference 2021 (DTIC 2021) in May 2021, XTPL was awarded as "The most valuable brand of an optoelectronic product" and "The most valuable brand of materials for the production of optoelectronic components".

On July 2, 2021, the Issuer signed an agreement with the German Karlsruhe Institute of Technology (KIT) for the sale of the Delta Printing System.

In the same month, XTPL started cooperation with Semitronics Sales Ltd, a specialized distributor for the region of Great Britain and Ireland.

On November 3, 2021, the Company concluded a sales agreement with the Łukasiewicz Research Network – PORT Polish Center for Technology Development for the sale of the Delta Printing System.

On 5 November 2021, XTPL sold another Delta Printing System printer, which is to be delivered to the Bendable Electronics and Sensing Technologies (BEST) research group at the University of Glasgow.

In December 2021, scientists from the Italian University in Brescia bought the Delta Printing System from XTPL S.A. for application in biosensors and bioelectronics for next-generation biomedicine.

2022–2024

Early in 2022, the German company Merconics joined the group of distributors of XTPL solutions. The new distributor will promote XTPL technology and products in selected European countries, including in Germany, France, Austria and Switzerland.

On January 10, 2022, XTPL announced that it had signed an agreement with Nano Dimension Ltd, an Israeli company listed on NASDAQ. The purpose of the cooperation is to develop a next generation conductive nanoink.

On February 18, 2022, XTPL expanded its international distribution network by starting cooperation with Mumbai-based Vertex Global Solutions.

On March 21, 2022, XTPL received a grant recommendation for the technological project “Manufacture of active, flexible microLED displays using the additive method”. The project will be delivered by an international consortium of seven complementary European partners, including XTPL S.A. The total value of the project is more than EUR 4.29 million, including the recommended grant for XTPL coming in at almost EUR 430 thousand.

On March 22, 2022, the Issuer began strategic cooperation with the Department of Information Engineering of the Italian University of Brescia (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.

On April 5, 2022, the Issuer signed a licence agreement with the US company nScript, based in 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.

On April 11, 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.

On June 27, 2022, the Issuer signed a grant agreement under the competition HORIZON-CL4-2021-DIGITAL-EMERGING-01-31 – Research and Innovations Actions – organized by the European Commission as part of the Horizon Europe Framework Programme. The agreement relates to the project developed by the consortium: “Building Active MicroLED Displays By Additive Manufacturing”. The project is designed to develop an innovative technology for the production of flexible microLED displays using precise additive printing technologies.

On July 13, 2022, the second stage of development as part of the technological phase of the activities specified in the cooperation agreement with Nano Dimension Ltd. was completed and approved by the Client.

On July 22, 2022, the acceptance of the order for the delivery of a printing module for industrial integration was confirmed. The order was received from a Taiwan-based global manufacturer of specialized equipment for the production of semiconductor components. Acceptance of the order means delivery of the XTPL technology to build a prototype of an industrial device for applications in semiconductor production.

On August 1, 2022, the Company confirmed the order placed by the IRIS Adlershof Institute of the Humboldt University in Berlin for the delivery of the Delta Printing System device.

On August 3, 2022, the Company confirmed the order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System.

On September 28, 2022, the Company accepted and confirmed an order for the delivery of the Company's technology demonstrator: Delta Printing System. The buyer is a NASDAQ-listed US corporation, one of the Big Five American companies from the ICT sector.

On November 15, 2022, the third stage of development as part of the technological phase of the activities specified in the cooperation agreement with Nano Dimension Ltd. was completed and approved by the Client.

On December 14, 2022, the Issuer confirmed second order received from Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center from Southeast University School of Electronic Science Engineering in Nanjing.

On December 15, 2022, the Issuer confirmed the acceptance of an order for delivery of a device for technology validation in the area of next generation ultra-high resolution micro OLED displays. The ordering partner is HB Technology, listed on KOSDAQ (078150.KQ) in South Korea, a manufacturer of devices for testing and repairing devices for the largest global display makers. HB Technology's clients are the world's leading manufacturers, including Samsung Display Corporation and Beijing BOE Display Technology.

On December 22, 2022, the Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center Harbin Institute of Technology based in Harbin.

On December 27, 2022, the Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center Tianjin University from Tianjin.

On January 4, 2023, the Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center South China University of Technology from Guangzhou, China.

On January 19, 2023, the Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center University of Electronic Science and Technology of China from Chengdu.

On February 6, 2023, the Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center Beijing Institute of Technology from Beijing.

On March 8, 2023, the Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center School of Integrated Circuits, Guangdong University of Technology.

On March 30, 2023, the Company finalized the key elements of the fourth stage of the technological phase of activities specified in the cooperation agreement with Nano Dimension Ltd.

On April 11, 2023, the Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center Tianjin University.

On May 26, 2023 the Issuer accepted an order for the delivery of a printing module for industrial integration from one of the key global manufacturers of industrial machines, including machines for the semiconductor and display industries, member of the NASDAQ 100 index.

On June 1, 2023, the Issuer confirmed acceptance of an order for the supply of a printing module for industrial integration placed by HB Technology, listed on KOSDAQ 078150.KQ in South Korea, a manufacturer of devices for testing and repairing devices for the largest global display makers.

On June 22, 2023, the Company confirmed the order placed by the Electrical & Computer Engineering Department at Northeastern University in Boston.

On June 22, 2023, the Company confirmed an order placed by a customer for the supply of the Delta Printing System to a Germany-based laboratory of the German-American consortium developing hardware and software for advanced data analysis and machine learning.

On July 12, 2023, the Issuer completed the subscription for the Company's series V ordinary bearer shares, which covered 275,000 shares. The Issuer raised over PLN 36.5 million as a result of the share issue.

On September 6, 2023, the Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China. The end buyer of the device is a leading Chinese R&D center: Research Institute of Tsinghua University w Shenzhen, China.

On September 8, 2023, the Issuer and Detekt Technology Inc. with its registered office in Taiwan signed an agreement for the non-exclusive distribution of the Issuer's technological solutions in Taiwan.

On October 2, 2023, the Issuer and CWI Technical Sales based in the United States entered into a non-exclusive agreement for the distribution of the Issuer's technological solutions in the United States.

On October 5, 2023, the Issuer and Ontos Equipment System INC. based in the United States entered into a non-exclusive agreement for the distribution of the Issuer's technological solutions mainly in the United States.

On November 22, 2023, the Management Board of XTPL S.A. adopted, after prior approval of the Supervisory Board, the Company's strategy for 2023-2026.

On November 27, 2023, the Company confirmed an order placed by the German Research Community – Deutsche Forschungsgemeinschaft – for the delivery of the Delta Printing System to the Technical University of Hamburg.

On December 1, 2023, the Issuer entered into an agreement with Trident Electronics Technologies Pte Ltd based in Singapore for the distribution of the Issuer's technological solutions in Singapore, Malaysia, Indonesia, Thailand, Vietnam and the Philippines.

On December 13, 2023, the fourth and final stage of development as part of the technological phase under an agreement with Nano Dimension Ltd. was completed and approved.

On December 15, 2023, the Company confirmed an order placed by DETEKT Technologies Inc. based in Taiwan for the delivery of the Delta Printing System.

On December 18, 2023, the Company confirmed an order placed by Ontos Equipment System INC based in the USA for the delivery of the Delta Printing System.

On December 19, 2023, the Issuer entered into a non-exclusive agreement with Korean 3H Corporation Ltd for the distribution of the Issuer's technological solutions in South Korea.

On December 20, 2023, the Company confirmed an order placed by the University of Surrey in the United Kingdom for the delivery of the Delta Printing System.

On January 11, 2024, the Issuer was informed of a grant recommendation for the project “Ultra-sound combined with bioimpedance analysis and graphene fet-enhanced wearable sensing for decentral health-monitoring” developed as part of a consortium with the Issuer. The decision is an outcome of the competition HORIZON-CL4-2023-RESILIENCE-01-33 Smart sensors for the Electronic Appliances Market organized by the European Commission under the Horizon Europe Framework Program.

On January 23, 2024, the Issuer entered into a non-exclusive agreement with Sigma Technology Corporation based in Taiwan and China for the distribution of the Issuer's technological solutions in Taiwan and China.

3.1.4 Issuer's governing bodies

Management Board:

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 a 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:	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
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

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

3.1.5 Employment and information about the Issuer's employee team

As at the Balance Sheet Date, the Company employed 70 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 51.4% 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 and Customer Service Team.

Women accounted for 40.0% of the full XTPL team. At the same time, in the technology team, women represented 30.6% 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.

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, funding for a sports program, program of awards for patent applications, employee referral program, remote working options (depending on the nature of the job), access to the XTPL corporate library and funding for English language courses.

3.1.6 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.

3.1.7 Description of operations and basic products and services

XTPL operates in the nanotechnology and microelectronics segment. The Company develops and commercializes its globally innovative platform technology of ultra-precise printing of nanomaterials, protected by an international patent application. The breakthrough nature of the XTPL method is based on the unique combination of features such as additive material dispensing, dispensing 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.

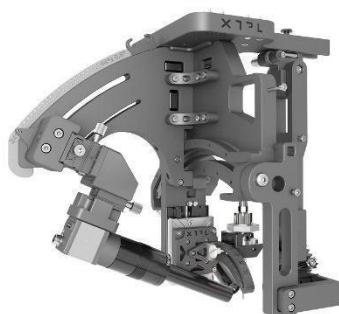
TECHNOLOGY:

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

Ultra-Precise Dispensing System (UPD System) for industrial integration



Developed by the Issuer, the UPD System product line is a modular UPD dispensing device for integration with industrial systems, In this way, industrial integrators and end customers can print functional structures with high resolution and packing density. These innovative printing modules with compatible nanoinks enable the ultra-precise creation of conductive lines on the customer's selected technological substrate in low and high-volume applications. The UPD System integrates all the functions required by the XTPL® UPD technology along with electronic control and the proprietary XTPL® UPD Process Control Software package. In addition to the strong market interest in the evaluation of UPD System, XTPL is conducting advanced talks on the commercialization of UPD System solutions

with three global producers of consumer electronics (in Europe, South Korea and the USA) and four industrial integrators and producers of industrial machines (in Taiwan, South Korea and the USA).

By the Report Date, the Company had sold three devices:

- to a partner from Taiwan, as a printing module, a prototype of a device for the production of semiconductors for the target customer: one of the world's largest semiconductor manufacturers (Q2 2022);
- to one of the key global manufacturers of industrial machines, including machines for the semiconductor and display industries, member of the NASDAQ 100 index (Q2 2023);
- to HB Technology – listed on KOSDAQ 078150.KQ in South Korea (Q2 2023).



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.

By the Report Date, the Company had sold 26 devices:

- to the University of Stuttgart, Germany (Q1 2021)
- 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)
- to the IRIS Adlershof Institute from the Humboldt University of Berlin, Germany (Q3 2022).
- to Yi Xin HK Technology Co., China (Q3 2022)
- to an industrial entity, United States (Q3 2022)
- to Yi Xin HK Technology Co., China (Q4 2022) – three devices for end buyers:
 - Southeast University School of Electronic Science Engineering in Nanjing
 - Harbin Institute of Technology in Harbin, China
 - Tianjin University School of Precision Instrument and Opto-Electronics Engineering in Tianjin, China;
- to HB Technology, Korea (Q4 2022)
- to Yi Xin HK Technology Co., China (Q4 2023) – four devices for end buyers:
 - South China University of Technology from Guangzhou, China
 - University of Electronic Science and Technology of China from Chengdu, China
 - Beijing Institute of Technology from Beijing, China
 - School of Integrated Circuits, Guangdong University of Technology, China

- to Yi Xin HK Technology Co., China (Q2 2023) – one device for end buyer:
 - Tianjin University in Tianjin, China
- to the Electrical & Computer Engineering Department at Northeastern University in Boston (Q2 2023)
- to the Germany-based laboratory of the German-American consortium developing hardware and software for advanced data analysis and machine learning (Q2 2023)
- to the CENIMAT|i3N scientific research center in Portugal (Q3 2023)
- to Yi Xin HK Technology Co., China (Q3 2023) – one device for the end buyer: Research Institute of Tsinghua University in Shenzhen, China
- to the Technical University of Hamburg in Germany (Q4 2023)
- to DETEKT Technologies Inc. in Taiwan (Q4 2023)
- to Ontos Equipment System INC in the USA (Q4 2023)
- to the University of Surrey in the UK (Q4 2023)
- to a new industrial client based in California, USA (Q1 2024).

The Issuer is gradually delivering the devices to the buyers.

The revenue from the sale of products and services achieved in 2023 are presented in Note 3.12.42 of the consolidated financial statements. All the Group’s sales revenues of PLN 13,418 thousand come from transactions with foreign buyers. The following countries were the key contributors to our sales: China (52.0%), Israel (14.8%), Germany (8.8%). In 2023, one counterparty contributed PLN 5.8 million (43.3%) to total sales. Those sales revenues relate to the segment of Delta Printing System laboratory printers and inks & consumables. The Group’s key partner (distributor) in the financial year ended December 31, 2023 was Yi Xin Technology (HK) Co Limited, which had the largest share in the Group's revenues in 2023. The entity is not related to the Parent Company or other companies from the Group.



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 dispensing 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 dispensing head and constant adaptation of the deposited 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.

3.1.8 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 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.

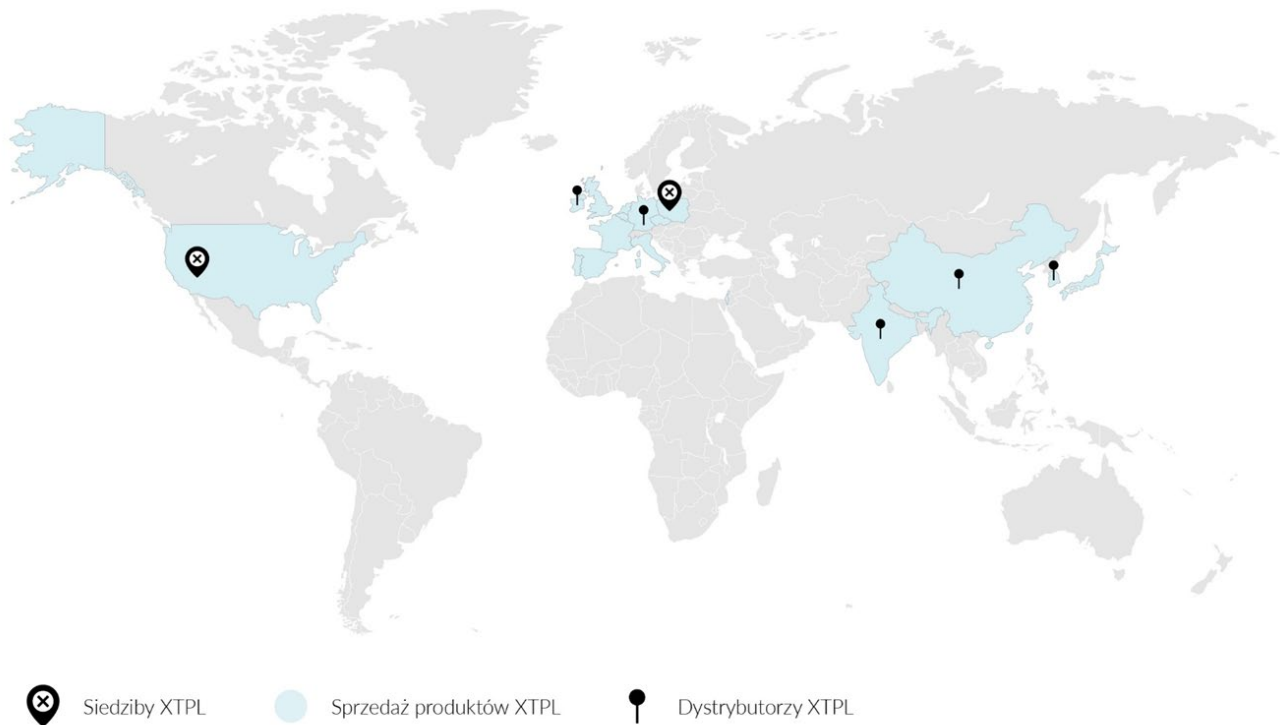
During the Reporting Period, the Issuer signed two further agreements for the distribution of its technological solutions:

1. **on September 8, 2023, an agreement was signed with Detekt Technology Inc. based in Taiwan for the non-exclusive distribution of the Issuer's technological solutions in Taiwan** (ESPI Current Report No. 48/2023 of September 11, 2023);
2. **On October 2, 2023, the Issuer and CWI Technical Sales based in the United States entered into a non-exclusive agreement for the distribution of the Issuer's technological solutions in the United States** (ESPI Current Report No. 49/2023 of October 2, 2023);
3. **On October 5, 2023, the Issuer and Ontos Equipment System INC. based in the United States entered into another non-exclusive agreement for the distribution of the Issuer's technological solutions in the United States** (ESPI Current Report No. 50/2023 of October 5, 2023);
4. **on December 1, 2023, an agreement for the distribution of the Issuer's technological solutions was signed between the Issuer and Trident Electronics Technologies Pte Ltd based in Singapore USA;** Under the agreement, the distributor will advertise and sell XTPL's technological solutions in Singapore, Malaysia, Indonesia, Thailand, Vietnam and the Philippines (ESPI Current Report No. No. 56/2023 of December 1, 2023);

5. **on December 19, 2023, a non-exclusive distribution agreement for the Issuer's technological solutions was signed between the Issuer and 3H Corporation Ltd based in South Korea;** Under the agreement, the distributor will advertise and sell XTPL technological solutions in South Korea (ESPI Current Report No. 63/2023 of December 19, 2023).

Then, after the Reporting Period, the Issuer entered into further distribution agreements with:

- Sigma Technology Corporation based in Taiwan and China – a non-exclusive agreement for the distribution of the Issuer's technological solutions in Taiwan and China (ESPI Current Report No. 7/2024 of January 23, 2024).
- Youngil Education System Co., Ltd. based in South Korea – a non-exclusive agreement for the distribution of the Issuer's technological solutions in South Korea (ESPI Current Report No. 12/2024 of February 19, 2024).



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 2022, its value exceeded USD 51 billion, with the display market having the highest share in it (nearly USD 45 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 2022. Other reports, including those published by Grand View Research, suggest that the value of the printed electronics market in 2022 exceeded USD 10 billion, and is expected to reach USD 53 billion in 2030. 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 the authors of the report published by IDTechEx, the global market for conductive inks exceeded USD 2.7 billion in 2022, and is expected to reach USD 4.5 billion in 2033. The data published in another market report – Custom Market Insights (CMI) – show that the global market for conductive inks reached USD 3.8 billion in 2021, and is expected to reach USD 9.8 billion in 2030. 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 LINES AND PROSPECTS for the Company and the Group:

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 "ubiquitous" in 2030 and reach 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.

3.2 XTPL'S ACTIVITY AND ACHIEVEMENTS IN 2023

3.2.1 General calendar of key events in 2023

Date	Event	Current Report
January 4, 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center South China University of Technology from Guangzhou, China.	ESPI Current Report No. 1/2023 of January 4, 2023
January 19, 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center University of Electronic Science and Technology of China from Chengdu.	ESPI Current Report No. 3/2023 of January 19 2023
February 6, 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center Beijing Institute of Technology from Beijing.	ESPI Current Report No. 5/2023 of February 6, 2023
March 8, 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center School of Integrated Circuits, Guangdong University of Technology.	ESPI Current Report No. 6/2023 of March 8, 2023

Date	Event	Current Report
March 8, 2023	<p>The Company received information that it was granted patent by the Malaysian Patent Office for its 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”).</p> <p>The application procedure for this patent was initiated on March 22, 2016. This is also the date when patent protection started for the invention.</p>	ESPI Current Report No. 7/2023 of March 10, 2023.
March 9, 2023	Block transaction involving the sale of 50,000 shares by Sebastian Młodziński, and a decrease of his stake in the Company’s share capital from 10.650% to 8.186%.	ESPI Current Report No. 8/2023 of March 13, 2023
March 14, 2023	<p>The Company received information about the validation of a patent by the German Patent and Trade Mark Office for the method of precise control of the position of the printhead and control of the distance between the printhead and the substrate. The patent was granted in response to the patent application “Methods of detecting and adjusting contact of a micro-structural fluid ejector to a substrate and method of detecting a fault condition in fluid flow from a micro-structural fluid ejector onto a substrate”.</p> <p>The application procedure for this patent was initiated on April 15 2019.</p>	ESPI Current Report No. 9/2023 of March 14, 2023
March 16, 2023	The Company received information about the conditional granting of a patent by the Chinese Patent Office for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application “Method of printing fluid”. The application procedure for this patent was initiated on February 1, 2019.	ESPI Current Report No. 10/2023 of March 17, 2023
March 17, 2023	<p>The Company received information about the conditional granting to the Company by the United States Patent and Trademark Office a patent for the method of characterising and optimising ink flow in the printing head. The patent was granted in response to the patent application “Method of estimating an output diameter of a capillary tube, and related methods”.</p> <p>The application procedure for this patent was initiated on February 12, 2020.</p>	ESPI Current Report No. 11/2023 of March 17, 2023
March 17, 2023	<p>The Company received information about the conditional granting of a patent by the Chinese Patent Office for the printing apparatus used for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application “Fluid printing apparatus”.</p> <p>The application procedure for this patent was initiated on February 1, 2019.</p>	ESPI Current Report No. 12/2023 of March 20, 2023
March 21, 2023	<p>The Company received information about the conditional granting of a patent by the Japan Patent Office for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application “Method of printing fluid”.</p> <p>The application procedure for this patent was initiated on February 1, 2019.</p>	ESPI Current Report No. 13/2023 of March 22, 2023
March 29, 2023	On March 29, 2023, the parties to the Agreement (Nano Dimension and XTPL S.A.) agreed that the key elements of the fourth stage of development works as part of the technological phase of the activities specified in the Agreement were successfully implemented. The parties agreed that accepting the key works at this stage triggers the payment for the Company in the amount corresponding to the completed elements and in accordance with their valuation. The related revenue will be recognized in Q1 2023 and will significantly influence the financial results for that period. The parties also agreed to continue work on the remaining elements of the fourth stage of research and development in accordance with the Agreement and began	ESPI Current Report No. 14/2023 of March 30, 2023

Date	Event	Current Report
	jointly defining subsequent phases of commercial cooperation, including further orders to develop a method for producing a special formulation of electrically conductive ink for industrial use in the Customer's products dedicated for the production of PCBs.	
April 11, 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center University of Tianjin.	ESPI Current Report No. 15/2023 of April 11, 2023
April 19, 2023	<p>The United States Patent and Trademark Office had granted the Company a conditional patent for the printing device used in Ultra-Precise Deposition process, i.e. for the patent application "Fluid printing apparatus".</p> <p>The application procedure for this patent was initiated on February 1, 2019. This is also the date when patent protection started for the invention. The Company's portfolio currently includes 26 patent applications and a total of 7 patents granted. The final formal requirement for obtaining the patent is to pay the patent fee by July 13, 2023.</p>	ESPI Current Report No. 17/2023 of April 20, 2023.
April 19, 2023	The Company received information about the conditional granting of a patent by the United States Patent and Trademark Office for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application "Method of printing fluid".	ESPI Current Report No. 18/2023 of April 20, 2023.
May 12, 2023	The Management Board of XTPL S.A took and announced the decision on the intention to continue financing the Company's operations using, among other sources, proceeds from the issue of new shares. The Company's Management Board intends to issue up to 275,000 ordinary bearer shares addressed to investors who meet the requirements set out in the issue resolution. The share issue proceeds are to be used to co-finance part of the planned investments totalling approx. PLN 60 million in 2023-2026 in three key business areas: sales, production and R&D. The funds raised from the share issue are to finance approx. half of the required investment amount, with the remaining portion to be financed with equity, potential grants and debt capital.	ESPI Current Report No. 19/2023 of May 12, 2023
May 26, 2023	The Issuer accepted an order for the delivery of a printing module for industrial integration. The ordering partner is one of the key global manufacturers of industrial machines, including machines for the semiconductor and display industries, member of the NASDAQ 100 index. Acceptance of the order means delivery of the XTPL technology to build a prototype of an industrial device with a wide range of applications among the partner's clients.	ESPI Current Report No. 21/2023 of May 26, 2023
May 29, 2023	The Company received information that it was granted patent by the Intellectual Property Office of Vietnam for its 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").	ESPI Current Report No. 22/2023 of June 1, 2023
June 1, 2023	The Issuer confirmed the acceptance of the order for the delivery of a printing module for industrial integration. The ordering partner is HB Technology, listed on KOSDAQ 078150.KQ in South Korea, a manufacturer of devices for testing and repairing devices for the largest global display makers. HB Technology's clients are the world's leading manufacturers, including Samsung Display Corporation and Beijing BOE Display Technology. This is the third transaction for the sale of the printing module for industrial integration.	ESPI Current Report No. 23/2023 of June 1, 2023
June 12, 2023	On June 12, 2023, the Extraordinary General Meeting of the Company was held to increase the share capital and issue up to 275,000 ordinary bearer	ESPI Current Report No.

Date	Event	Current Report
	<p>shares (the Issuer reported the calling the meeting on May 14, 2023 via ESPI Current Report No. 20/2023).</p> <p>After the meeting, the Issuer's Management Board advised about the resolutions adopted during the EGM and about the shareholders who held at least 5% of the votes at the meeting.</p>	<p>25/2023 and 26/2023 of June 12, 2023</p>
<p>June 22, 2023</p>	<p>With reference to ESPI Current Report No. 27/2023 of June 12, 2023, the Issuer's Management Board reported that June 22, 2023 saw completion of the bookbuilding, conducted by Trigon Dom Maklerski S.A. for maximum 275,000 series V ordinary bearer shares of the Company issued under EGM Resolution No. 03/06/2023 of June 12, 2023 on: increasing the Company's share capital through the issue of Series V ordinary bearer shares (disapplying all preemption rights of the existing shareholders); amending the Company's Articles of Association; and applying for the admission and introduction of these shares to trading on the regulated market.</p> <p>Consequently, on June 22, 2023, after considering the results of the bookbuilding process and the recommendations of Trigon Dom Maklerski S.A., the Company's Management Board set the issue price of series V shares at PLN 133 per share and decided to submit offers to investors to acquire those shares at the agreed issue price in the maximum number of shares provided for in the Issue Resolution, i.e. in relation to 275,000 series V shares.</p>	<p>ESPI Current Report No. 30/2023 of June 22, 2023</p>
<p>June 22, 2023</p>	<p>The Company confirmed the order placed by the Electrical & Computer Engineering Department at Northeastern University in Boston. The device will be used by the BEST (Bendable Electronics and Sustainable Technologies) research group, led by Professor Ravinder Dahiya, in research on bendable electronics and "electronic skin", and their applications in robotics, wearables and augmented/ virtual reality, among other fields. Professor Ravinder Dahiya previously led the BEST research group at the University of Glasgow, where research was conducted on the Delta Printing System, one of the first four devices installed in the world at that time. After moving to Northeastern University in Boston, Professor Dahiya decided to continue his research using, among others, the device supplied by the Company. This was a second transaction to sell the Delta Printing System to the US market, and first sale to a research institute.</p>	<p>ESPI Current Report No. 28/2023 of June 22, 2023</p>
<p>June 22, 2023</p>	<p>The Company confirmed the order placed by a client for the delivery of the Delta Printing System. XTPL is to deliver its device to the Germany-based laboratory of the German-American consortium developing hardware and software for advanced data analysis and machine learning. The XTPL Delta Printing System device will be used to prototype a new generation of processors based on opto-electronic solutions, whose innovative design has the potential to significantly reduce size and increase computing power, while enabling advanced AI processing. The prototype's success may contribute to the XTPL technology being used in the production of the client's highly innovative products.</p>	<p>ESPI Current Report No. 31/2023 of June 23, 2023</p>
<p>June 30, 2023</p>	<p>On June 30, 2023, the Company's Extraordinary General Meeting took place. The meeting was convened on June 3, 2023 (ESPI Current Report No. 24/2023), and then on June 22, 2023, the Issuer supplemented the documentation with an independent auditor's report on the assessment of XTPL's 2022 Remuneration Report (ESPI Current Report No. 29/2023).</p> <p>After the meeting, the Issuer published the list of shareholders holding at least 5% of the votes at the General Meeting (ESPI Current Report No.</p>	<p>ESPI Current Report No. 34/2023 and 35/2023 of June 30, 2023</p>

Date	Event	Current Report
	34/2023) and the resolutions adopted during the meeting (ESPI Current Report No. 35/2023).	
June 30, 2023	<p>Due to the expiry of the term of office of the Supervisory Board, on June 30, 2023 the Annual General Meeting adopted a resolution determining the membership of the Supervisory Board of the new term of office at six persons, and appointed the following Supervisory Board for the new term:</p> <ol style="list-style-type: none"> 1. Wiesław Rozłucki – Supervisory Board Chairman 2. Bartosz Wojciechowski – Deputy Chairman of the Supervisory Board 3. Andrzej Domański – Deputy Chairman of the Supervisory Board 4. Beata Turlejska – Supervisory Board Member 5. Piotr Lembas – Supervisory Board Member 6. Herbert Wirth – Supervisory Board Member. <p>In addition, on June 30, 2023, due to expiry of the current term of the Management Board, the Supervisory Board appointed the Management Board for a new term in the following composition:</p> <ol style="list-style-type: none"> 1. Filip Granek – Management Board President 2. Jacek Olszański – Management Board Member. 	ESPI Current Report No. 36/2023 of June 30, 2023
July 12, 2023	July 12, 2023 saw the end of subscriptions for the Issuer's series V shares, and the Issuer's Management Board made a statement on the final determination of the share capital in the Company's Articles of Association to the effect that the Company's share capital is PLN 230,422.20 (two hundred and thirty thousand four hundred and twenty-two zlotys and 20/100) and is divided into 2,304,222 (two million three hundred and four thousand two hundred and twenty-two) ordinary bearer shares with a nominal value of PLN 0.10 (ten grosz) each.	ESPI Current Report No. 37/2023 of July 12, 2023
July 24, 2023	<p>The Company confirmed the order placed by the CENIMAT i3N scientific research center in Portugal for the delivery of the Delta Printing System. The Delta Printing System will be used by scientists from the Advanced Functional Materials for Micro and Nanotechnologies (AFMMN) Group, which is one of three Research Teams at CENIMAT i3N in Portugal. The AFMMN Group is focused on semiconductor fabrication and analysis processes, and has extensive experience in developing materials for key enabling technologies. The efforts are focused on the properties of materials in the nanoscale for industries such as electronics and optoelectronics. The device was delivered in 2023.</p>	ESPI Current Report No. 39/2023 of July 24, 2023
July 26, 2023	<p>The Company received information that the United States Patent and Trademark Office had granted it patent titled "<i>Method of estimating a line width of a nanoparticle line formed using a capillary tube, and related methods</i>".</p> <p>The application procedure for this patent was initiated on June 8, 2020. This is also the date when patent protection started for the invention.</p>	ESPI Current Report No. 40/2023 of July 27, 2023
August 3, 2023	<p>The registry court had registered amendments in the Articles of Association of XTPL S.A. – § 5 of the Company's Articles of Association) in connection with Resolution No. 03/06/2023 of the Issuer's Extraordinary General Meeting of Shareholders of June 12, 2023 and the Management Board's statement of July 12, 2023 on the amount of share capital acquired and on determining the Company's share capital in the Articles of Association.</p> <p>After registration of the amendments to the Company's Articles of Association, the Company's share capital is PLN 230,422.20 (two hundred and thirty thousand four hundred and twenty-two zlotys and 20/100) and is divided into 2,304,222 (two million three hundred and four thousand two hundred and twenty-two) ordinary bearer shares with a nominal value of PLN 0.10 (ten grosz) each.</p>	ESPI Current Report No. 41/2023 of August 3, 2023

Date	Event	Current Report
August 3, 2023	<p>The Company received information about the conditional granting of a patent by the Japanese Patent Office for the printing apparatus used for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application “Fluid printing apparatus”.</p> <p>The application procedure for this patent was initiated on February 1, 2019. This is also the date when patent protection started for the invention.</p>	ESPI Current Report No. 42/2023 of August 4, 2023
August 21, 2023	<p>The Company's Management Board reported – with reference to the Company's current reports No. 44/2023 of August 17, 2023 (on the conditional registration of series V shares in the Central Securities Depository of Poland) and No. 45/2023 of August 21, 2023 (on the admission and conditional introduction of series V shares to trading on the regulated market) – that on August 21, 2023, Central Securities Depository of Poland issued an announcement whereby it set the date of registration in the securities depository of 275,000 series V ordinary bearer shares of the Company (ISIN code PLXTPL000018) to August 23, 2023.</p>	ESPI Current Report No. 46/2023 of August 21, 2023
September 6, 2023	<p>The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. Yi Xin is a distributor of the Company's technological solutions. (Current Report No. 4/2021 of April 15, 2021). The Issuer accepted the Distributor's order, which means that a sales contract was formed. The Company will deliver and commission the device in the first half of 2024.</p> <p>The end buyer of the device is a leading Chinese R&D center: Research Institute of Tsinghua University w Shenzhen, China. The XTPL device will used in work on conductive structures for heterogeneous integration of 3D chips.</p>	ESPI Current Report No. 47/2023 of September 6, 2023
September 8, 2023	<p>The Issuer and Detekt Technology Inc. with its registered office in Taiwan (“Detekt”) signed an agreement for the non-exclusive distribution of the Issuer's technological solutions.</p> <p>Under the Agreement, Detekt is to act as a distributor of XTPL's technological solutions in Taiwan. The purpose of the cooperation is to support the Issuer in expanding the range of applications for the Company's technology and products at technological corporations and R&D centers and scientific institutions. The partnership will also increase awareness and visibility of the Issuer's solutions among global players in semiconductor and display technologies market.</p>	ESPI Current Report No. 48/2023 of September 11, 2023
October 2, 2023	<p>The Issuer and CWI Technical Sales based in the United States entered into a non-exclusive agreement for the distribution of the Issuer's technological solutions, as reported by the Issuer in a current report.</p> <p>Under the agreement, CWI will act as a distributor of XTPL's technological solutions in the United States. The purpose of the cooperation is to support the Issuer in expanding the range of applications for the Company's technology and products at technological corporations and R&D centers and scientific institutions. The cooperation will focus on introducing the Company's technological solutions in the area of semiconductor technology, notably in the area of advanced packaging.</p>	ESPI Current Report No. 49/2023 of October 2, 2023
October 5, 2023	<p>The Issuer and Ontos Equipment System INC. based in the United States entered into a non-exclusive agreement for the distribution of the Issuer's technological solutions.</p> <p>Under the Agreement, Ontos Equipment Systems INC. will act as a distributor of XTPL's technological solutions, mainly in North America. The purpose of the cooperation is to support the Issuer in expanding the range of applications for the Company's technology and products at technological corporations and R&D centers and scientific institutions. The cooperation will focus on introducing the Company's technological solutions in the area</p>	ESPI Current Report No. 50/2023 of August 5, 2023

Date	Event	Current Report
October 29, 2023	<p>of semiconductor technology, notably in the area of advanced packaging and hybrid bonding.</p> <p>Andrzej Domański stepped down as Vice Chairman of the Supervisory Board and member of the Company's Audit Committee with effect from October 29, 2023.</p> <p>Andrzej Domański noted that the reason for his resignation was his appointment to perform a public function.</p> <p>The resignation did not affect the functioning of the Company's Supervisory Board or its Audit Committee, which continued their business as usual, in accordance with the provisions of law and good practices.</p>	ESPI Current Report No. 52/2023 of August 29, 2023
November 22, 2023	<p>The Management Board of XTPL S.A. adopted, after prior approval of the Supervisory Board, the Company's strategy for 2023-2026.</p> <p>The 2023-2026 Strategy focuses on the development and scaling up XTPL business. Its key goal is to generate PLN 100 million of commercial sales in 2026. The strategy is underpinned by:</p> <ul style="list-style-type: none"> ● the current high level of advancement of projects focused on the first implementation of the XTPL technology on the industrial lines of global producers of advanced electronics; ● the current sales pipeline in all three business lines, i.e.: <ul style="list-style-type: none"> □ modules for industrial implementation; □ Delta Printing Systems (DPSs) □ high performance materials (HPMs), nanoinks ● demand related to the change and expansion of the Company's organizational structure, also taking into account new skill sets ● demand related to the required level of capex and opex in response to the fast growing sales. ● Under the Strategy, the Company's investment plan was estimated at PLN 60 million. In the first step, PLN 34.6 million net was raised in the public offer completed in July 2023. The investments in the next steps are to be financed with equity (profits), grants to a part of R&D, and debt instruments. ● The 2023–2026 Strategy zooms in on two main areas of the Company's operations: <ol style="list-style-type: none"> 1. Business development and sales area, aiming to: <ol style="list-style-type: none"> a. Achieve PLN 100 million in revenues from the sale of products and services by the end of 2026 b. Complete first full implementations of the XTPL technology on an industrial scale c. Expand the previously explored markets to include telecommunications and biosensors d. Expand the distributor network and set up physical depo centers in three technologically important markets: USA, Taiwan and South Korea 2. Operational and organizational development area, aiming to: <ol style="list-style-type: none"> a. Increase production capacity in all the three business lines b. Continue R&D on existing products and new products to maintain a long-term competitive edge c. Build a strong brand as a reliable partner through operational excellence, tailored offers and targeted markets d. Step up activity in 3D printed electronics communities and attract the best talents from Poland and abroad 	ESPI No. 54/2023 of November 22, 2023

Date	Event	Current Report
November 27, 2023	The Company confirmed an order placed by the German Research Community – Deutsche Forschungsgemeinschaft – for the delivery of the Delta Printing System to the Technical University of Hamburg. The Issuer accepted the DFG’s order, which means that a sales contract was formed. The company will deliver and commission the device in 2024.	ESPI No. 55/2023 of November 27, 2023
December 1, 2023	The Issuer entered into an agreement with Trident Electronics Technologies Pte Ltd based in Singapore for the distribution of the Issuer's technological solutions in Singapore. Under the agreement, the distributor will advertise and sell XTPL’s technological solutions in Singapore, Malaysia, Indonesia, Thailand, Vietnam and the Philippines. The purpose of the partnership is to support XTPL in searching for broader applications for its technologies and products at technology corporations, R&D centers and scientific institutions, with a focus on introducing semiconductor and SMT solutions.	ESPI No. 56/2023 of December 1, 2023
January 12, 2024	The Company received information that the United States Patent and Trademark Office had granted it patent titled "Method of forming an elongate electrical connection feature traversing a microscopic step". The application procedure for this patent was initiated on August 2, 2021. This is also the date when patent protection started for the invention. The final formal requirement for obtaining the patent is to pay the patent fee. Should the requirement not be met, the Company will communicate this in a separate current report.	ESPI No. 3/2024 of January 15, 2024
December 13, 2023	On December 13, 2023, the fourth and final stage of development as part of the technological phase under an agreement with Nano Dimension Ltd. was completed and approved. Revenues from the work closing final last stage of the technological phase of the contract were recognized in Q4 2023 in an amount corresponding to the completed work. The parties also agreed to continue work on defining subsequent phases of commercial cooperation, including orders focused on increasing the production of a special formulation of electrically conductive ink for industrial use in Nano Dimension’s products dedicated for the production of PCBs, as well as tests with the customer’s end users.	ESPI No. 57/2023 of December 13, 2023
December 15, 2023	The Company confirmed an order placed by DETEKT Technologies Inc. based in Taiwan for the delivery of the Delta Printing System. DETEKT is an entity that provides the Company with distribution services for XTPL's technological solutions. The Issuer accepted the order placed by the Distributor, which is tantamount to concluding a sales contract. The Company will deliver and commission the device in the first half of 2024. In the case of this transaction, DETEKT – which represents the Company as a distributor – is the final buyer of the DPS. The device will be used to demonstrate the capabilities of the XTPL technology and the Delta Printing System itself to potential academic and industrial clients working in Taiwan, notably in such application areas as semiconductors and displays.	ESPI No. 60/2023 of December 15, 2023
December 18, 2023	The Company confirmed an order placed by Ontos Equipment System INC based in the USA for the delivery of the Delta Printing System. ONTOS is an entity that provides the Company with distribution services for XTPL's technological solutions. The Issuer accepted the order placed by the Distributor, which is tantamount to concluding a sales contract. The Company will deliver and commission the device in the first half of 2024. ONTOS, the distributor of the Company's solutions, is the final buyer of the DPS. The DPS will be used in the R&D laboratory of ONTOS and its partners in the USA for advanced packaging of semiconductor chips, particularly in the hybrid bonding area.	ESPI No. 61/2023 of December 18, 2023

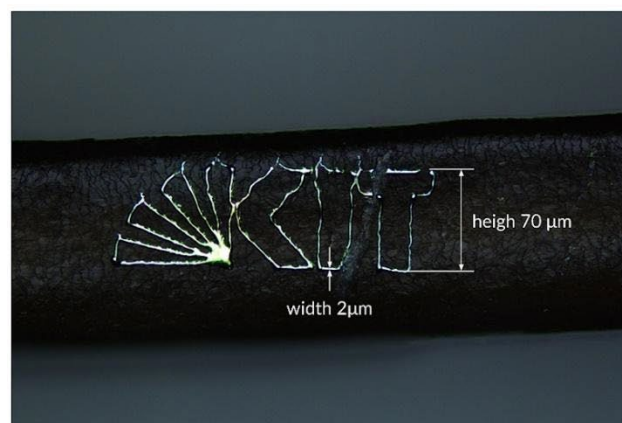
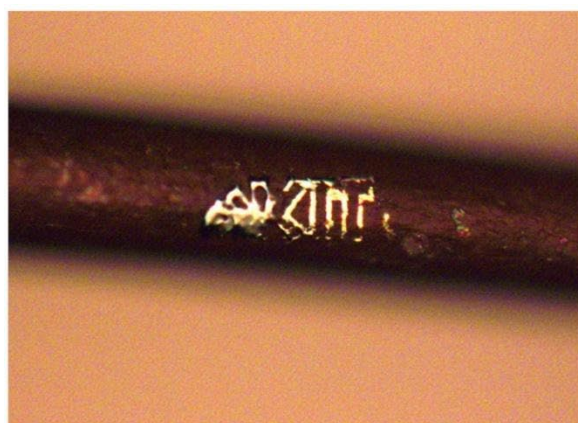
Date	Event	Current Report
December 15, 2023	The Company received information that the National Intellectual Property Administration of China granted it the patent titled: "Method of dispensing a fluid from a nozzle onto a substrate".	ESPI No. 62/2023 of December 18, 2023
December 19, 2023	The Issuer entered into a non-exclusive agreement with Korean 3H Corporation Ltd for the distribution of the Issuer's technological solutions. Under the agreement, the distributor will advertise and sell XTPL's technological solutions in South Korea. The purpose of the partnership is to support XTPL in searching for broader applications for its technologies and products at technology corporations, R&D centers and scientific institutions, with a focus on introducing semiconductor, electronics and optoelectronics solutions.	ESPI No. 63/2023 of December 19, 2023
December 20, 2023	The Company confirmed an order placed by the University of Surrey in the United Kingdom for the delivery of the Delta Printing System. The Issuer accepted the order, which means that a sales contract was formed. The Company will deliver and commission the device in 2024. The DPS will be delivered to the Advanced Technology Institute at the University of Surrey, which will conduct research particularly focusing on flexible and printed electronics and the reliability of electronic devices.	ESPI No. 64/2023 of December 20, 2023

3.2.2 Issuer's progress and achievements in the commercialization of technologies and products

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 generated a 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. In 2023, a total of 13 devices were sold.

The unprecedentedly high printing precision, especially when using highly-viscous metallic inks is the main feature that makes global technological innovators interested in this device. Users of the device appreciate it 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.



The Company's efforts helped stimulate a substantially increased interest in the Delta Printing System. In 2023, the **Company confirmed orders placed for the delivery of the Delta Printing System from the following partners:**

1. on January 4, 2023, the Company confirmed another order placed by Yi Xin (HK) Technology Co., Ltd, based in China. The end buyer of the device will be a leading Chinese R&D center South China University of Technology from Guangzhou, China *(as reported by the Issuer in ESPI Current Report No. 1/2023 of January 4, 2023)*;
2. on January 19, 2023, the Company confirmed another order placed by Yi Xin (HK) Technology Co., Ltd, based in China. The end buyer of the device will be a leading Chinese R&D center University of Electronic Science and Technology of China from Chengdu *(as reported by the Issuer in ESPI Current Report No. 3/2023 of January 19, 2023)*;
3. on February 6, 2023, the Company confirmed another order placed by Yi Xin (HK) Technology Co., Ltd, based in China; The end buyer of the device will be a leading Chinese R&D center Beijing Institute of Technology from Beijing *(as reported by the Issuer in ESPI Current Report No. 5/2023 of February 6, 2023)*.
4. on March 8, 2023, the Company confirmed another order placed by Yi Xin (HK) Technology Co., Ltd, based in China; The end buyer of the device will be a leading Chinese R&D center School of Integrated Circuits, Guangdong University of Technology *(as reported by the Issuer in ESPI Current Report No. 6/2023 of March 8, 2023)*.
5. on April 11, 2023, the Company confirmed another order placed by Yi Xin (HK) Technology Co., Ltd, based in China. The end buyer of the device will be a leading Chinese R&D center Tianjin University from Tianjin, China *(as reported by the Issuer in ESPI Current Report No. 15/2023 of April 11, 2023)*.
6. on June 22, 2023, the Company confirmed an order placed by the Electrical & Computer Engineering Department at Northeastern University in Boston *(as reported by the Issuer in ESPI Current Report No. 28/2023 of June 22, 2023)*.
7. on June 22, 2023, the Company confirmed an order placed by a customer (a Germany-based laboratory of the German-American consortium developing hardware and software for advanced data analysis and machine learning) *(as reported by the Issuer in ESPI Current Report No. 31/2023 of June 23, 2023)*.
8. on July 24, 2023, the Company confirmed the order placed by the CENIMAT|i3N scientific research center in Portugal *(as reported by the Issuer in ESPI Current Report No. 39/2023 of July 24, 2023)*.
9. on September 6, 2023, the Company confirmed another order placed by Yi Xin (HK) Technology Co., Ltd, based in China. The final buyer of the device will be the leading Chinese research and development center Research Institute of Tsinghua University in Shenzhen, China *(as reported by the Issuer in ESPI Current Report No. 47/2023 of September 6, 2023)*;
10. on November 27, 2023, the Company confirmed an order placed by Deutsche Forschungsgemeinschaft *(as reported by the Issuer in ESPI Current Report No. 55/2023 of November 27, 2023)*.
11. on December 15, 2023, the Company confirmed an order placed by DETEKT Technologies Inc. based in Taiwan *(as reported by the Issuer in ESPI Current Report No. 60/2023 of December 15, 2023)*.
12. on December 18, 2023, the Company confirmed the order placed by Ontos Equipment System INC based in the USA *(as reported by the Issuer in ESPI Current Report No. 61/2023 of December 18, 2023)*;

13. on December 20, 2023, the Company confirmed an order placed by the University of Surrey in Great Britain (*as reported by the Issuer in ESPI Current Report No. 64/2023 of December 20, 2023*);

Additionally, during the Reporting Period, **further cooperation agreements were signed with local distributors:**

1. on September 8, 2023, an agreement was signed with Detekt Technology Inc. based in Taiwan to distribute the Issuer's technological solutions in Taiwan (ESPI Current Report No. 48/2023 of September 11, 2023);
 2. on October 2, 2023, an agreement was signed with CWI Technical Sales based in the United States to distribute the Issuer's solutions in the United States of America (ESPI No. 49/2023 of October 2, 2023);
 3. on October 5, 2023 an agreement was signed with Ontos Equipment System INC. based in the United States to distribute the Issuer's solutions in North America (ESPI No. 50/2023 of October 5, 2023);
 4. on December 1, 2023 an agreement was signed with Trident Electronics Technologies Pte Ltd based in Singapore to distribute the Issuer's solutions in Singapore, Malaysia, Indonesia, Thailand, Vietnam and the Philippines (ESPI No. 56/2023 of December 1, 2023);
 5. on December 19, 2023 an agreement was signed with 3H Corporation Ltd based in South Korea to distribute the Issuer's solutions in South Korea (ESPI No. 63/2023 of December 19, 2023),
- which significantly increased the Company's ability to reach new customers potentially interested in the Delta Printing System.

Moreover, after the Balance Sheet Date (January 23, 2024), the Issuer concluded another non-exclusive distribution agreement with Sigma Technology Corporation based in Taiwan and China, which will act as a distributor of the Issuer's solutions in Taiwan and China (ESPI No. 7/2024 of on January 23, 2024).

XTPL continues and develops relations with other potential clients. 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 commanded 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.

The Company's laboratories are working on new formulations of nanoinks and there are plans to add those materials to the XTPL offer in 2023. 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.

Industrial implementations of the Company's technological solutions

As regards the Issuer's third and key business line – implementation of the XTPL technology on the production lines of global electronics manufacturers – work was conducted on nine projects from the Company's 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.

Sale of a printing module for industrial integration

Doubtless, the highlight of the Reporting Period in the context of industrial application of the Issuer's technology solutions was the fact that on

1. May 26, 2023 the Company accepted an order for the delivery of a printing module for industrial integration. The ordering partner is one of the key global manufacturers of industrial machines, including machines for the semiconductor and display industries (FPD), member of the NASDAQ 100 index. Acceptance of the order means delivery of the XTPL technology to build a prototype of an industrial device with a wide range of applications among the partner's clients.

The partner's decision to buy the printing module and start the construction of a prototype industrial device was taken following a complex process consisting of three stages of evaluation of XTPL's technological solutions. Together with the partner, a decision was made to skip the third stage and move directly to the fourth stage and the construction of an industrial machine prototype. The complex evaluation process with the partner took about 12 months to complete.

The XTPL printing module will be a key element of the industrial machine prototype. During the fourth stage of evaluation, the module will be integrated with the prototype of an industrial device that is to meet the technological requirements set for the Partner by its end customers, which include leading manufacturers of semiconductors and displays (ESPI No. 21/2023 of May 26, 2023).

2. On June 1, 2023, the Issuer confirmed the acceptance of an order for the supply of a printing module for industrial integration (as reported in ESPI Current Report No. 23/2023 of June 1, 2023). The ordering partner is HB Technology, listed on KOSDAQ (078150.KQ) in South Korea, a manufacturer of devices for testing and repairing devices for the largest global display makers. HB Technology's clients are the world's leading manufacturers, including Samsung Display Corporation and Beijing BOE Display Technology.

The partner's decision to buy the printing module and start the construction of a prototype industrial device was taken following a complex process consisting of three stages of evaluation of XTPL's technological solutions in close cooperation with the partner equipment manufacturer) and a client – a leading global manufacturer of FPDs. The third stage of technological evaluation began on December 15, 2022 (Current Report no. 37/2022). So it lasted about 6 months. The complex evaluation process with the partner took about 30 months to complete. The current fourth stage is the last stage of technological evaluation, before the partner and client decide on the possible implementation of the Company's technological to mass production of modern displays.

The XTPL printing module will be an essential element of the industrial device prototype for making next-generation advanced displays. The Company's printing module will be integrated into the prototype of the device being prepared for installation on the end customer's pilot production line in Korea, in order to finally confirm compliance with the technological requirements set for the partner by the end customer.

This is the third transaction for the sale of the printing module for industrial integration. In accordance with previous announcements, the Company sold printing modules to a partner from Taiwan intended for the semiconductor industry (Current Report No. 24/2022 of July 22, 2022) and to a partner from the United States intended for the semiconductor and modern displays industry (Current Report No. 21/2023 of May 26, 2023).

Cooperation with Nano Dimension Ltd.

On March 29, 2023, the Issuer confirmed with Nano Dimension Ltd. successful completion of the key elements of the 4th stage of development as part of the technological phase of the activities specified in the agreement relating to development of a special formulation of conductive nanoink for industrial applications in the client's products used in the production of PCBs. The parties agreed that accepting the key works at this stage triggers the payment for the Company in the amount corresponding to the completed elements and in accordance with their valuation. The related revenue was recognized in the Reporting Period and significantly influenced the financial results. The Issuer reports that in ESPI Current Report No. 14/2023 of March 30, 2023. The parties also agreed to continue work on the remaining elements of the fourth stage of research and development in accordance with the Agreement and began jointly defining subsequent phases of commercial cooperation, including further orders to develop a method for producing a special formulation of electrically conductive ink for industrial use in the Customer's products dedicated for the production of PCBs.

Other tasks related to the commercialization of the UPD technology

On top of that, in the Reporting Period the Issuer maintained its focus on other tasks related to the commercialization of the UPD technology in industrial applications. The most advanced talks and efforts are focused on selected applications related to the precise dispensing of functional inks for:

- (a) yield management in the area of high-resolution OLED displays;
- (b) yield management in the semiconductor industry, in the area of back-end semiconductor chip processing; and
- (c) depositing metallic inks to make high density metallic interconnections of the advanced PCBs.
- (d) producing conductive 3D interconnections

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

In addition to the strong market interest in the evaluation of UPD technology integration in production processes, XTPL is conducting advanced talks on the commercialization of printing module solutions with three global producers of consumer electronics (in Europe, South Korea and the USA) and four industrial integrators and producers of industrial machines (in Taiwan, South Korea and the USA). The sale of printing modules equipped with the UPD technology, and then the supply of consumables and paid maintenance of the modules are financially attractive for the Company.

Increasing the variety of devices in the market will help the Company reach more customers and make inroads into new markets.

Commercialization activities in the Flat Panel Display sector (ODR)

The Company continues cooperation with manufacturers of high-resolution displays in the area of repairing open defects in conductive trances within the electrical layer, as well as in the area of using precise dispensing technology for the production of new types of displays based on quantum dots technology. At the same time, the Company started talks and began evaluation tests with other display manufacturers in China and South Korea.

Based on talks and market analyses, the Company has also focused on repairing defects in micro-LED displays. These displays use LED diodes as a light source. Due to their size, the diodes can be used as independent pixels. The biggest challenge in manufacturing is to ensure proper efficiency level. If just one in tens of millions of LEDs is not properly mounted, the display will fail the quality test. By using the UPD technology, the micro-LED diode can be mounted again connected to electricity, which will significantly increase efficiency of the manufacturing process.

As part of the transition to the next stage of the project aimed at the industrial implementation of XTPL's technology in the display sector, during the first six months of 2023 the Company delivered its device for technology validation at the R&D level to the Partner in order to speed up the process of analyzing and adapting the XTPL solution to the Client's needs.

Also in the case of selling an industrial module to a partner from the USA – the ordering entity is one of the key global manufacturers of industrial machines, including machines for the semiconductor and display industries (FPD), member of the NASDAQ 100 index – the prototype industrial device, with the above module forming a part of it, can be used in the FPD sector.

Commercialization activities in the area 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 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 Description of research & development carried out by the Issuer with respect to technologies and products

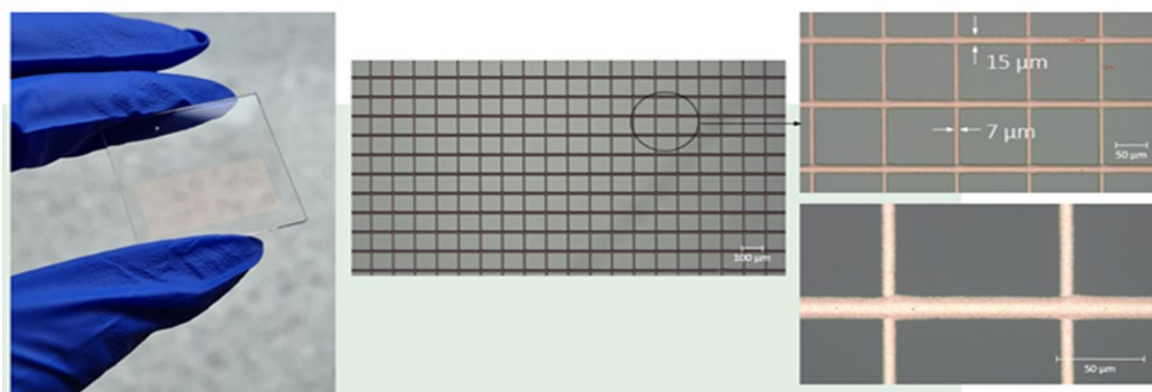
The key achievements and progress in research & development in the reporting period included:

- 1) Development of high-concentration inks (pastes) based on copper and gold particles;
- 2) Printing on high steps (up to 350 micrometers in height);
- 3) Filling gaps in semiconductor structures with selected material, including controlled and efficient filling of microwells/subpixels with quantum inks for uLED displays;
- 4) Significant automation of printing;
- 5) Printing of electronic connections in advanced integrated circuits where the connections had structures filled with insulating material on the outside, and with a conductive material on the inside;

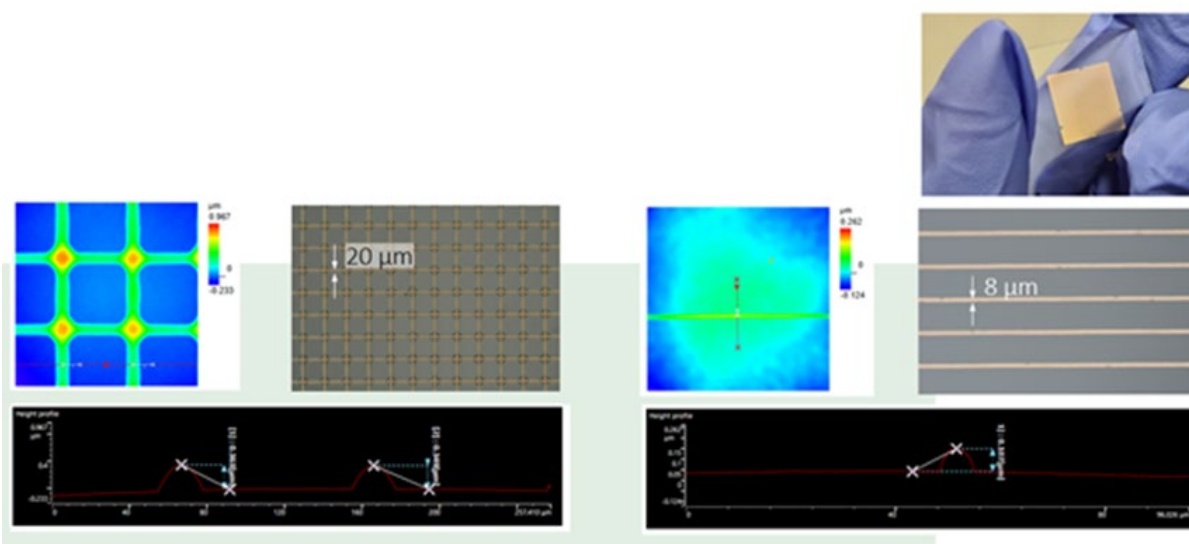
- 6) Implementation of new functionalities in the Delta Printing System (to increase smoothness of its operation);
- 7) High-resolution prints composed of microdots.

During the Reporting Period, the Company's R&D department, in addition to working on the development of inks and pastes based on silver nanoparticles already available on the market, intensified work on the development of inks based on copper and gold nanoparticles. The introduction of these materials is of major importance in the context of achieving optimal parameters for industrial applications and new market areas.

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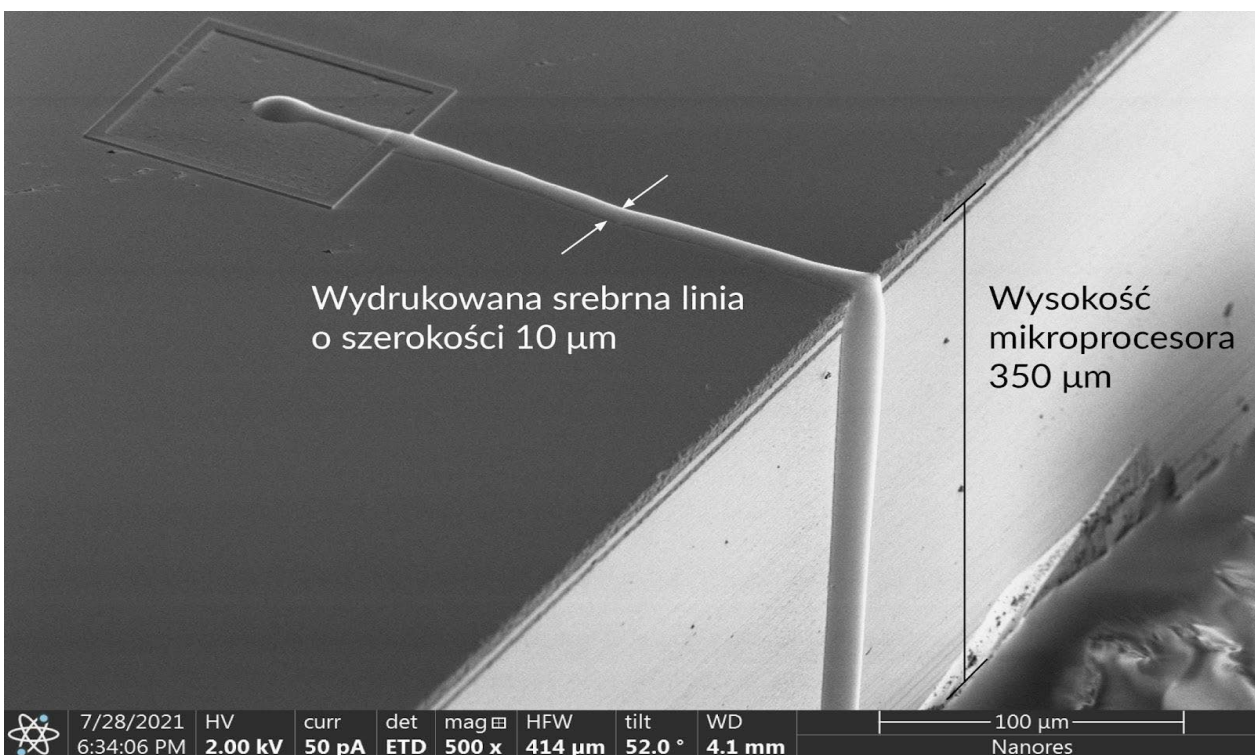
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All inks developed by the Company's R&D department, based on silver, copper and gold nanoparticles, are characterized by high concentration of nanoparticles and high viscosity, which consequently enables printing not only on flat substrates, but also those with complex topography. It allows the continuity of the structure to be maintained even if it was printed, for example, on a "step", when the substrate is not homogeneous and its layers are at different height levels. An additional advantage of those pastes is that the print quality is independent of the hydrophilicity of the substrate. In practice, this

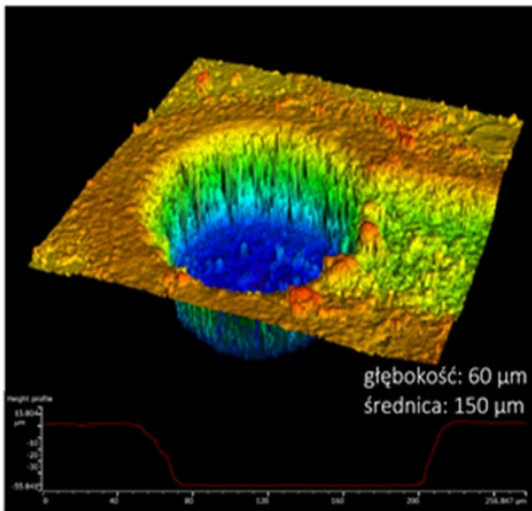
means that whether hydrophobic or hydrophilic material is used for printing, the width and height remain almost unchanged, and so does adhesion. When using inks with a more fluid consistency (inks with a lower viscosity), the shape of the printed features depends largely on the type of substrate on which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

In the Reporting Period, the XTPL R&D team demonstrated the ability to print precise conductive features that effectively cover a high step, up to 350 micrometers in height, which is much more than the width of printed lines. Additionally, this was done without compromising the high print resolution or the conductivity of the structure. The current research in this area is focused on increasing the repeatability, speed and automation of printing connectors on substrates with advanced topography. This is achieved by optimizing printing parameters, modifying the conductive ink, as well as using software solutions that ensure fully automatic 3D movement. As a result, the time needed to print a single conductive connection on steep edges was reduced to less than 1 second with no need for machine operator’s intervention.

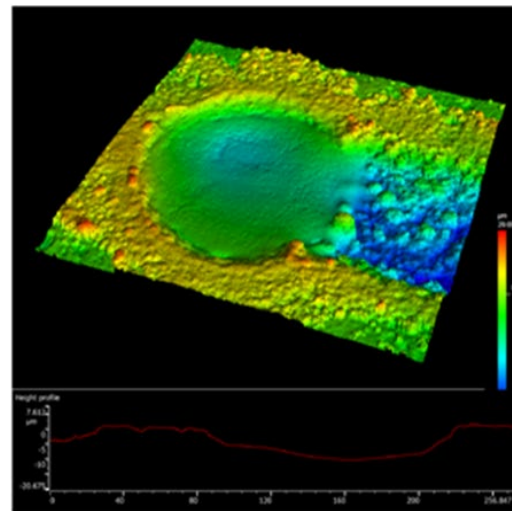


Another research area that has attracted great interest from industrial players and academic institutions is the possibility of filling gaps in semiconductor structures using selected materials. This applies to both making electronic connections between layers in advanced integrated circuits – TSVs (Through Silicon Vias), as well as filling gaps in insulating layers created at the production stage.

STRUKTURA PRZED WYPEŁNIENIEM
THROUGH SILICON VIA

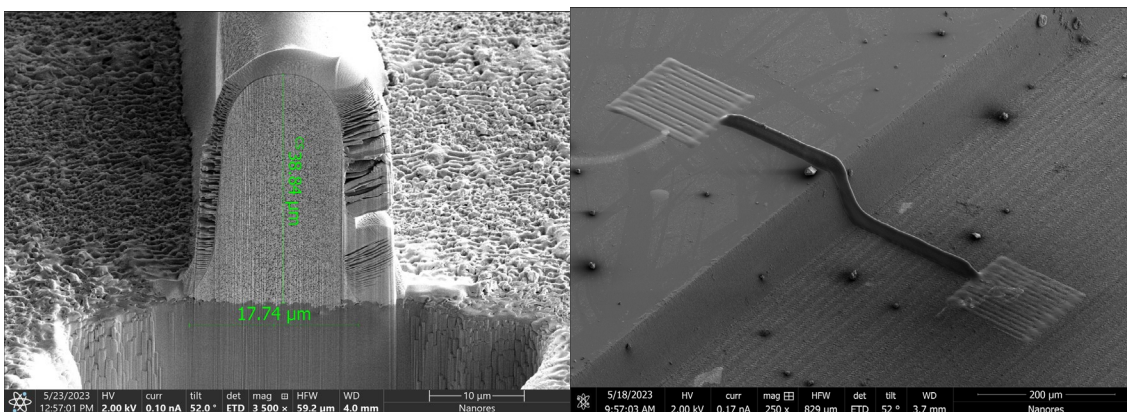


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Z WYKORZYSTANIEM SREBRNEJ NANOPASTY XTPL CL85



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

Moreover, during the reporting period, the R&D team achieved another milestone in additive microprinting technology for microelectronics applications. XTPL printing technology makes it possible to obtain conductive lines using the CL85 paste with an aspect ratio of exceeding 1:1. Moreover, those lines were deposited on a substrate with complex topography. The line covers a step of 80 μm high. In order to print this type of structures, a completely new deposition method was developed.

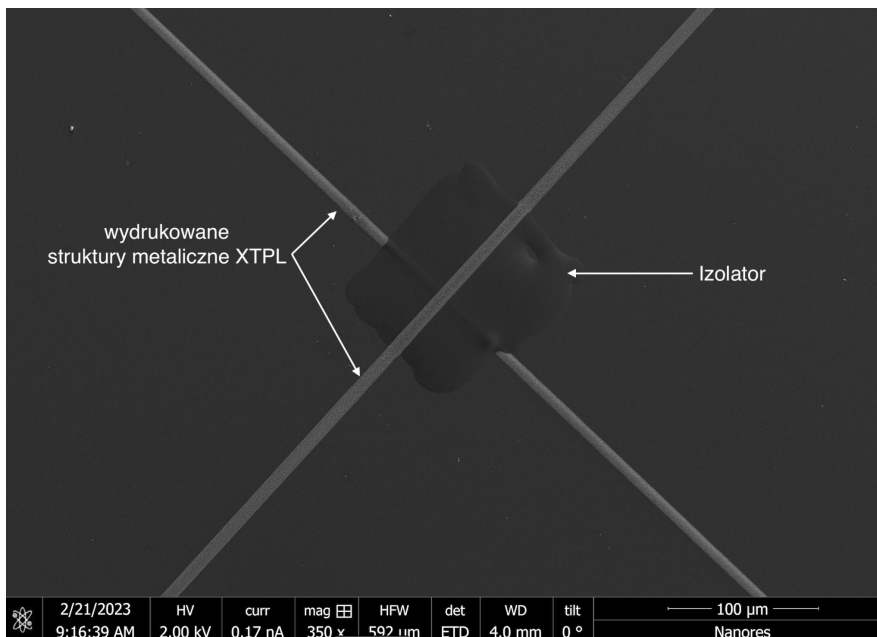


This type of material deposition can be used in the microLED industries, modern displays based on quantum dots (QLED), and in the repair of conductive connections on PCBs.

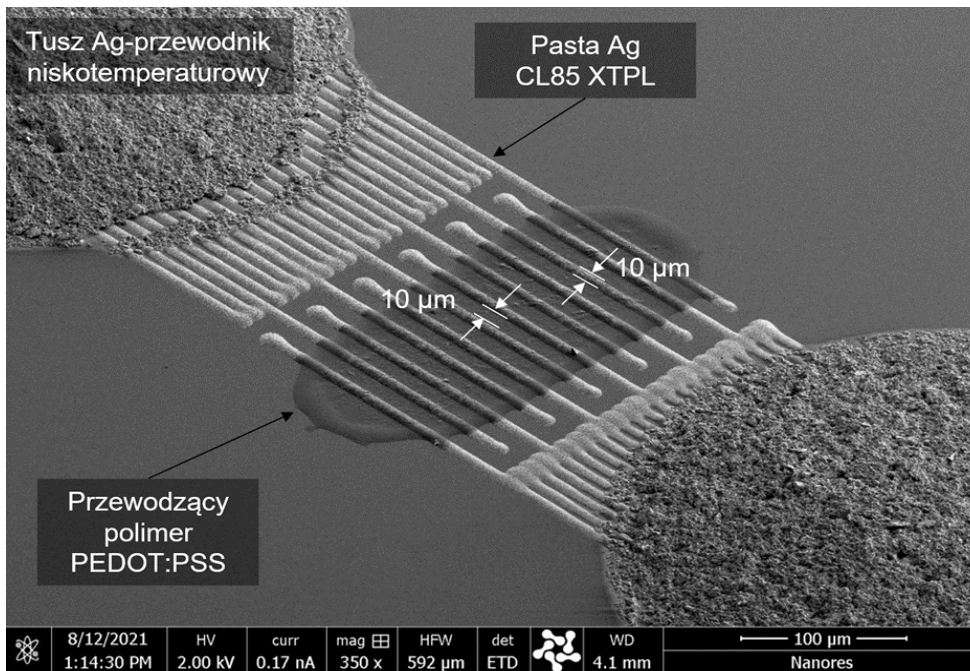
In 2023, the Company's R&D team went a step further in the development of technology for applications in printing electronic connections in advanced integrated circuits, as it presented a structure filled with insulating material on the outside and conductive material inside. In practice, end users of the XTPL technology will be able to isolate electronic connections made on conductive and semiconductive substrates. Until now, such structures could only be achieved by

traditional, multi-stage production methods used in the semiconductor industry. The introduction of this technological solution by the Company's customers will allow them to cut the costs of small-lot production of advanced integrated circuits, and once the technology has been scaled to production efficiency, it will help reduce material consumption.

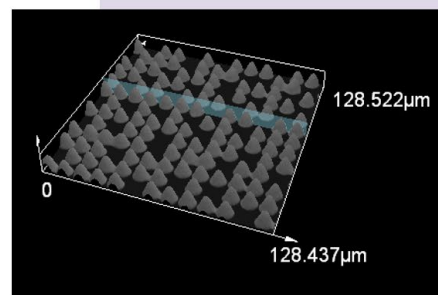
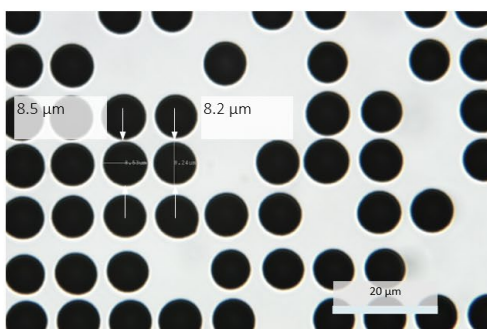
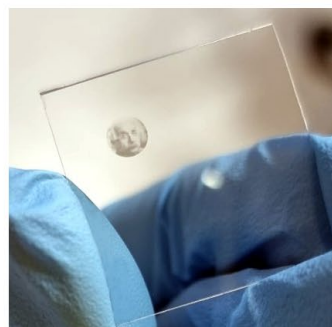
In addition to the above example, the printing of multiple materials one after another allows advanced functional structures to be achieved. This is perfectly exemplified by the implementation of a high-resolution redistribution layer (RDL) for integrated circuits. Ultimately, this will enable the prototyping of the structures whose production using traditional methods is time-consuming and costly.



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



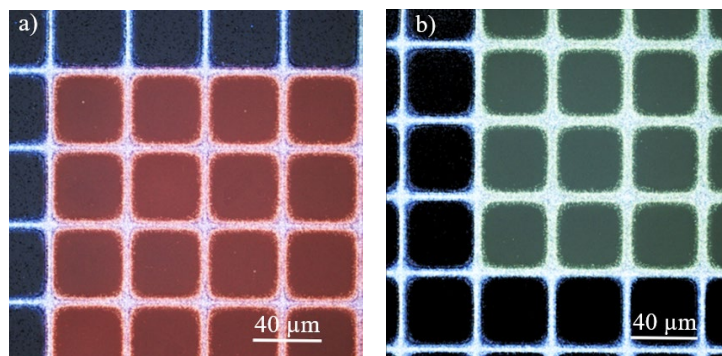
- Wysoka rozdzielczość druku, średnica poniżej 10 μm
- Wysoka powtarzalność i stabilność druku
- Wysoki stosunek wysokości do szerokości (800 nm do 8 μm)
- Druk na dużych powierzchniach



R&D progress was also achieved with respect to high-resolution prints composed of microdots of less than 10 μm in diameter. The dots are characterized by a parabolic cross-section (which facilitates deposition of successive layers) and a high aspect ratio (height of 800 nm for a dot of 8 μm in diameter). High repeatability of dot deposition enables printing on large surfaces.

Moreover, during work carried out under the European grant “Building Active MicroLED displays By Additive Manufacturing”, the R&D team validated the compatibility of quantum inks with the DPS printing system for applications in precise and controlled sub-pixel filling in the new μLED display architecture. The UPD technology has a major advantage in this application based on precise regulation of the height of deposition of quantum dot layers in microwells which house the light conversion module. At the bottom of the subpixel there are nanowires emitting blue light that stimulates

deposited quantum dots. As a result, the blue light is converted to green or red light. With the ability to adjust the volume of quantum inks put in microwells using a DPS printer, it is possible to control the external quantum efficiency in the light conversion module, achieve higher process repeatability and minimize losses of the fluorescent nanomaterials used during printing.



Microwells filled with inks based on a) red and b) green quantum dots using the DPS.

Testing XTPL inks for various printing methods:

XTPL conductive inks based on silver nanoparticles attract the interest of manufacturers from several industry sectors and representatives of the scientific community due to their innovative physicochemical properties. In response to the evident market interest in XTPL nanoinks, protected by patent applications, efforts are being made to add new products to the Company's portfolio. One of the results of those efforts is the IJ36 ink developed by the R&D team for ink-jet printing technology and successfully sold to customers who use this printing method.

Milestones achieved by the Issuer in 2023:

The first milestone is related to the Delta Printing System as the demonstrator of the XTPL technology. Changes were introduced in the DPS design and software ensuring synchronous operation of the motors in two axes, allowing for smooth movement when changing direction and, consequently, printing homogeneous structures.

The Company also completed the fourth 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 for printing structures with a high aspect ratio on high steps (>80 µm).

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

The policy of building a patent cloud 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, its 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

During the Reporting Period, the Company:

- 1) **Obtained patent protection from the Malaysian Patent Office** – on March 8, 2023, the Issuer obtained information that the Malaysian Patent Office had granted it patent for its method of forming lines with a width below 1 micrometer using the XTPL-developed ink containing nanoparticles of silver, i.e. for a patent application entitled “Bottom-up method for forming wire structures upon a substrate” (the Issuer reported that in ESPI Current Report No. 7/2023 of March 10, 2023).
- 2) **Obtained patent validation from the German Patent Office** – on March 14, 2023, the Issuer received information about the validation of a patent by the German Patent and Trade Mark Office for the method of precise control of the position of the printhead and control of the distance between the printhead and the substrate. The patent was granted in response to the patent application “Methods of detecting and adjusting contact of a micro-structural fluid ejector to a substrate and method of detecting a fault condition in fluid flow from a micro-structural fluid ejector onto a substrate” (the Issuer reported that in ESPI Current Report No. 9/2023 of March 14, 2023);
- 3) **Obtained patent protection from the Chinese Patent Office** – on March 16, 2023, the Company received information about the conditional granting of a patent by the Chinese Patent Office for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application “Method of printing fluid” (the Issuer communicated this information via ESPI Current Report No. 10/2023 of March 17, 2023);
- 4) **Obtained patent protection from the United States Patent and Trademark Office** – on March 17, 2023, the Company received information about the conditional granting to the Company by the United States Patent and Trademark Office a patent for the method of characterising and optimising ink flow in the printing head. The patent was granted in response to the patent application “Method of estimating an output diameter of a capillary tube, and related methods” (the Issuer reported that in ESPI Current Report No. 11/2023 of March 17, 2023);
- 5) **Obtained patent protection from the Chinese Patent Office** – on March 17, 2023, the Company received information about the conditional granting of a patent by the Chinese Patent Office for the printing device used in the Ultra-Precise Deposition process, i.e. for the patent application “Fluid printing apparatus” (the Issuer reported that in ESPI Current Report No. 12/2023 of March 20, 2023);
- 6) **Obtained patent protection from the Chinese Patent Office** – On March 21, 2023, the Company received information about the conditional granting of a patent by the Japanese Patent Office for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application “Method of printing fluid” (the Issuer reported that in ESPI Current Report No. 13/2023 of March 22, 2023);

- 7) **Obtained patent protection from the United States Patent and Trademark Office** – on April 19, 2023, the Issuer received information about the conditional granting of a patent by the United States Patent and Trademark Office for the printing device used in the Ultra-Precise Deposition process, i.e. for the patent application “Fluid printing apparatus” (the Issuer reported that in ESPI Current Report No. 17/2023 of April 20, 2023);
- 8) **Obtained patent protection from the United States Patent and Trademark Office** – on April 19, 2023, the Company received information about the conditional granting of a patent by the United States Patent and Trademark Office for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application “Method of printing fluid” (the Issuer reported that in ESPI Current Report No. 18/2023 of April 20, 2023);
- 9) **Obtained patent protection from the Vietnamese Patent Office** – on May 29, 2023, the Issuer obtained information that the Intellectual Property Office of Vietnam had granted it patent for its method of forming lines with a width below 1 micrometer using the XTPL-developed ink containing nanoparticles of silver, i.e. for a patent application entitled “Bottom-up method for forming wire structures upon a substrate” (the Issuer reported that in ESPI Current Report No. 22/2023 of June 1, 2023).
- 10) **Obtained patent protection from the United States Patent and Trademark Office** – on July 26, 2023, the Company received information that the United States Patent and Trademark Office had granted it patent for the method of characterising and optimising ink flow in the printing head. The patent was granted in response to the patent application “Method of estimating an output diameter of a capillary tube, and related methods” (the Issuer reported that in ESPI Current Report No. 40/2023 of July 27, 2023);
- 11) **Obtained patent protection from the Japanese Patent Office**– on August 3, 2023, the Company received information about the conditional granting of a patent by the Japanese Patent Office for the printing device used in the Ultra-Precise Dispensing process, i.e. for the patent application “Fluid printing apparatus” (the Issuer reported that in ESPI Current Report No. 42/2023 of August 4, 2023).
- 12) **Obtained patent protection from the United States Patent and Trademark Office** – on December 12, 2023, the Company received information that the United States Patent and Trademark Office had granted it patent titled “Method of forming an elongate electrical connection feature traversing a microscopic step” (the Issuer reported that in ESPI Current Report No. 03/2024 of January 15, 2024);
- 13) **Obtained patent protection from the National Intellectual Property Administration of China** – on December 15, 2023, the Company received information that the National Intellectual Property Administration of China had granted it patent titled: “Method of dispensing a fluid from a nozzle onto a substrate” (the Issuer reported that in ESPI Current Report No. 62/2023 of December 18, 2023).

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.

As at the Report Date, the Company has 32 patents approved, covering e.g. the territory of Japan, China, South Korea, Malaysia, Germany and the USA. The increase in the number of patents (from the previously reported 9 patents) is the result of new patents being obtained as well as a change in the methodology of their counting – now protection for an invention is counted separately for each location (country). 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 and the United States.

The building of a patent cloud for the proprietary technology and products is an essential part of the Company's strategy, which raises the Issuer's credibility among potential industrial clients. The patent protection obtained as a result of the filings will increase the value of the potential commercialization of the Company's technology with respect to industrial implementations. The Company plans to file more patent applications for inventions to be developed in the course of current and future research and development.

3.2.5 Issuer's participation in industry events

Industry events are an excellent opportunity to showcase the unique XTPL technology to leading representatives of industry and science from around the globe. XTPL attaches great importance to building and increasing awareness of the XTPL's precision printing technology and the technology's capabilities among experts in the microelectronics, displays, semiconductors and printed electronics industries. For this reason, during 2023, XTPL organized and actively participated in many industry events.

In 2023, the Company participated in the following industry events:

1. MEMS 2023, January 15-19, 2023, Munich, Germany, during which the Company presented the effects of its R&D, showcasing the unique nature of its UPD technology in the manufacture of advanced microelectromechanical systems (MEMS) and its innovative method of embedding them in integrated circuits with the use of the Delta Printing System as an alternative to electronic packaging;
2. LOPEC 2023, February 28–March 2, 2023, Munich, Germany, during which the Company presented its offer of conductive inks based on silver nanoparticles and the Delta Printing System for R&D in advanced microelectronics. The Company's offer aroused a major enthusiasm among visitors of the exhibition; in total, during the two-day show, the Company held more than 100 discussions with potential clients interested in its solutions.
3. THE ISRAELI CONFERENCE ON ADDITIVE MANUFACTURING: Research To Applications ICAM 2023, March 13, 2023, Kfar Maccabiah, Israel, during which the Company presented the latest achievements in the fabrication of microelectronic structures by means of the UPD technology. The event was important for the promotion of the Company's technologies and products on the Israeli market, which is currently one of the pioneers in the implementation of megatrends in electronics development.
4. TechBlick Additive Electronics in Semiconductor Packaging and PCBs, March 29–30, 2023, an online event, where the Company presented results of using its technology for advanced packaging. TechBlick events have a global reach and attract key players of the electronics industry.
5. Smart Systems Integration (SSI), March 28–30, 2023, Bruges, Belgium, where the possibility of printing on 3D structures was presented to representatives of Europe's most important semiconductor companies.
6. Rapid.Tech 3D exhibition, May 9–11, 2023, Erfurt, Germany, during which the Issuer made it to the finals of the 3D Pioneers Challenge and had the opportunity to present the UPD technology printing head to the additive technology community.
7. TechBlick Innovation Festival, June 22, 2023, with free online admission available to the general public, which attracted a lot of people from all over the world. A presentation of the Company's technology was watched by over 300 participants of the conference.

8. Semicon Taiwan in Taipei September 6-8 – one of the world's largest semiconductor trade fairs, attracting approximately 60,000 visitors annually. XTPL took part in the show and presented its offer at the Polish PAiH stand
9. Additive Manufacturing Meets Medicine – AMMM – September 9-10, Lubeck, Germany
10. International Microelectronics Assembly and Packaging Society (IMAPS) in San Diego, California, October 5, 2023
11. TechBlick in Berlin, October 17-18, 2023;
12. the IMAPS Italy Workshop, November 7, 2023, during which Łukasz Kosior, Business Development Manager at XTPL, gave a presentation on pushing the boundaries of additive production using the ultra-precise deposition (UPD) technology;
13. Productronica and Semicon Europe, November 14–17, 2023; XTPL participated in the Productronica fair for the first time as an exhibitor. During the fair, the Company confirmed its readiness to sell the UPD System head for industrial applications, both by publishing a press note for the event's accredited media, as well as by presenting it directly at the stand. During the fair, XTPL representatives conducted 236 business talks with companies from the EU, Asia and the United States.
14. Semicon Japan December 13-15, 2023 – Semicon is the world's largest trade fair and conference for the semiconductor industry. The event was attended by Filip Granek (CEO) and Aneta Wiatrowska (CTO), who held 40 business meetings, 11 of them continued talks on the sale of XTPL solutions, while another 29 were discussions with new potential customers identified during the event.

In 2023, the Company accelerated the commercialization of its solutions. Towards the year-end, work began on a new marketing and communication strategy, which is to support the change of XTPL's image as a provider of disruptive technologies for the printed microelectronics industry. The new strategy will be implemented and developed in the coming years in order to increase the visibility of the XTPL brand and products on the markets selected by the Company. This will also allow XTPL's solutions to be presented to a wide group of customers on the markets identified by the Company as those with the greatest revenue potential for XTPL.

3.2.6 Issuer's participation in events dedicated to capital market investors

The Company attaches great importance to communication with capital market participants. In order to implement the corporate governance and communication standards and to ensure constant and equal access to information about the Company for all stakeholders, and to meet their needs, the Company undertakes numerous activities in the area of investor relations. Below is a description of the key events and activities in 2023 addressed to the capital market.

Investor events:

On April 27, 2023, two earnings calls took place with the participation of the Management Board of XTPL – first in Polish and then in English. During both videoconferences, the Company's Management Board presented the financial results for 2022 and the key events and achievements of the previous year.

Due to the publication of the quarterly report for the first quarter of 2023 (May 17, 2023), on May 18, 2023 the Issuer organized an earnings presentation. During that event, members of the Company's Management Board presented the Company's financial and operating results for the first quarter of 2023. Then, on September 21, 2023, the Issuer presented and discussed the Company's financial results for the second quarter and first half of 2023 during a video conference, and also summarized current events and outlook for the following quarters. On November 23, the Company's management

board held a meeting with investors to discuss Q3 2023 results, and presented the 2026 Strategy announced the day before.

At the same time, in 2023, the Company took part in several important domestic and international conferences with the participation of investors and analysts. Those events are summarized below.

Investor conferences that took place in the Reporting Period:

1. Książęca Street 12, Warsaw, March 18, 2023;
2. GPW Innovation Day, online, April 19-20, 2023;
3. Equity Forum German Spring Conference, Frankfurt, May 15, 2023;
4. ACATIS Investment KVG mbH Value-Konferenz, Frankfurt, June 2, 2023;
5. Webinar with investors on the StockWatch.pl website, online, June 13, 2023; Trigon Summer Camp 2023 conference, online, June 14-15, 2023;
6. INDUSTRIALS conference: Pearls of Polish industry; September 26, 2023, a conference for companies from the industrial sector organized by Trigon Brokerage House for investors to discuss current trends and prospects;

#GPWInnovationDay, October 27, 2023, 16th edition of the Conference, organized by the Warsaw Stock Exchange, held in the form of hybrid (onsite and online) meetings for Polish investors with innovative companies listed on the Warsaw Stock Exchange.

The Company is analyzing further investor events during which it will be able to actively present its achievements in 2024 with respect to technology and commercialization, financial performance and development prospects.

In addition, the Company focuses on regular communication with the capital market, including through a constantly updated website with a separate investor relations section where current information materials are posted (press releases, presentations, newsletters, answers to frequently asked questions from investors) and through the publication of selected materials on YouTube. Furthermore, the Company tries to provide fast and reliable answers to the questions received from individual investors. In order to facilitate contact with the Company, the "Contact" tab on the investor relations site contains contact details for institutional investors, analysts and journalists.

3.3 INTERNAL AND EXTERNAL FACTORS IMPORTANT FOR THE DEVELOPMENT OF THE ISSUER'S BUSINESS

3.3.1 External factors:

Macroeconomic factors:

In accordance with the adopted strategy, XTPL carries on its business in international markets, particularly in the United States, Southeast Asia and Western Europe. Accordingly, the macroeconomic situation in these areas will have an impact on the Company's results and the degree of achievement of its development strategy.

Trends in printed electronics:

In recent years, the screen printing technology has the largest share of the market, and its continued growth is owed to its increased use in the production of displays and sensors. Currently, it is the most commonly used method in the production of displays for commercial devices such as smartphones and laptops. Screen printing is also used for the manufacture of sensors and photovoltaic cells as it enables precise printing of conductive lines of different widths. As one of its characteristics, screen printing uses conductive materials with a high density of active material (such as silver particles). This allows high electrical conductivity to be obtained.

In the coming years, the conductive materials market is expected to see a major growth. Printed electronics uses metal-based materials to produce electronic components. Technological innovations in conductive inks and their improved performance have increased the demand for these materials around the world, with silver particle-based inks being the most common.

According to IDTechEx, the ability of 3D printed electronics to manufacture different new generation electronic devices is one of currently prevailing trends in the sector. Although semi-additive 3D electronics has long been used to print antennas and simple conductive connections on the surface of plastic objects, more and more complex circuits are being added to substrates made of various materials using new techniques. Today, 3D printed electronics enables the integration of complete systems within an object, which brings many benefits, including the simplification of manufacturing processes and development of new shapes.

The technology presented by the Company fits perfectly into the most important trends in printed electronics. Thanks to the innovative printing method combined with conductive materials such as XTPL Ag Nanopaste CL85, it is possible to make highly conductive structures, like in the screen printing method, but in a significantly higher resolution, and with the possibility of covering 3D surfaces, a functionality that now stirs the greatest interest from the Company's current and potential clients.

Trends related to the miniaturization of consumer electronics:

Miniaturization has been the prevailing trend in electronics for several decades. As devices are reduced in size, the packing density of discrete components increases, resulting in a significant increase in performance of the devices. Certainly, the trend in miniaturization is visible in most electronic devices. At the same time, it enables production of completely new, previously unattainable products. Thanks to miniaturization, new medical instruments are devised which make treatment less invasive and allow the patient to recover faster. The biosensors sector is developing rapidly, where the key challenge is to find a solution with the highest efficiency, both in terms of precise and simple detection, and a unique size-reduction capability, while allowing production using inexpensive and scalable methods. The telecommunications market generates less costs due to light, small and at the same time very efficient satellites. Precise deposition of ultra-thin conductive lines and new active materials, such as light-emitting organic compounds or quantum dots, is the only way of cost-effective and easily scalable implementation of such projects. And this creates a potentially attractive application field for XTPL, which can offer here an absolutely groundbreaking solution, much awaited by the market.

Trends related to flexible electronics:

The introduction of flexible electronics is now of key importance for the manufacturers who want to meet customer expectations and offer them new generation devices. These devices are intended to be ready for bending, folding or wearing, e.g. on clothes or directly on the skin. Although it is still a growing market, the consumer market has already seen an influx of new devices based on flexible materials (e.g. phones with foldable screens). Experts note that as the cost of these products decreases and their durability improves, the size of this market can reach a very high value in a short time. The XTPL technology has every potential to play a very important role in this trend.

Trends in the displays sector:

Although very much mature, the display market continues to see technological innovation, not only that resulting from miniaturization trends, but also in the area of higher efficiency of light emission. This in practice means thin, very bright, high-contrast displays. Currently, the most intensive technological changes relate to the type of substrate on which the display is to be created. IDTechEx expects that as early as at the end of 2020, 40% of AMOLED displays will be plastic-based, with this proportion growing to nearly 60% in 2026, at the expense of glass substrates. This trend opens up development opportunities for another type of displays – flexible ones. Judging by the great interest attracted by this technology and the first products from this segment, in the coming years the technology will undoubtedly stand out in terms of its visible development and popularity. However, this will require a solution to the problems that can already be seen in the production processes. These include, for example, the fact that OLED screens are fabricated using an organic material deposited by FMM (fine metal mask) methods. Two main approaches are used here. The first one is intended for small displays such as telephones or watches – it consists in separate deposition of red, green and blue pixels. The process uses three different FMMs, and any material not deposited in the pixel is wasted. As well as being suboptimal, the process has technological limitations – it does not allow pixels to be deposited on large substrates. Due to the amount and weight of the organic material, the distance between the FMM and the substrate must be increased, which produces a “shadow” effect. Another approach, which is used for e.g. fabricating large displays, is to embed WOLED (White Organic Light Emitting Diode) on the whole substrate in the first place. Next, a color filter is applied, the deposition of which is much easier. Unfortunately, only 20% of the light passes through the color filter, so much more electric power is required to maintain appropriate screen brightness, which in turn significantly reduces the life of such a screen. The problem can be addressed by the introduction of additive technology into the fabrication process as the technology enables precise deposition of the material with no restrictions as to the substrate. An additional advantage for the methods of printing in electronics is the potentially wide spectrum of materials that can be deposited. This makes it possible to fabricate completely new types of screens such as QLED – displays whose emission material is quantum dots, which ensure a very bright image with high contrast. Most of QLED-labelled displays that are currently on sale are in fact WOLEDs with the addition of quantum dots in a color filter. Admittedly, quantum dots, stimulated with blue light, emit the appropriate color of light and reduce the loss of light through a color filter by 80%, but it is only the introduction of a suitable additive method with a precise deposition will allow the potential of this material to be exploited in full. The main technological requirements for the fabrication of such screens include high repeatability of pixel sizes as well as precision in the XY axis. Bearing in mind the trend of continuous increase in resolution and hence pixel density, the XTPL technology has every potential to respond positively to market needs. The possibility of multiplication of printing heads will effectively increase printing efficiency following implementation of XTPL ultra-precise deposition on a production scale, and the wide range of materials that can be deposited using the Issuer’s technology will help market new generation displays that are more efficient and consistent with the current consumer trends.

Trends in additive manufacturing:

In addition to the above developments, additive production is a quite discernible trend in modern electronics. Due to the extremely reduced size of structures, unattainable by any other method, the subtractive technology has become the main or in some areas even the only method of producing electronics. Continuous development of the printed electronics market increasingly often replaces previous methods with their excessive deposition of material. At present, there are printing devices available in the market that are successfully deployed in key spots on production lines. However, their capabilities are limited by the range of sizes that can be obtained, and their deposition precision is not sufficient in relation to the size and accuracy of arrangement of individual discrete components in electronic circuits. Taking into account these rigorous parameters and the huge market demand, the technology developed by XTPL may constitute a breakthrough in the context of printed electronics production. The sheer number of possible application areas within this sector where the XTPL technology might be used bears witness to its versatility and huge potential.

Possibility of co-financing R&D from subsidies:

In addition to using own funds acquired through the share issue, the Company's R&D activities are also funded by the EU. This source makes it possible to reduce the cost of in-house R&D and research in new application fields, also at the early stages of technological readiness.

3.3.2 Internal factors:**Ability to protect and safeguard intellectual and industrial property:**

Effective protection of the intellectual and industrial property developed by XTPL is an essential part of its business. The ongoing patent applications ensure security for the Company and its disruptive technology. At the same time, they are one of the pillars of XTPL value. The intellectual value obtained may also have a positive impact on the ongoing and future commercialization talks. In the process of protecting and safeguarding intellectual property, the Company is supported by renowned entities: law firms from the UK and the USA. The London-based law firm Gill Jennings & Every is a team of more than 100 lawyers, which received multiple awards in the prestigious Legal 500 ranking. They provide services to both enterprises from the SME sector and to global corporations. The K&L Gates law firm supports patent protection of companies specializing in advanced technologies, particularly those from Silicon Valley.

Ability to acquire and maintain appropriate staff

The Company's business profile – building solutions for the high-tech sector – requires the use of high-class specialists from various fields: chemistry, physics, electronics, mechanics, material engineering and numerical simulations. Staff sourcing is a two-pronged process: The Issuer conducts a number of activities in the area of employer branding, and strives to be present at national conferences on nanotechnology, constantly extending its network of contacts.

Commercialization of technology

In 2023, the Company delivered 13 Delta Printing System devices to the world's leading research institutes:

HB Technology

NeuroCorn UG

Faculdade de Ciências e Tecnologia Portugal

Northeastern University Boston

Yi Xin HK Technology Co., China – 9 devices for end buyers:

- Institute of Microelectronics Chinese Academy of Sciences in China
- Southeast University School of Electronic Science Engineering in Nanjing
- Harbin Institute of Technology in Harbin, China
- Tianjin University School of Precision Instrument and Opto-Electronics Engineering in Tianjin, China
- University of Electronic Science and Technology of China in Chengdu, China
- South China University of Technology in Guangzhou, China

- School of Integrated Circuits, Guangdong University of Technology, China
- Tianjin University School of Precision Instrument and Opto-Electronics Engineering, Tianjin, China
- Beijing Institute of Technology in Beijing, China.

In 2023, the Company also accepted further orders for DPS devices, which will be delivered in 2024:

to DETEKT Technology Inc.

to Deutsche Forschungsgemeinschaft e.V. -THUU

to ONTOS Equipment Systems, Inc.

to Yi Xin Technology (HK) Co Limited for the end buyer:

- Research Institute of Tsinghua University in China;

to a new industrial client based in California, USA.

As well as generating cash flows, the strategy of selling printers to the above category of clients notably increases the awareness of the XTPL technology, not only among research units, but also among industrial entities that those units closely cooperate with. Quite importantly, each client that uses the Delta Printing System specializes in a different area of printed electronics.

Attracting clients active in research in various fields where the UPD technology is used increases the potential scope of the commercial market for XTPL.

The Company also supplies conductive inks for use with the UPD technology and other technologies. The inks are supplied both to the owners of the Delta Printing System (as consumables), and to other interested entities. The latter group includes research units and industrial clients from all over the world.

The Company's strategic goal is to become a global supplier for key players in the printed electronics market. In 2023, nine industrial implementations projects were under way at stages of advancement. The projects are implemented in three key markets (USA, Asia, Europe), in three key areas (displays, semiconductors, PCBs). As at the Report Date, all the projects are being continued and progressed.

In terms of cooperation with the industry, XTPL has achieved a milestone under the agreement with Nano Dimension Ltd. (concluded on January 10, 2022). On December 13, 2023, the fourth and final stage of development as part of the technological phase under an agreement with Nano Dimension Ltd. was completed and approved. 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. The parties also agreed to continue work on defining subsequent phases of commercial cooperation, including orders focused on increasing the production of a special formulation of electrically conductive ink for industrial use in Nano Dimension's products dedicated for the production of PCBs, as well as tests with the Nano Dimension's end users.

3.4 FINANCIAL PERFORMANCE

3.4.1 Principles for drafting the Annual Financial Statements

3.4.1.1 General information and basis of preparation

The financial statements of XTPL Group (standalone and consolidated financial statements) cover the period of 12 months ended December 31, 2023, and the comparative data for the period of 12 months ended December 31, 2022. 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 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") endorsed by the EU and in accordance with the Finance Minister's Ordinance on current and financial information.

3.4.1.2 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.

3.4.1.3 Description of significant accounting principles

The financial statements are based on the accounting principles set out in points 3.4, 3.5 and 3.13 of the Standalone Financial Statements for 2023, and the Consolidated Financial Statements for 2023.

3.4.2 Overview of the key economic and financial figures disclosed in the annual financial statements, including the balance sheet structure

Parent Company:

As at December 31, 2023, the balance sheet total was PLN 46,819 thousand. As at the Balance Sheet Date, non-current assets were PLN 14,654 thousand and constituted 31.3% of the Company's balance sheet total. The key asset items were intangible assets, representing 65.2% of non-current assets, as well as property, plant and equipment, representing 34.6% of non-current assets. The main item of intangible assets are the costs of cost of in-process development related various types of laboratory printers and an industrial head.

The value of current assets as at the Balance Sheet Date was PLN 32,165 thousand, and accounted for 68.7% of the Company's balance sheet total. Their key item was cash, constituting 81.0% of current assets.

As at the Balance Sheet Date, the Company's equity was PLN 32,479 thousand, and accounted for 69.4% of the balance sheet total. Short-term liabilities of PLN 9,370 thousand constitute 20.0% of the balance sheet total. Long-term liabilities, which include lease liabilities and grants posted as deferred income, were PLN 4,970 thousand, representing 10.6% of the balance sheet total.

Compared to previous years, the balance sheet structure clearly changed due to development of the Company's business through the commercialization of its technological solutions. Trade receivables and inventories increased significantly. Moreover, the value of tangible assets underpinning the Company's production capacity has increased.

The Company's development is also reflected in changes compared to the previous year, presented in the income statement and the statement of cash flows.

The Company's revenues in the reporting period were PLN 15,475 thousand, including PLN 13,418 thousand (86.7%) in respect of revenues from the sale of products and services. Grants – which in previous years constituted the main source of revenues – were recognized at PLN 2,057 thousand in 2023. The total value of proceeds from grants (reimbursements and advances) was PLN 3,391 thousand in 2023.

In 2023, the Company recorded positive cash flows: cash increased by PLN 20,124 thousand to PLN 26,043 thousand at the end of 2023. This was mainly helped by the share issue carried out in July 2023.

The Company's net result for the period from January 1, 2023 to December 31, 2023 was PLN -6,255 thousand compared to PLN -2,257 thousand last year. The change results from execution of the 2023-2026 Strategy as well as investments in increasing production capacity, expanding the team and undertaking activities designed to strengthen sales in subsequent periods. XTPL's goal is to boost revenues from the sale of products and services to PLN 100 million by the end of 2026.

Group:

As at December 31, 2023, the balance sheet total was PLN 47,942 thousand. As at the Balance Sheet Date, non-current assets were PLN 14,654 thousand and constituted 30.6% of the Group's balance sheet total. The key asset items were intangible assets, representing 65.2% of non-current assets, as well as property, plant and equipment, representing 25.6% of non-current assets. The main item of intangible assets are the costs of cost of in-process development related various types of laboratory printers and an industrial head.

As at the Balance Sheet Date, current assets were PLN 33,288 thousand and constituted 69.4% of the Group's balance sheet total. Their key item was cash, constituting 81.9% of current assets.

As at the Balance Sheet Date, the Group's equity was PLN 33,592 thousand and constituted 70.1% of the balance sheet total. Short-term liabilities of PLN 9,380 thousand constitute 19.6% of the balance sheet total. Long-term liabilities, which include lease liabilities and grants posted as deferred income, were PLN 4,970 thousand, representing 10.4% of the balance sheet total.

Compared to previous years, the balance sheet structure clearly changed due to development of the Group's business through the commercialization of its technological solutions. Trade receivables and inventories increased significantly. Moreover, the value of tangible assets underpinning the Group's production capacity has increased.

The Group's development is also reflected in changes compared to the previous year, presented in the income statement and the statement of cash flows.

The Group's revenues in the reporting period were PLN 15,475 thousand, including PLN 13,418 thousand (86.7%) in respect of revenues from the sale of products. Grants – which in previous years constituted the main source of revenues – were recognized at PLN 2,057 thousand in 2023. The total value of proceeds from grants (reimbursements and advances) was PLN 3,391 thousand in 2023.

In 2023, the Group recorded positive cash flows: cash increased by PLN 21,235 thousand to PLN 27,275 thousand at the end of 2023. This entire figure relates to operating cash flows. This effect was achieved as a result of a share issue.

The Group's net result for the period from January 1, 2023 to December 31, 2023 was PLN -4,851 thousand compared to PLN -2,137 thousand last year. The change results from execution of the 2023-2026 Strategy as well as investments in

increasing production capacity, expanding the team and undertaking activities designed to strengthen sales in subsequent periods. XTPL's goal is to boost revenues from the sale of products and services to PLN 100 million by the end of 2026.

3.4.3 Extraordinary factors and events having a significant impact on the operations and financial statements

None in the Reporting Period.

3.4.4 Achievement of financial forecasts

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

3.4.5 Grants

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

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

Project duration: 01.07.2020 – 31.12.2023

Project value: 16,003,028.33

Eligible costs: 16,003,028.33

Funding: 11,673,831.24

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

“Development of breakthrough printing technology of 3D micrometric conductive structures using an innovative printhead capable of printing on non-planar substrates and compatible ink for printed electronics applications” – a project carried out under agreement No. POIR.01.01.01-00-1852/20 dated May 28, 2021 signed with the National Center for Research and Development (NCBiR).

Project duration: 01.10.2020 – 31.12.2023

Project value: 11,614,839.84

Eligible costs: 11,614,839.84

Grant: 7,653,510.30

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

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

Project duration: 18.01.2018 - 31.12.2023

Project value: PLN 881,610.00

Eligible costs: PLN 774,200.00

Funding: PLN 387,100.00

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

The method enables the fabrication of TCFs.

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

Project duration: 01.09.2022 - 31.08.2024

Project value: EUR 4,293,263.75

XTPL’s budget: EUR 429,812.50

Funding: EUR 429,812.50

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

3.4.6 Loans incurred

In the Reporting Period, the Company had a 2,400 thousand overdraft agreement. The facility was used rarely and for a short term only. As at the balance sheet date of December 31, 2023, the Company and the Group report a financial liability of PLN 196 thousand in respect of the partially utilized limit.

3.4.7 Loans granted

As at the Balance Sheet Date, the Company had following loans granted:

Under the loan agreement of 1 February 2019, amended on October 20, 2020, signed with XTPL INC. with its registered office in Delaware, USA (now the company is based in the state of Massachusetts) in the reporting period the Company disbursed to the subsidiary two tranches of the loan totaling USD 130 thousand.

On December 14, 2023, XTPL S.A. increased the share capital in the subsidiary by converting the loan debt – principal of USD 850 thousand plus interest of USD 236,478.89.

As at the balance sheet date, the subsidiary XTPL Inc. did not avail of any loans.

The Company made two loans to TPL Sp. z o.o. As at the Balance Sheet Date, the debt of TPL Sp. z o.o. on this account was PLN 70 thousand plus interest. The nominal amount was paid off in Q1 2024

The contractual maturity date was December 31, 2024, and the interest rate on the loans was 2% per annum.

3.4.8 Issue of securities

In the Reporting Period, the Company issued 275,000 (two hundred and seventy-five thousand) series V shares with a nominal value of PLN 0.10 (ten grosz) and a total nominal value of PLN 27,500.00 (twenty-seven thousand five hundred

zlotys) (“**Series V Shares**”). Series V shares were issued under Resolution 03/06/2023 of the Extraordinary General Meeting of June 12, 2023 on increasing the Company's share capital through the issue of Series V ordinary bearer shares (disapplying all preemption rights of the existing shareholders); amending the Company's Articles of Association; and applying for the admission and introduction of these shares to trading on the regulated market (ESPI Current Report No. 26/2023 of June 12, 2023). The subscription for Series V Shares ended on July 12, 2023. As part of it, 275,000 Series V Shares were acquired, and the Issuer's Management Board made a statement on the final determination of the share capital in the Company's Articles of Association to the effect that the Company's share capital is PLN 230,422.20 and is divided into 2,304,222 ordinary bearer shares with a nominal value of PLN 0.10 each. Changes to the Company's Articles of Association were registered in the National Court Register on August 3, 2023 (ESPI Current Report No. 41/2023 of August 3, 2023).

Series V Shares were registered in the Central Securities Depository of Poland (KDPW) and admitted to trading on the regulated market operated by the Warsaw Stock Exchange, and introduced to trading on the regulated market on August 23, 2023 (ESPI Current Report No. 45/2023 of August 21, 2023 and 46/2023 of August 21, 2023).

During the Reporting Period, the Company did not issue any bonds.

3.4.9 Current and anticipated financial position, and development outlook

The Management Board evaluates the current situation of the Company as stable. The Company steadily develops the sale of printing devices and inks, and implements subsequent stages of industrial projects. Due to the progress achieved under the industrial projects, one of the Company's main goals in 2024 will be to increase production capacity, including the production of industrial printing heads, and to increase competences in the area of equipment and ink production.

On account of the major shift in the Company's business focus, i.e. the transition from the stage of development of the technology and its verification on the printed electronics market to the stage of dynamic commercialization, on November 22, 2023 the Company's Management Board adopted the 2023–2026 Strategy following the prior approval by the Supervisory Board.

The 2023-2026 Strategy focuses on the development and scaling up XTPL business. Its key goal is to generate PLN 100 million of commercial sales in 2026. The strategy is underpinned by:

- the current high level of advancement of projects focused on the first implementation of the XTPL technology on the industrial lines of global producers of advanced electronics;
- the current sales pipeline in all three business lines, i.e.:
 - modules for industrial implementation;
 - Delta Printing Systems (DPSs)
 - high performance materials (HPMs), nanoinks
- demand related to the change and expansion of the Company's organizational structure, also taking into account new skill sets
- demand related to the required level of capex and opex in response to the fast growing sales.
- Under the Strategy, the Company's investment plan was estimated at PLN 60 million. In the first step, PLN 34.6 million net was raised in the public offer completed in July 2023. The investments in the next steps are to be financed with equity (profits), grants to a part of R&D, and debt instruments.
- The 2023–2026 Strategy zooms in on two main areas of the Company's operations:

1. Business development and sales area, aiming to:
 - a. Achieve PLN 100 million in revenues from the sale of products and services by the end of 2026
 - b. Complete first full implementations of the XTPL technology on an industrial scale
 - c. Expand the previously explored markets to include telecommunications and biosensors
 - d. Expand the distributor network and set up physical depo centers in three technologically important markets: USA, Taiwan and South Korea
2. Operational and organizational development area, aiming to:
 - a. Increase production capacity in all the three business lines
 - b. Continue R&D on existing products and new products to maintain a long-term competitive edge
 - c. Build a strong brand as a reliable partner through operational excellence, tailored offers and targeted markets
 - d. Step up activity in 3D printed electronics communities and attract the best talents from Poland and abroad

The Company continuously develops its sales and technology capabilities, strengthens its team and invests in R&D and production infrastructure, financing its activities mainly from sales and grant proceeds.

The Company's future financial position will depend primarily on the following factors:

- a) expected cash flows related to the commercialization of the technology developed.

When assessing the Company's future situation, the Management Board only looks at revenues from the sale of proprietary products, i.e. laboratory/ demonstrator printers and their dedicated consumables (inks, cartridges and nozzles) as well as revenues from the four most advanced industrial projects. At present the Management Board adopts a conservative approach and excludes revenues from industrial implementations (license and similar fees), although delivery of such contracts will cause a sharp increase in revenues. The transition to the commercial phase of any of the industrial projects, based on the sale of devices and consumables for them, apart from the rapid increase in sales, will result in earlier high demand for the necessary investments to enable project implementation.

- b) projects with grants;

Co-financing part of R&D through the implementation of projects subsidized by European Union is a tool that the Company has used since its inception. As business grows, the structure of the Company's revenues is changing rapidly and currently grant revenues have a steadily decreasing share in the Company's total revenues. However, grants may provide additional capital and strengthen the Company's cash position.

- c) expected cash flows related to financial activities;

In accordance with the Company's 2023-2026 Strategy adopted by the Management Board, the investment plan necessary to achieve its goal of PLN 100 million in sales by the end of 2026 was estimated at PLN 60 million. In the first step, PLN 34.6 million net was raised in the public offer completed in July 2023. The investments in the next steps are to be financed with equity (profits), grants to a part of R&D, and debt instruments.

After the Reporting Period, i.e. on January 12, 2024, bondholders holding all the Issuer's series A convertible bonds issued and not redeemed until that date, issued on the basis of EGM Resolution 04/06/2020 of June 8, 2020, as amended by EGM resolution No. 03/06/2022 of June 21, 2022, in a total number of 45,655 ("**Convertible Bonds**"), submitted to the

Company a declaration on the exercise of the right to exchange Convertible Bonds for series U shares of the Company, which the Issuer reported in ESPI Current Report No. 2/2024 of January 15, 2024.

Due to the receipt of the bondholders' declarations on the exchange of all issued and outstanding convertible bonds, the bondholders acquired 45,655 series U ordinary shares of the Company, with a nominal value of PLN 0.10 each, issued on the basis of EGM resolution No. 04/06/2020 of June 8, 2020, amended by EGM resolution No. 03/06/2022 of June 21, 2022.

On March 20, 2024, the Management Board of the Warsaw Stock Exchange adopted a resolution on the admission of 45,655 series U ordinary bearer shares of the Company to trading on the regulated market operated by the WSE and on the conditional introduction of the Shares to trading on the Regulated Market as of March 27, 2024. The Shares were introduced to trading on the regulated market after the Central Securities Depository had assimilated them, on March 27, 2024, in the securities depository with the listed shares of that company marked with code "PLXTPL000018".

3.4.10 Financial resources management

Parent Company:

As at the Balance Sheet Date, the ratio of current assets to current liabilities (current liquidity ratio) was 3.43. The Company's current assets amounted to PLN 32,165 thousand, while current liabilities stood at PLN 9,370 thousand. In 2023, the Company faced no material risks with regard to liquidity and timely payment of its obligations.

Moreover, in the Reporting Period, the Company signed a PLN 2,400 thousand overdraft agreement.

Group:

As at the Balance Sheet Date, the ratio of current assets to current liabilities (current liquidity ratio) was 3.55. The Group's current assets amounted to PLN 33,288 thousand, while current liabilities stood at PLN 9,380 thousand. In 2023, the Group faced no material risks with regard to liquidity and timely payment of its obligations.

Moreover, in the Reporting Period, the Parent Company signed a PLN 2,400 thousand overdraft agreement.

3.4.11 Investment plans

According to the Company's and Group's development strategy for 2023-2026 prepared by the Management Board, significant capital expenditure, primarily on the development of production capacity in the area of manufacturing printing devices and consumables for them, measures aimed at sales growth and financing that growth, expanding the organizational structure and strengthening the Team's skill set, and continuing R&D in the area of nanoprinting technology related to the development of technology and its adaptation to the requirements of industrial partners.

The investments related to business and technology development will be chiefly funded by proceeds from the share issue completed in July 2023 (PLN 34 million), proceeds from growing sales and, if necessary, debt financing. In addition, the Company takes into account the possibility of co-financing its capital expenditures by a counterparty (under a JDA). The Company's Strategy also provides for the possibility of co-financing part of its R&D, although it does not disclose any specific figures on that account in its financial calculations.

When assessing the risk attached to the above model of financing investment plans, the Management Board of the Parent Company is guided by the potential of securing financial resources.

3.4.12 Factors which may affect the results in the 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;
- Favorable 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.

3.5 REMUNERATION

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

Figures in PLN thousand

Management Board:

Name	Role	2023	2022
Filip Granek	CEO	360	612
Salary under employment contract		360	360
Incentive scheme valuation		0	252
Jacek Olszański	Management Board Member	360	612
Salary under employment contract		360	360
Incentive scheme valuation		0	252

The value of remuneration includes remuneration under the employment contract.

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

Filip Granek – PhD, CEO:

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

Jacek Olszański – Management Board Member

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

Supervisory Board:

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

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

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

Audit Committee:

Name	Role	2023	2022
Piotr Lembas	Chairman of the Audit Committee	12.0	12.0
Wiesław Rozłucki, PhD	Audit Committee Member	12.0	12.0
Prof. Herbert Wirth	Audit Committee Member	12.0	12.0
Andrzej Domański	Audit Committee Member	10,0	12.0

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

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

3.5.2 Agreements between the Issuer and its executive directors providing for payment of compensation

Not applicable. No agreements were made between the Issuer and its executive directors that would provide for payment of compensation in the event of their resignation or removal without a valid reason or if their removal is due to acquisition of the Issuer by another entity.

Where a member of the Management Board is removed, the provisions of the Labor Code may apply, specifically Article 10(1) of the Act of March 13, 2003 on special rules for terminating employment relationships with employees for reasons not attributable to employees.

3.5.3 Obligations arising from pensions and similar benefits

Not applicable. The Issuer has no obligations resulting from pensions or similar benefits towards former management personnel members and has no liabilities incurred in connection with any such pensions.

3.5.4 Remuneration policy

Overview of the remuneration system adopted by the Company

On June 30, 2020, the Issuer adopted a remuneration policy. Since that date, it has been amended once (on November 5, 2020 – the amendment only concerned the possibility to differentiate the remuneration of Deputy Chairman of the Supervisory Board from the remuneration of Supervisory Board Members; see ESPI Current Report No. 43/2020 for details).

Members of the Management Board are entitled to a fixed monthly remuneration determined by the Supervisory Board. Decisions on granting a bonus to the Management Board members are taken by the Supervisory Board.

Members of the Supervisory Board (and the Audit Committee) are entitled to a fixed monthly remuneration determined by the General Meeting.

Detailed information on the conditions and amount of remuneration:

Detailed information can be found in point 3.5.1 of the Report.

Non-financial components of remuneration:

Members of the Management Board (based on a resolution of the Supervisory Board) may be granted the Issuer's shares or subscription warrants as part of the incentive scheme. The decision to grant them is discretionary. Details are described in point 3.5.1 and point 3.8.5 of the Report.

Assessment of the remuneration policy

The overarching goal of the fixed and variable remuneration system is to ensure the incentive nature of remuneration paid to Members of the Management Board and to create a basis for their development. The implementation of the objectives is assessed by the Company's body indicated in the policy. Where the objectives are achieved, the body may decide on granting the bonus. The Company's remuneration policy supports the implementation of the Company's objectives, in particular the long-term increase in shareholder value and the stability of the business. An important feature ensuring an incentive nature of the remuneration of Management Board Members is the incentive scheme adopted in the Company based on shares and subscription warrants.

3.6 OTHER INFORMATION

3.6.1 Events occurring after the Balance Sheet Date

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

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

	<p>with a focus on introducing semiconductor, electronics and optoelectronics solutions.</p> <p>Youngil Education System Co is a leading provider of solutions related to additive technology and 3D printing and electronics devices in South Korea. As part of the cooperation, the distributor will promote XTPL solutions among its current and new customers.</p>	
March 26, 2024	<p>The Issuer informs that on March 25, 2024 The Company received information about the approval by the Intellectual Property Office of Taiwan of its patent claims for the invention "Method for forming structure upon a substrate".</p> <p>The patent protection will increase the value of the potential commercialization of the Company's technology with respect to the Issuer's technological solutions for the next generation electronics market.</p>	ESPI Current Report No. 17/2024 of March 26, 2024
March 29, 2024	<p>The Company's management board reported that on March 29, 2024, the Company confirmed the order placed by a new industrial customer based in California, USA for the delivery of the Delta Printing System. The DPS will be used in work on advanced packaging in integrated microelectronic devices. This is the fourth sale of a DPS device in the United States.</p> <p>At the same time, this is the first transaction concluded as a result of the activities of the subsidiary XTPL Inc. based in Boston, USA, which will also handle operational aspects of the transaction. The establishment of the XTPL Inc. office. in Boston is part of the Company's strategy adopted in November 2023.</p>	ESPI Current Report No. 18/2024 of March 29, 2024
April 2, 2024	<p>The Issuer reports that on April 2, 2024, the Issuer received a notification from a shareholder of the Company in accordance with Article 69(1) of the Act on Public Offering on the change in the share in the total number of votes at the Issuer's General Meeting.</p>	ESPI Current Report No. 19/2024 of March 29, 2024
April 9, 2024	<p>The Issuer informs that on April 9, 2024, the Company received information about the approval by the Korean Intellectual Property Office of its patent claims for the "Fluid printing apparatus" invention.</p> <p>The patent protection will increase the value of the potential commercialization of the Company's technology with respect to the Issuer's technological solutions for the next generation electronics market. The reported event confirms continued delivery of the Company's strategy of building a patent cloud for its proprietary technology and products, which will contribute to building the Issuer's credibility among potential industrial clients.</p>	ESPI Current Report No. 20/2024 of April 9, 2024.
April 9, 2024	<p>The Issuer informs that on April 9, 2024, the Company received information about the approval by the Korean Intellectual Property Office of its patent claims for the "Method of printing fluid" invention.</p>	ESPI Current Report No. 21/2024 of April 9, 2024.
April 17, 2024	<p>The Issuer reported that on April 17, 2024, the Issuer received orders for the delivery of another industrial module as part of a project aimed at industrial implementation in the display industry conducted together with HB Technology. The order represents a major progress in the current stage of the close cooperation between the Company and the Partner. The cooperation is geared towards development and industrial implementation of the device on production lines of a leading global FPD maker.</p>	ESPI Current Report No. 22/2024 of April 17, 2024.
April 24, 2024	<p>XTPL reports that on April 24, 2024 it confirmed the acceptance of an order for the delivery of a printing module for industrial integration for a partner from China. The printing module will be delivered to one of the key manufacturers of machines for the modern display industry on the Chinese market.</p>	ESPI Current Report No. 24/2024 of April 24, 2024.

3.6.2 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.

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.

3.6.3 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.

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

In April 2019, the Company adopted an incentive scheme for key employees and collaborators of the Group, including for Management Board Members. The incentive scheme is based on existing series L and P shares and subscription warrants. The scheme might bring about changes in the proportions of shares held by shareholders. As at the Report Date, the scheme participants were granted rights to subscribe for 34,020 subscription warrants, as a result of which they could potentially take up 34020 shares of the Company. The maximum pool of subscription warrants that can be granted under the scheme is 182,622, which will entitle their holders to take up 182,622 shares of the Issuer.

3.6.5 Information about the auditor

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

The agreement provides for:

1. audit of the standalone financial statements of XTPL S.A. prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and related interpretations published in the form of European Commission Regulations (IFRSs/ IASs) for the period from **January 1, 2021 to December 31, 2021.**
2. audit of the consolidated financial statements of the XTPL Group prepared in accordance with IFRSs/IASs for the period from **January 1, 2021 to December 31, 2021.**
3. limited review of the half-yearly standalone financial statements of **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **January 1, 2021 to 30 June 2021.**
4. limited review of the half-yearly consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **January 1, 2021 to 30 June 2021.**
5. audit of the unconsolidated financial statements of the **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **January 1, 2022 to December 31, 2022.**
6. audit of the consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **January 1, 2022 to December 31, 2022.**
7. limited review of the half-yearly standalone financial statements of **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **January 1, 2022 to 30 June 2022.**
8. limited review of the half-yearly consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **January 1, 2022 to 30 June 2022.**

The remuneration for the above services is:

- a. item 1 – net remuneration of **PLN 30,000.00** + VAT and ensuring the continuity of service.
- b. item 2 – net remuneration of **PLN 16,000.00** + VAT and ensuring the continuity of service.
- c. item 3 – net remuneration of **PLN 15,000.00** + VAT and ensuring the continuity of service.
- d. item 4 – net remuneration of **PLN 10,000.00** + VAT and ensuring the continuity of service.
- e. item 5 – net remuneration of **PLN 30,000.00** + VAT and ensuring the continuity of service.

- f. item 6 – net remuneration of **PLN 16,000.00** + VAT and ensuring the continuity of service.
- g. item 7 – net remuneration of **PLN 15,000.00** + VAT and ensuring the continuity of service.
- h. item 8 – net remuneration of **PLN 10,000.00** + VAT and ensuring the continuity of service.

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

re b – by PLN 4,000 net + VAT;

re f – by PLN 4,000 net + VAT.

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

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

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

The agreement provides for:

point 1. Audit of the standalone financial statements of XTPL S.A. prepared in accordance with IFRS/IAS and related interpretations published in the form of European Commission Regulations ("IFRS/IAS") for the period from January 1, 2023 to December 31, 2023.

point 2. Audit of the consolidated financial statements of XTPL Group prepared in accordance with IFRSs/IASs for the period from January 1, 2023 to December 31, 2023.

point 3. Interim review of the half-yearly standalone financial statements of XTPL S.A. prepared in accordance with IFRSs/IASs for the period from January 1, 2023 to June 30, 2023.

point 4. limited review of the half-yearly consolidated financial statements of XTPL Group prepared in accordance with IFRSs/IASs for the period from January 1, 2023 to June 30, 2023.

point 5. Certification service relating to assessment of the completeness of disclosures in the report on the remuneration of members of the Management Board and the Supervisory Board of XTPL S.A. covering 2023.

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

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

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

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

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

The remuneration for the above services is:

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

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

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

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

3.6.6 Significant agreements signed after the balance sheet date

After the Balance Sheet Date, the Company did not sign any significant agreements.

3.6.7 Changes in managing the Issuer's and the Group's business

Not applicable. None in the Reporting Period.

3.6.8 Explanation of seasonality or business cycles

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

3.6.9 Non-arm's length transactions with related entities

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

3.6.10 Proceedings before courts and other bodies

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

3.6.11 Financial instruments

Not applicable. Neither the Parent Company nor its Subsidiaries use financial instruments in relation to the price risk, credit risk, risk of material disruption of cash flows or financial liquidity risk.

3.6.12 Guarantees given and received

Not applicable. Neither the Issuer nor its Subsidiaries provided or received any guarantees in the reporting period.

3.6.13 Key financial and non-financial performance indicators

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

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

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

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

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

3.6.14 Structure of major equity investments

The Company holds shares in two subsidiaries:

- XTPL Inc. based in Delaware, USA (now the company's headquarters are in the state of Massachusetts) – an investment of USD 5,099 thousand. Section 3.1.2 describes the capital increase in the subsidiary in 2023.
- TPL Sp. z o.o. – shares were contributed to the Company in the form of donation.

3.6.15 Significant off-balance sheet items

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 December 31, 2022 is PLN 3,400 thousand. It is caused by the payment of the next two tranches of grants and advances totalling PLN 3,400 thousand. At the Balance Sheet Date and until the date of approval of the financial statements for publication, no events occurred that could result in materialisation of the above contingent liabilities. As at the date of approval of the financial statements there were no undisclosed liabilities resulting from any agreements of material value.

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

3.6.16 Share capital

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHANGE IN SHARE CAPITAL PLN '000	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
Balance at the beginning of the period	203	203
Increases	27	-
Decreases	-	-
Balance at the end of the period	230	203

3.7 DESCRIPTION OF KEY RISKS AND THREATS

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

3.7.1.1 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.

The Issuer's exposure to the risk: low

3.7.1.2 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.

The Issuer's exposure to the risk: low

3.7.1.3 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.

The Issuer's exposure to the risk: medium

3.7.1.4 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.

The Issuer's exposure to the risk: medium

3.7.1.5 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.

The Issuer's exposure to the risk: low

3.7.1.6 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 2023, the Company reached a 50% 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.

The Issuer's exposure to the risk: medium

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

3.7.2.1 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.

The Issuer's exposure to the risk: high

3.7.2.2 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. In 2022, the first revenues were recognized on this account.

The Issuer's exposure to the risk: low

3.7.2.3 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.

The Issuer's exposure to the risk: high

3.7.2.4 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 in this area with the greatest potential the Company does not yet implement a repeatable business model. 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.

The Issuer's exposure to the risk: high

3.7.2.5 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.

The Issuer's exposure to the risk: medium

3.7.2.6 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.

The Issuer's exposure to the risk: medium

3.7.2.7 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.

The Issuer's exposure to the risk: medium

3.7.2.8 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.

The Issuer's exposure to the risk: low

3.7.2.9 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.

The Issuer's exposure to the risk: medium

3.7.2.10 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).

The Issuer's exposure to the risk: high

3.7.2.11 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.

The Issuer's exposure to the risk: medium

3.7.2.12 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.

The Issuer's exposure to the risk: low

3.7.2.13 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. However, the possibility of obtaining financing from several different sources should be taken into account, i.e. debt financing, grant projects and equity financing (profits and new share issues).

The Issuer's exposure to the risk: medium

3.7.2.14 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.

The Issuer's exposure to the risk: low

3.7.2.15 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.

The Issuer's exposure to the risk: high

3.7.2.16 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.

The Issuer's exposure to the risk: low

3.7.2.17 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.

The Issuer's exposure to the risk: medium

3.7.2.18 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.

The Issuer's exposure to the risk: low

3.7.2.19 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.

The Issuer's exposure to the risk: low

3.7.2.20 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.

The Issuer's exposure to the risk: low

3.7.2.21 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.

The Issuer's exposure to the risk: low

3.7.2.22 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.

The Issuer's exposure to the risk: low

3.7.2.23 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.

The Issuer's exposure to the risk: medium

3.8 SHAREHOLDING STRUCTURE

3.8.1 Shareholding structure

The shareholding structure as at the Balance Sheet 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, PhD	328,498	14.26	328,498	14.26
2.	Deutsche Balaton Group*	306,297	13.29	306,297	13.29
3	Sebastian Młodziński	154,998	9.64	154,998	9.64
4	ACATIS Investment	188,564	8.18	188,564	8.18
5	Pankiewicz Venture Sp. k.	150,000	6.51	150,000	6.51
6.	Others	1,175,865	51.03	1,175,865	51.03
	TOTAL	2,304,222	100.0%	2,304,222	100.0%

* Deutsche Balaton AG and Heidelberger Beteiligungsholding AG

During the Reporting Period, the Issuer received the following notifications from shareholders pursuant to Article 69 of the Act on Public Offering of July 29, 2005

- 1) On March 10, 2023, the Issuer received a notification from the shareholder Sebastian Młodziński, according to which Sebastian Młodziński had sold his 50,000 shares of the Issuer. Details are provided in ESPI Current Report No. 8/2023 of March 13, 2023.
- 2) On August 7, 2023, the Issuer received a notification from Filip Granek, PhD, concerning reduction of his share in the total number of votes at the Issuer's General Meeting (from 16.11% to 14.26%). Details are provided in ESPI Current Report No. 43/2023 of August 7, 2023.
- 3) On November 3, 2023, the Issuer received a notification from the Company's shareholders (Deutsche Balaton Group) about exceeding the 5% threshold as a result of purchase of the Company's shares. Details are provided in ESPI Current Report No. 53/2023 of November 7, 2023.
- 4) On December 14, 2023, the Company received a notification from the Company's shareholder Leonarto VC Pankiewicz Spółka jawna Spółka komandytowa about a decrease in the shareholder's stake as a result of sale of 188,564 shares of the Company. Details are provided in ESPI Current Report No. 58/2023 of December 14, 2023.
- 5) On December 14, 2023, the Company received a notification from the shareholder of Leonarto Funds SCSp about an increase in the share in the total number of votes at the Issuer's General Meeting as a result of purchase of 188,564 shares of the Company. Details are provided in ESPI Current Report No. 59/2023 of December 14, 2023.

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

Ref .	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek, PhD	328,498	13.98	328,498	13.98
2.	Deutsche Balaton Group*	336,939	14.34	336,939	14.34
3	Leonarto Funds SCSp.	257,564	10.96	257,564	10.96
4	ACATIS Investment	234,692	9.99	234,692	9.99
5	Sebastian Młodziński	154,998	6.60	154,998	6.60
6	Esaliens TFI SA	120,776	5.14	120,776	5.14
7	Others	916,410	39.00	916,410	39.00
	TOTAL	2,349,877	100.0%	2,349,877	100.0%

* Deutsche Balaton AG and Heidelberger Beteiligungsholding AG

3.8.2 Shares held by members of management and supervisory bodies

Ref	Name	Role	Shares held as at December 31, 2023	Shares held as at the Report Date
1.	Filip Granek, PhD	CEO	328,498	328,498
2.	Jacek Olszański	Management Board Member	9,250	9,250
3.	Wiesław Rozłucki, PhD	Chairman of the Supervisory Board	–	–
4.	Bartosz Wojciechowski, PhD	Deputy Chairman of the Supervisory Board	1,240	1,240
5.	Prof. Herbert Wirth	Supervisory Board Member	–	–
6.	Piotr Lembas	Supervisory Board Member	–	–
7.	Beata Turlejska	Supervisory Board Member	–	–

3.8.3 Share warrants held by members of management and supervisory bodies

Ref	Name	Role	Shares held as at December 31, 2023	Shares held as at the Report Date
1.	Filip Granek, PhD	CEO	5,000	5,000
2.	Jacek Olszański	Management Board Member	5,000	5,000
3.	Wiesław Rozłucki, PhD	Chairman of the Supervisory Board	–	–
4.	Bartosz Wojciechowski, PhD	Deputy Chairman of the Supervisory Board	–	–
5.	Prof. Herbert Wirth	Supervisory Board Member	–	–
6.	Piotr Lembas	Supervisory Board Member	–	–
7.	Beata Turlejska	Supervisory Board Member	–	–

3.8.4 Acquisition of own shares

Not applicable. The company did not acquire its own shares in the financial year.

3.8.5 Employee Share Program

On April 24, 2019, the Company's EGM voted in favour of a package of resolutions introducing a new employee incentive scheme at the Company. The scheme covered the key personnel of XTPL S.A. and XTPL Inc., and will continue until 2021. It is based on warrants (stock options), entitling its holders to subscribe for no more than 182,622 series R shares. The price for taking up shares by the beneficiaries of the program will be set at the market value of XTPL at the time of adoption of the scheme, i.e. PLN 165.84. The warrants' underlying stock will be issued gradually in the years 2021–2029. In accordance with the conditions of the incentive scheme, vesting will take place annually. The scheme will also use shares from the previous incentive scheme and – to a small extent (approx. 2% of the share capital) – the issue of series P shares (to supplement the stock pool due to the increase in the number of scheme participants). As a result, the scheme will bring maximum benefits in terms of building the value of XTPL, while not causing any noticeable equity dilution for the existing shareholders. The decision to grant shares or warrants is discretionary in nature, and is made by the Supervisory Board (for Members of the Management Board) or the Management Board (for other eligible persons).

The Company consistently implements plans related to the introduction and execution of the incentive scheme based on the standards used in technology companies operating in the Silicon Valley. Such incentive schemes will allow the Company to acquire and maintain the most talented specialists not only in Poland, but also in the United States. In the Company's opinion, the system in which key personnel participate in potential financial success is one of the most important factors that might contribute to rapid growth and market expansion and, quite importantly, without increasing current cash expenses.

To limit any adverse impact associated with the sale of shares by participants of the incentive scheme, including to limit the potential effect of periodic increase in the supply of shares in the market, the rules of the incentive scheme stipulate that the Company's Management Board, and in the case of the participants who are members of the Management Board – the Supervisory Board, may make the subscription or acquisition of shares conditional on prior conclusion of a lock up agreement with the Company on the terms specified by the Company's Management Board or Supervisory Board, respectively.

3.8.6 Presence on the stock market

3.8.6.1 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	2,349,877
Free float	39.00%
Indexes	WIG-Poland, WIGtech, WIGtech Total Return, INNOVATOR

Analytical coverage

In 2020, Stifel Europe Bank

AG (MainFirst 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.

History of recommendations issued by Stifel Europe Bank AG for XTPL S.A.:

Institution	Analyst	Recommendation	Target price	Report publication date
Stifel Europe Bank AG	Florian Pfeilschifter	BUY	PLN 225	05.01.2022
Stifel Europe Bank AG	Florian Pfeilschifter	BUY	PLN 225	30.09.2021
Stifel Europe Bank AG	Florian Pfeilschifter	BUY	PLN 225	02.06.2021
Stifel Europe Bank AG	Florian Pfeilschifter	BUY	PLN 210	29.04.2021
MainFirst Bank AG	Florian Pfeilschifter	BUY	PLN 210	30.09.2020
MainFirst Bank AG	Florian Pfeilschifter	BUY	PLN 210	02.09.2020
MainFirst Bank AG	Florian Pfeilschifter	BUY	PLN 210	24.04.2020
MainFirst Bank AG	Florian Pfeilschifter	BUY	PLN 215	24.02.2020

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

3.8.6.1 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: 5C8).

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

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

3.9 Corporate Governance

3.9.1 General information

Since February 20, 2019, the Issuer's shares have been listed on the regulated (parallel) market of the Warsaw Stock Exchange; Since July 2021, the Issuer has been subject to a set of corporate governance rules specified in the Resolution of the Stock Exchange Council of March 29, 2021 on the adoption of "Best Practices for WSE Listed Companies 2021" (DPSN 2021). The set of corporate governance principles (2021) is publicly available on the website of the Warsaw Stock Exchange at <https://www.gpw.pl/dobre-praktyki2021>

3.9.2 Scope of application of the corporate governance for the regulated market (DPSN 2021) as at the Report Date

As regards the "Best Practices of WSE Listed Companies 2021", the Issuer complies with the principles set out there in that document. According to the current status of compliance with the Best Practice, the Company does not follow 12 principles: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 2.1., 2.2., 2.11.6., 3.4., 3.5., 4.1., 4.3.

INFORMATION POLICY AND COMMUNICATION WITH INVESTORS

In the interest of all market participants and their own interest, listed companies ensure quality investor communications and pursue a transparent and fair disclosure policy.

1.1. Companies maintain efficient communications with capital market participants and provide fair information about matters that concern them. For that purpose, companies use diverse tools and forms of communication, including in particular the corporate website where they publish all information relevant for investors.

The principle is followed.

Company's comment: *The Company has a website, including a service for capital market participants, with all essential corporate documents, articles of association, financial and current reports and other information documents, including quarterly presentations on the financial performance in a particular period. Currently, the Company does not publish on its website any answers provided to investors and shareholders via electronic correspondence. The Company's Management Board is considering publication of this correspondence in the near future. So far, the Company has not published recordings of investor meetings. The Management Board will consider the possibility of implementing this practice using the YouTube channel operated by the Company and available through its website.*

1.2. The company makes the financial results included in the interim report available for inspection as soon as possible after the end of the reporting period or, where that is not possible for justified reasons, publishes at least a preliminary estimated financial result as soon as possible.

The principle is followed.

Company's comment: *The Company starts work on drafting financial reports immediately after the end of the reporting period, setting the dates for publication of those reports well in advance. This is to ensure that financial results are presented as soon as practicable after the end of the reporting period, while maintaining the highest degree of care and integrity. For this reason, the Company does not plan to publish estimates prior to the publication of a financial report for a given period.*

1.3. Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental matters, including measures and risks related to climate change and sustainable development;

The principle is not followed.

Company's comment: *The Company's business model or strategic goals do not make direct reference to environmental issues or the risk of climate change. This is also related to the type of the Company's activity, which does not have any significant adverse impact on the environment. However, the Company's Management Board and employees are environmentally aware and undertake actions aimed at mitigating the risk of climate change and ensure that the Company develops its business showing respect for the natural environment. If the Company updates its current development strategy, it will also take into account ESG matters.*

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

The principle is not followed.

Company's comment: *The Company's business model or strategic goals do not make direct reference to social or employee matters. The Company adheres to the applicable employment law provisions relating to working conditions, respect for employee rights, equality and non-discrimination. In this regard, the Company implemented its anti-bullying, discrimination and harassment procedure. At the same time, in terms of relations with local communities and customers, the Company, its Management Board and employees follow the principles of mutual respect and kindness, and provides knowledge and education, e.g. by participating in business associations. If the Company updates its current development strategy, it will also take into account the above matters.*

1.4. ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

The principle is not followed.

Company's comment: *By ensuring proper and reliable communication with stakeholders, the Company publishes its business strategy on its website (in a separate service dedicated to investors and shareholders). Due to the specific nature of the Company's business, this strategy does not take into account ESG matters or financial/ non-financial metrics. If the Company updates its current development strategy, it will also take into account ESG matters.*

1.4.1. explain how climate change considerations are integrated into the decision-making processes of the company and its group entities, highlighting the resulting risks;

The principle is not followed.

Company's comment: *Due to the specific nature of its business, with negligible impact on the environment and climate change, the Company did not include ESG matters in its development strategy. However, the Company's Management Board and employees have high environmental awareness and undertake actions aimed at development with respect for the natural environment. If the Company updates its current development strategy, it will also take into account the above matters.*

1.4.2. present, among other things, the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of achieving the equality target.

The principle is not followed.

Company's comment: *Due to the specific nature of its business, providing data in the scope specified above would not reliably reflect the actual situation in terms of equal pay broken down by gender. The Company adopted internal rules of remunerating employees, with priority given to knowledge and experience, regardless of gender.*

1.5. The company discloses, at least annually, the expenditure incurred by it and its group in supporting culture, sport, charitable institutions, the media, social organisations, trade unions, etc. Where the company or its group has incurred expenditure for such purposes in the year under review, the disclosure includes a breakdown of such expenditure.

The principle is followed.

1.6. Companies participating in the WIG20, mWIG40 or SWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry

experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.

The principle is followed.

Company's comment: *Even though the Company does not currently belong to the WIG20, mWIG40 indices, it regularly organizes earnings calls with investors, during which it discusses the financial results achieved, the most important events and implementation of strategic goals. During these meetings, the Company's Management Board also answers investors' questions. In addition, the Company regularly contacts the media informing them about the most important events, and the Management Board provides comments and interviews in this regard.*

1.7. Where an investor requests information on the company, the company responds promptly, but no later than within 14 days.

The principle is followed.

MANAGEMENT BOARD AND SUPERVISORY BOARD

In order to achieve the highest standards in the performance of the company's management board's and supervisory board's duties in an effective manner, the management board and supervisory board are composed only of people having high qualifications, skills and experience.

Members of the management board act in the interest of the company and are responsible for its activities. The management board is responsible, in particular, for leadership at the company, setting and delivering the company's strategic goals, as well as ensuring its efficient and secure operations.

Members of the supervisory board, as part of their respective functions and duties on the board, are guided in their conduct, including in decision-making, by independence of mind and judgment, while acting in the company's best interest.

The supervisory board is committed to the culture of debate, analyzing the company's situation against the backdrop of the sector and the market, based on materials received from the company's management board or from internal systems and functions of the company, as well as external materials, as well as using the contributions of the supervisory board committees. In particular, the supervisory board gives its opinion on the company's strategy and verifies the work of the management board in terms of achieving the established strategic goals, and monitors the company's performance.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not followed.

Company's comment: *The Company does not have a diversity policy. The Company employs people with appropriate qualifications and professional experience, without differentiating them by age or gender. When selecting candidates for members of the supervisory and management bodies, the Company's competent bodies follow the best interest of the Company and its shareholders, taking into account the candidates' qualifications, skills and performance.*

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not followed.

Company's comment: *The Company does not have a diversity policy. The Company employs people with appropriate qualifications and professional experience, without differentiating them by age or gender. Currently, men represent a majority in the Company's bodies. When selecting candidates for members of the supervisory and management bodies, the Company's competent bodies follow the best interest of the Company and its shareholders, taking into account the candidates' qualifications, skills and performance.*

2.3. At least two members of the supervisory board meet the independence criteria listed in the Act of 11 May 2017 on auditors, audit firms and public supervision, and have no real and significant links with a shareholder holding at least 5% of the total number of votes in the company.

The principle is followed.

2.4. Supervisory board and the management board members vote in an open ballot, unless the law stipulates otherwise.

The principle is followed.

2.5. Supervisory and management board members voting against the resolution may enter a dissenting opinion in the minutes.

The principle is followed.

2.6. Serving on a company's management board is the management board member's main area of professional activity. Management board members should not undertake additional professional activity if the time devoted to such activity prevents them from diligently performing their duties in the company.

The principle is followed.

2.7. The exercise of functions by members of the company's management board in the bodies of entities outside the company's group requires the consent of the supervisory board.

The principle is followed.

2.8. Supervisory board members must be able to devote the time necessary to perform their duties.

The principle is followed.

2.9. The chairman of a supervisory board should not combine his function with managing the work of the supervisory board's audit committee.

The principle is followed.

2.10. The company, in accordance with its size and financial situation, delegates the administrative and financial resources necessary to ensure the efficient functioning of the supervisory board.

The principle is followed.

2.11. In addition to its activities under the law, once a year the supervisory board draws up an annual report and submit it to the annual general meeting for approval. The report referred to above includes at least:

2.11.1. information on the composition of the supervisory board and its committees, with an indication of which supervisory board members meet the independence criteria set out in the Act of 11 May 2017 on auditors, audit firms and public supervision, and which of them have no real and significant links with a shareholder holding at least 5% of the total number of votes in the company, as well as information on the composition of the supervisory board in the context of its diversity;

The principle is followed.

2.11.2. summary of the activities of the council and its committees;

The principle is followed.

2.11.3. an assessment of the company's situation on a consolidated basis, including an evaluation of the internal control systems, risk management, compliance and the internal audit function, together with information on the steps that the supervisory board has taken to perform this assessment; this assessment includes all significant control mechanisms, including in particular reporting and operational activities;

The principle is followed.

2.11.4. an assessment of the application by the company of the corporate governance principles and the manner of fulfilling information obligations concerning their application, as defined in the Stock Exchange Regulations and regulations concerning current and periodical information provided by issuers of securities, together with information on actions taken by the supervisory board in order to perform this evaluation;

The principle is followed.

2.11.5. an assessment of the validity of the expenditure referred to in principle 1.5;

The principle is followed.

2.11.6. information on the extent to which the diversity policy is implemented in relation to the management board and the supervisory board, including the achievement of the objectives referred to in principle 2.1.

The principle is not followed.

Company's comment: *The principle is not followed, as the Company does not apply principle 2.1. The Company does not have a diversity policy. The Company employs people with appropriate qualifications and professional experience, without differentiating them by age or gender. When selecting candidates for members of the supervisory and management bodies, the Company's competent bodies follow the best interest of the Company and its shareholders, taking into account the candidates' qualifications, skills and performance.*

INTERNAL SYSTEMS AND FUNCTIONS

Strong internal systems and functions are indispensable instruments for ensuring the company's internal governance.

The systems cover the whole company and all areas of the group's operations that have a significant impact on the company's position.

3.1. A listed company maintains effective internal control, risk management and compliance systems and an effective internal audit function appropriate to the size of the company and the nature and scale of its business, which is the responsibility of the management board.

The principle is followed.

3.2. A company identifies within its structure the units responsible for the tasks of particular systems or functions, unless this is not justified by the size of the company or the nature of its activities.

The principle does not apply to the company.

Company's comment: *Due to the Company's size and scope of activities the Company's structure does not include a separate unit that would be responsible for risk management and compliance. All tasks resulting related to those areas are performed directly by the Management Board and are supervised by the Audit Committee. The existing structure ensures proper control in this respect. However, in the future the Company might consider setting up relevant separate organizational units, if it is justified by the size or type of business carried on by the Company.*

3.3. A company included in the WIG20, mWIG40 or sWIG80 index appoints an internal auditor heading the internal audit function, who acts in accordance with internationally recognised standards of professional practice for internal auditing. In other companies where no internal auditor meeting the aforementioned requirements has been appointed, the audit committee (or the supervisory board if it performs the functions of an audit committee) annually assesses whether there is a need to appoint such a person.

The principle is followed.

3.4. Remuneration of risk managers, compliance officers and the head of internal audit should be based on the fulfilment of assigned tasks and not on short-term company performance.

The principle is not followed.

Company's comment: *The Company's structure does not include a separate unit that would be responsible for risk management and compliance. All tasks resulting related to those areas are performed directly by the Management Board and are supervised by the Audit Committee. The existing structure ensures proper control in this respect. However, in the future the Company might consider setting up relevant separate organizational units, if it is justified by the size or type of business carried on by the Company.*

3.5. Those responsible for risk management and compliance report directly to the president or another member of the management board.

The principle is not followed.

Company's comment: *The Company's structure does not include a separate unit that would be responsible for risk management and compliance. All tasks resulting related to those areas are performed directly by the Management Board.*

The existing structure ensures proper control in this respect. However, in the future the Company might consider setting up relevant separate organizational units, if it is justified by the size or type of business carried on by the Company.

3.6. The head of internal audit reports organizationally to the chairman of the management board and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if the board acts as the audit committee.

The principle is followed.

3.7. Principles 3.4 – 3.6 also apply to entities within the company's group that are material to the company's business, if they have designated persons to perform these tasks.

The principle does not apply to the company.

Company's comment: *The Company's group does not include entities that would be significant for its operations.*

3.8. At least once a year, the person responsible for internal audit, or in the absence of such a function in the company, the company's management board, provides the supervisory board with an assessment of the effective functioning of the systems and functions referred to in principle 3.1, together with an appropriate report.

The principle is followed.

3.9. The supervisory board should monitor the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is followed.

3.10. At least every five years, a company included in the WIG20, mWIG40 or sWIG80 index has its internal audit function reviewed by an independent auditor selected with the participation of the audit committee.

The principle does not apply to the company.

Company's comment: *The Company is not a member of the WIG20, mWIG40 or sWIG80 indices.*

GENERAL MEETING AND RELATIONS WITH SHAREHOLDERS

The management board of a listed company and its supervisory board should encourage shareholders to get involved in the company's affairs, primarily through active participation in general meetings, personally or by proxy.

General meetings should transact business with respect for the rights of all shareholders and strive to ensure that the adopted resolutions do not infringe the legitimate interests of individual groups of shareholders.

Shareholders participating in the general meeting exercise their rights in a manner that does not violate the principles of morality. Participants of the general meeting should come prepared to the general meeting.

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle is not followed.

Company's comment: *The principle is not followed by the Company due to the high cost of ensuring appropriate equipment and the technical resources needed to meet the obligations implied by this principle. In this regard, the Company complies with the applicable provisions of its Articles of Association and law, and operates an appropriate information policy.*

4.2. Companies should set the place and date as well as the form of a general meeting so as to enable the participation of the highest possible number of shareholders. To this end, the company also endeavors to ensure that the cancellation of the general meeting, rescheduling or adjournment of the meeting takes place only in justified cases and that it does not prevent or restrict shareholders from exercising their right to participate in the general meeting.

The principle is followed.

4.3. Companies provide a public real-life broadcast of the general meeting.

The principle is not followed.

Company's comment: *The current ownership structure of the Company does not justify the need to ensure publicly available real-time broadcasts of general meetings. The principle is not followed by the Company also due to the high cost of ensuring appropriate equipment and the technical resources needed to meet the obligations implied by this principle. In this regard, the Company complies with the applicable provisions of its Articles of Association and law, and operates an appropriate information policy. This ensures proper and effective exercise of rights from shares, and sufficiently safeguards the interests of all shareholders, including minority shareholders.*

4.4. Presence of representatives of the media should be allowed at general meetings.

The principle is followed.

Company's comment: *Media representatives will be asked to give prior notice of their presence at the General Meeting.*

4.5. If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board should immediately take steps which it is required to take in order to organize and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

The principle is followed.

4.6. In order to make it easier for shareholders participating in the general meeting to vote on resolutions with due knowledge, draft resolutions of the general meeting concerning issues and resolutions other than those of a procedural nature should contain a justification, unless this can be deduced from the documentation presented to the general meeting. Where an item is put on the agenda of a general meeting at the request of a shareholder or shareholders, the management board requests a statement of the reasons for the proposed resolution, if not already provided by the shareholder or shareholders.

The principle is followed.

4.7. The supervisory board gives its opinion on draft resolutions submitted by the management board to the agenda of the general meeting.

The principle is followed.

4.8. Draft resolutions of the general meeting on items on the agenda of the general meeting should be tabled by shareholders at least 3 days before the general meeting.

The principle is followed.

4.9. Where the subject of the general meeting is to be an appointment to the supervisory board or the appointment of a new supervisory board:

4.9.1. nominations for supervisory board members should be made in sufficient time to enable the shareholders attending the general meeting to take a decision with due deliberation, but no later than 3 days before the general meeting; the nominations, together with a set of materials concerning them, should be published on the company's website without delay;

The principle is followed.

4.9.2. a candidate for a supervisory board member submits declarations with regard to meeting the requirements for members of the audit committee set out in the Act of 11 May 2017 on auditors, audit firms and public supervision, as well as with regard to the existence of the candidate's real and significant links with a shareholder holding at least 5% of the total number of votes in the company.

The principle is followed.

4.10. Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.

The principle is followed.

4.11. Members of the management board and the supervisory board attend the general meeting, either at the meeting place or by means of real-time bilateral electronic communication, and are able to express themselves on the items on the agenda of the general meeting and to answer substantively to questions put to the general meeting. The management board presents to the participants of the annual general meeting the financial results of the company and other relevant information, including nonfinancial information, contained in the financial statements to be approved by the general meeting. The management board discusses significant events relating to the past financial year, compares the data presented with previous years and indicates the extent to which the plans of the past year have been implemented.

The principle is followed.

4.12. A resolution of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorize the competent governing body to set the price prior to the subscription right record date within the timeframe necessary for investors to make decisions.

The principle is followed.

4.13. A resolution on a new issue of shares with exclusion of pre-emptive rights, which at the same time grants the pre-emptive right to subscribe for the new issue shares to selected shareholders or other entities, may be adopted if at least the following conditions are met:

the company has a reasonable, economically justifiable need to raise capital urgently, or the share issue is connected with reasonable, economically justifiable transactions, such as, inter alia, a merger with or acquisition of another company, or the shares are to be subscribed under an incentive scheme adopted by the company;

the persons to whom the right of preference will be given will be identified according to objective general criteria;

the share subscription price is reasonably related to the current price of the shares in that company or is determined as a result of a market-based book-building process.

The principle is followed.

4.14. The company should aim to distribute profits by paying dividends. It is possible to leave all profits with the company if any of the following reasons apply:

the amount of this profit is minimal and consequently the dividend would be insignificant in relation to the value of the shares;

the company recognizes uncovered losses from previous years and the profit is allocated to reducing them;

the company will justify that the allocation of the profit to investment will bring tangible benefits to the shareholders;

the company has not generated cash to pay dividends;

payment of dividends would significantly increase the risk of breaching covenants arising from loan agreements or bond issue conditions binding the company;

leaving the profit with the company is in line with the recommendation of the institution supervising the company by virtue of carrying out a particular activity.

The principle is followed.

CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

For the purposes of this chapter, a related entity is a related entity within the meaning of international accounting standards adopted on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The company and its group should have transparent procedures in place for managing conflicts of interest and concluding transactions with related entities where potential conflict of interest might occur. The procedures should provide for ways of identifying, disclosing and dealing with such situations.

Members of the management board or supervisory board should avoid engaging in any professional or non-professional activities that could lead to a conflict of interest or have an adverse impact on their reputation as a member of the company's governing body, and should immediately disclose any conflict of interest if it occurs.

5.1. Members of the management board or the supervisory board should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from considering any issue which may give rise to such a conflict of interest in their case.

The principle is followed.

5.2. Where a member of the management board or the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or the supervisory board meeting show his or her position.

The principle is followed.

5.3. No shareholder should be privileged over other shareholders with regard to related party transactions. This also applies to transactions of the company's shareholders with entities belonging to its group.

The principle is followed.

5.4. The company may only purchase its own shares (buy-back) in a manner that respects the rights of all shareholders.

The principle is followed.

5.5. If a company's transaction with a related party requires the supervisory board's approval, the supervisory board assesses, before adopting a resolution on approval, whether it is necessary to first consult an external entity that will carry out a valuation of the transaction and an analysis of its economic effects.

The principle is followed.

5.6. If the conclusion of a transaction with a related party requires the approval of the general meeting, the supervisory board draws up an opinion on the advisability of concluding such a transaction. In such a case, the supervisory board assesses the need for prior consultation with an external body as referred to in principle 5.5

The principle is followed.

5.7. Where a decision on the conclusion by the company of a significant transaction with a related party is taken by the general meeting, the company, before such decision is taken, ensures that all shareholders have access to the information necessary to assess the impact of the transaction on the company's interest, including the opinion of the supervisory board referred to in principle 5.6.

The principle is followed.

REMUNERATION

The company and its group care for the stability of the management staff, including through transparent, fair, consistent and non-discriminatory remuneration principles, manifested, among others, by equal pay for women and men.

The remuneration policy adopted in the company for members of the company's governing bodies and its key managers defines in particular the form, structure, method of determining and paying remuneration.

6.1. Remuneration of management and supervisory board members and key managers should be sufficient to attract, retain and motivate individuals with the necessary competences to properly manage and supervise the company. Remuneration should be commensurate with the tasks and duties performed by the individual and the associated responsibilities.

The principle is followed.

6.2. Incentive schemes should be designed in a way that, inter alia, makes the level of remuneration of members of the company's management board and key managers conditional on an actual long-term situation of the company in terms of financial and nonfinancial performance and long-term growth of shareholder value and sustainability, as well as the stability of the company's operations.

The principle is followed.

6.3. If one of the company's incentive programmes is a managerial options programme, then the realisation of the options programme should be conditional on the fulfilment by the entitled persons, within a period of at least three years, of predetermined, realistic and appropriate financial and non-financial and sustainable development objectives for the company, and the price set for the acquisition of shares by the entitled persons or the settlement of the options may not differ from the value of the shares at the time of the adoption of the programme. The principle is followed.

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The principle is followed.

6.5 Supervisory board members should not be remunerated on the basis of the short-term performance of the company.

The principle is followed.

3.9.3 Internal control and risk management

Due to its size, the Company does not have a separate internal audit unit. Internal audit tasks have been divided and allocated to the bodies and functions indicated below. Effective functioning of the system of internal control over financial reporting is the direct responsibility of the Company's Management Board. In 2023, the Company had a financial department supported by legal advisors, who provided assistance in relation to the internal control process, among other things. In addition, some internal control tasks (testing the Company's operations for compliance with law) are performed by the Head of the Project Management Office. Keeping the books of account was entrusted to a third party which has appropriate qualifications, knowledge and experience. Responsibility for performance of duties relating to accounting rests on members of the Management Board of the Company (they are also responsible for exercising oversight over delegation of the account-keeping to a third party). In addition, members of the Management Board and members of the Supervisory Board are obliged to ensure that the financial statements meet the requirements of the Accounting Act. Members of the Management Board and members of the Supervisory Board are jointly and severally liable to the Company for any damage caused by their acts and omissions in relation to the above responsibilities.

The Company's internal control system mainly includes the following areas:

- controlling and management accounting
- accounting, including financial reporting
- forecasting and financial analyses.

As part of the internal control and risk management system there are organizational solutions and corporate standards/ procedures in place that support effectiveness of the control over financial reporting and identification/ elimination of risk factors in this area. The following measures should be noted:

- harmonized accounting policies, financial reporting and accounting procedures;
- application of a standardized financial reporting model for external and internal purposes – operational management;
- division of roles and responsibilities of individual departments (including the external accounting function), and the middle and upper management;
- regular and formalized process of reviewing and updating the budget assumptions and financial projections;
- having the financial accounts reviewed and audited by an independent auditor.

The Company keeps abreast of the legal developments relating to the stock exchange reporting and makes sure it is prepared for their implementation comfortably in advance.

Vertical functional control is performed daily by the managers of individual departments in relation to the employees and processes within their areas of responsibility. All the Company's cost-related documents are confirmed by the person responsible for the purchase (expert approval) and verified by the Financial Manager (horizontal check, including the check for compliance of the expenditure with the budget). If the costs are related to a public grant to a project, the documents are additionally verified by the Head of the Project Management Office. Once verified, the documents are subject to final approval by the Management Board. Any documents not approved according to the above procedure can not be booked or sent for payment. The final (additional) stage of the ongoing verification is the formal check of accounting documents carried out by third party responsible for account-keeping. This is carried out using Standard ERP IT system, which guarantees high efficiency of the process both in terms of internal control and work organization. This system prevents, for example, the posting and payment of documents not approved in the above procedure.

Each month, upon closing on the books of account, a management report is put together with details on the key financials. The Management Board and unit managers analyse and discuss the Company's performance on an ongoing basis.

Each quarter, interim financial reports are drawn up in cooperation with the third party responsible for account-keeping. Next, the reports are verified by the financial manager of the Company (at the first stage) and by the Management Board. Furthermore, each quarter, the Company's Management Board verifies the reliability and currency of the annual budgets and short-term projections. Where appropriate, the Management Board liaises with the management of individual departments to review and update the budget assumptions.

In accordance with principle 2.11.3 of the Code of Best Practice for WSE Listed Companies 2021, the annual report on the activities of the supervisory board should include an assessment of the company's consolidated position, taking into account assessment of the internal control, risk management and compliance systems and the internal audit function.

3.9.4 Shareholders

Major shareholders are indicated in item 3.8.1

The list of shares held by members of the Management Board and Supervisory Board is presented in item 3.8.2.

3.9.5 Special control rights

Not applicable. The Issuer has not any issued securities that would give special control rights.

3.9.6 Restrictions of voting rights

The Issuer's Articles of Association do not provide for any restrictions on the exercise of voting rights attached to shares.

3.9.7 Restrictions as to the transfer of debt securities

The Issuer's Articles of Association do not provide for any restrictions as to the transfer of ownership of the rights attached to shares or other securities of the Issuer.

In relation to the shares that were or will be handed over to eligible persons under the incentive scheme, lock-up agreements were or will be signed to limit the possibility of selling these shares.

The following restrictions apply to series A subscription warrants issued pursuant to Resolution No. 07/04/2019 of the Extraordinary General Meeting of April 24, 2019 on the issue of series A subscription warrants with exclusion of pre-emptive rights (intended for the incentive scheme):

The Warrants shall not be transferable, except where:

- a. the Warrants are sold to the Company for their cancellation;
- b. the Warrants are sold to an entity or entities designated by the Company subject to the consent of the Company's Management Board;
- c. the Warrants are sold in exceptional circumstances, subject to the consent of the Company's Management Board;
- d. the Warrants are inherited, either under statutory and testimonial inheritance.

3.9.8 Appointment of members of management bodies

The Management Board members are appointed and removed by the Supervisory Board (§ 20(2) of the Articles of Association).

The Management Board runs the Issuer's affairs and represents the Issuer.

The powers the Management Board result from applicable law (including the Polish Commercial Companies Code) and the Issuer's Articles of Association. The powers of the Management Board include all matters not reserved for the General Meeting or the Supervisory Board (§ 21(1) of the Articles of Association).

The authorized capital provisions contained in the Articles of Association have expired, therefore, as at the Report Date, the Management Board has no rights to issue shares (this right belongs to the General Meeting).

§ 20 of the Articles of Association reads as follows:

„§ 20. Composition and term of office

1. The Management Board shall be composed of 1 to 5 members appointed for a joint, three-year term, calculated in calendar years, from the day on which the appointment becomes effective. Each member of the Management Board may be reappointed for the next term of office.

2. Management Board members shall be appointed and removed by the Supervisory Board.

3. If a member of the Management Board is not able to perform their duties, the Supervisory Board may delegate a member of the Supervisory Board to temporarily perform the duties of such member of the Management Board.

4. The mandate of a member of the Management Board shall expire no later than on the date of the General Meeting which approves the financial statements for the last full financial year within the particular term of office. The mandate of a member of the Management Board shall also expire upon death, resignation, or removal of the person concerned from the Management Board.”

3.9.9 Amendments to the Articles of Association

Any amendments to the Issuer’s Articles of Association require a resolution by the General Meeting adopted by a majority of three quarters of votes, and need to be recorded in the register of entrepreneurs of the National Court Register – in accordance with Article 430 § 1 and Article 415 § 1 of the Commercial Companies Code.

According to Article 446 § 1 of the Commercial Companies Code, until April 19, 2020, the Management Board could decide to issue new shares and amend the Articles of Association in connection with an increase in the Issuer's share capital, within the authorized capital specified in the Company’s Articles of Association. Another authorization for the Management Board to issue new shares within the authorized capital requires the prior amendment of the Articles of Association.

During the Reporting Period, one amendment was made to the Issuer’s Articles of Association: on June 12, 2023, the Company’s Extraordinary General Meeting decided to amend § 5 of the Articles (notarial deed drawn up by the notary public in Wrocław, Katarzyna Janicka, repertory A number 4656/2023); the amendment to the Articles of Association was registered in the National Court Register on August 3, 2023, as reported by the Issuer in ESPI Current Report No. 41/2023 of August 3, 2023.

3.9.10 Brief of the General Meeting

The brief of the General Meeting of Shareholders and the basic rights and obligations of shareholders in terms of participation in the General Meeting are set out in the Commercial Companies Code, the Articles of Association and the Terms of Reference of the General Meeting available at: <https://ir.xtpl.com/pl/materialy/korporacyjne/>

Detailed powers of the General Meeting are indicated in Chapter III of the Articles of Association in the part relating to the General Meeting (§12–§16) and in Article 393 et seq. of the Commercial Companies Code.

In accordance with the Commercial Companies Code, the powers of According to the Code, powers of the General Meeting include in particular: consideration and approval of the Management Report and the financial statements for the previous financial year; granting discharge to Management Board and Supervisory Board members for performance of their duties; taking decisions regarding claims for compensation for damage caused in the establishment of the Company or in the exercise of management or supervision; selling or leasing the enterprise or its organized part and establishing limited property right thereon; distributing profit or covering losses; issuing convertible bonds or preemptive bonds, and issuing subscription warrants. referred to in Article 453 § 2 of the Commercial Companies C referred to in Article 453 § 2 of the Commercial Companies Code; liquidating the Company; purchasing own shares for cancellation, cancelling shares and reducing the Company's share capital; merging, transforming and dividing the Company and making amendments to the Articles of Association.

In accordance with the Articles of Association, the powers of the General Meeting include:

- 1) setting the remuneration and the rules of remunerating members of the Supervisory Board, including members of the Audit Committee and other Supervisory Board committees;
- 2) granting consent for the Company to acquire shares for their cancellation;
- 3) adopting and amending the terms of reference of the Supervisory Board;
- 4) adopting and amending the terms of reference of the General Meeting;

During the General Meeting, the Management Board is required to provide shareholders, at their request, with information concerning the Company, if it is justified for the assessment of the matter included in the agenda. However, the Management Board will refuse to provide information if it could harm the Company, in particular if it involved revealing technical, commercial or organizational secrets of the business. An answer is considered given if the requested information is available on the Company's website at a place where shareholders can ask questions and receive answers.

The right to participate in the General Meeting is held only by persons who are shareholders of the Company sixteen days before the date of the General Meeting (day of registration of participation in the General Meeting), with each share carrying one vote at the General Meeting.

3.9.11 Supervisory Board and committees

The Supervisory Board consists of 5 to 7 members. Members of the Supervisory Board are appointed and removed by the General Meeting. Members of the Supervisory Board shall be appointed for a joint, three-year term of office.

The Supervisory Board of the current term of office was appointed by the Annual General Meeting of Shareholders of XTPL S.A. of June 30, 2023.

In the Reporting Period one change was made in the Supervisory Board membership.

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

Composition of the Supervisory Board:

As at the Balance Sheet Date:	As at the Report Date:
Wiesław Rozłucki, PhD – Supervisory Board Chairman	Wiesław Rozłucki, PhD – Supervisory Board Chairman
Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board	Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
Beata Turlejska – Supervisory Board Member	Beata Turlejska – Supervisory Board Member
Piotr Lembas – Supervisory Board Member	Piotr Lembas – Supervisory Board Member
Professor Herbert Wirth – Supervisory Board Member.	Professor Herbert Wirth – Supervisory Board Member.

The brief of the Supervisory Board is determined by Polish Commercial Companies Code, the Articles of Association and the Terms of Reference of the Supervisory Board available at the Issuer's website at: <https://ir.xtpl.com/pl/materialy/korporacyjne/>

Detailed powers of the Supervisory Board are indicated in Chapter III of the Articles of Association in the part relating to the Supervisory Board and in Article 381 et seq. of the Commercial Companies Code.

In accordance with the Articles of Association, the Supervisory Board's powers include:

- 1) evaluating, as at the end of each financial year, financial statements of the Company, in respect of their compliance with the books of account, documents and the facts;
- 2) evaluating the Management Board's report and the Management Board's proposals concerning the distribution of profit and cover of losses;
- 3) submitting to the General Meeting annual written reports on the results of the evaluation referred to in points 1)–2) above;
- 4) appointing and removing members of the Company's Management Board, and suspending, for important reasons, individual members of the Company's Management Board or the whole Management Board in the performance of their duties, as well as delegating members of the Supervisory Board to temporarily perform duties of members of the Management Board who are not able to perform their duties;
- 5) determining the remuneration of Management Board members;
- 6) expressing consent for the Company to enter into a significant transaction with a related entity – within the meaning of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organized trading and public companies, except where the provisions of this Act exclude such an obligation;
- 7) granting consent to acquire a business enterprise or an organized part thereof belonging to another entrepreneur, to join another company or purchase/acquire/dispose of shares in another company;
- 8) approving and amending the terms of reference of the Management Board;
- 9) expressing consent to grant members of the Management Board of the Company or members of the management boards of its subsidiaries the right to subscribe for or acquire the Company's shares as part of incentive schemes or remuneration systems based on shares or other financial instruments issued by the Company;
- 10) granting consent for the Company to make any decisions (including conclusion of an agreement) in the scope of disposal or acquisition of the Company's real estate or shares in real estate;
- 11) representing the Company in agreements with members of the Management Board and in disputes with the Management Board or its members;
- 12) selecting an auditor to audit financial statements.

In addition, pursuant to §18A of the Company's Articles of Association, members of the Company's Management Board may hold directorships in corporations outside XTPL Group only subject to the consent of the Supervisory Board.

In addition to the audit committee described in point 3.9.14., no committees have been set up within the Issuer's Supervisory Board.

3.9.12 Management Board

The Management Board consists of 1 to 5 members. Members of the Management Board are appointed and removed by the Supervisory Board. Members of the Management Board are appointed for a joint, three-year term of office.

The Management Board of the current term was appointed by the Supervisory Board on June 30, 2023.

Composition of the Management Board:

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

The brief of the Management Board is determined by Polish Commercial Companies Code and the Articles of Association available at the Issuer's website at: <https://ir.xtpl.com/pl/materialy/korporacyjne/>

Detailed powers of the Management Board are indicated in Chapter III of the Articles of Association in the part relating to the Management Board (§20-22) and in Article 368 et seq. of the Commercial Companies Code. The powers of the Management Board shall include all matters not reserved for the General Meeting or the Supervisory Board. The Management Board conducts current operations of the Company, manage its assets and represent it before third parties.

3.9.13 Audit Committee

Audit Committee

General information and composition of the Audit Committee:

By resolution of 5 June 2018, pursuant to Article 128(1) of the Act on statutory auditors, audit firms and public oversight of 11 May 2017 (“Statutory Auditors Act”), the Supervisory Board set up an Audit Committee at the Company.

The brief of the Audit Committee is set out in the “Terms of Reference of the Audit Committee of XTPL S.A.” adopted by the Supervisory Board by Resolution of 5 June 2018.

The powers and duties of the Audit Committee provided for by law are performed by the Issuer's Audit Committee as of February 20, 2019 – i.e. from the date when the Issuer's shares were admitted to trading on the regulated market and when the Issuer obtained the status of a public interest entity.

The Audit Committee consists of four members.

The Audit Committee of the current term was appointed by the Supervisory Board on June 30, 2023.

In the Reporting Period one change was made in the Audit Committee membership. Andrzej Domański resigned from the position of member of the Audit Committee with effect from October 29, 2023 due to his appointment to perform a public function (ESPI No. 52/2023 of October 29, 2023).

Composition of the Audit Committee:

<u>As at the Balance Sheet Date:</u>	<u>As at the Report Date:</u>
Piotr Lembas – Chairman of the Audit Committee, independent Audit Committee member	Piotr Lembas – Chairman of the Audit Committee, independent Audit Committee member
Wiesław Rozłucki, PhD – independent Audit Committee Member	Wiesław Rozłucki, PhD – independent Audit Committee Member
Professor Herbert Wirth – independent Audit Committee Member	Professor Herbert Wirth – independent Audit Committee Member

Independent members of the Audit Committee:

As at the Report Date, all Members of the Audit Committee (Wiesław Rozłucki, Piotr Lembas, Prof. Herbert Wirth) meet the independence criteria indicated in Article 129(3) of the Act on Statutory Auditors and have made appropriate statements in this respect.

Knowledge and skills of the Audit Committee members:

Piotr Lembas has knowledge and skills of accounting. Their respective backgrounds are described below.

Piotr Lembas has a degree in Finance and Accounting, the Faculty of Management, Computer Science and Finance of the University of Economics in Wrocław. Then he earned a degree in Master Studies in Finance, a CFA affiliate programme. He holds the Chartered Financial Analyst (CFA) certificate (no. 200403). Earlier, in 2013-2015, Piotr Lembas worked with EY Corporate Finance as a senior consultant. For nearly two years (2015–2017), he worked in the financial department of the Adiuvio Investments S.A. Group, where he supported the financial director in the preparation of financial statements for the purpose of fulfilment of the obligations of WSE listed entities.

Prof. Herbert Wirth, BEng, PhD, DSc, has knowledge and skills relating to the industry in which the Issuer operates. Their respective backgrounds are described below.

XTPL S.A. operates in the materials technology industry. Research and development is the key field of its operations. The buyers of the Company's products and services are large international corporations operating outside the country (international trade). Professor Herbert Wirth has knowledge of the materials technology industry (Master of Science, PhD, AGH University of Science and Technology in Kraków and current professor at the Wrocław University of Technology) and in the business administration industry (completed postgraduate studies in project management at George Washington University, School of Business and Public Management). Professor Herbert Wirth also has skills in the field of material technologies as well as international trade and management of global corporations (e.g. acquired while serving as the CEO of KGHM). In addition, he has experience in research and development – he held managerial functions at Cuprum sp. z o.o. (R&D Center) and served as Head of Development and Project Management at KGHM).

Provision of authorized non-audit services by the auditor:

In the Reporting Period, the auditor of the Issuer's financial statements did not provide any permitted non-audit services to it. This is with the exception of the audit firm's assessment of the report on remuneration of Management Board and Supervisory Board Members. The assignment was approved by the Audit Committee, which assessed the audit firm's independence in this regard. The audit firm's assessment of the report is attached to the ESPI Current Report No. 14/2022 of June 3, 2022.

Auditor selection:

On August 14, 2023, the Issuer's Supervisory Board selected an audit company to perform the statutory audit of the financial statements and carry out a limited review of the interim financial statements (standalone and consolidated) of XTPL. The assignment covers a term of two years (i.e. limited reviews for 2023 and 2024 and statutory audits for 2023 and 2024). The selected auditor is 4AUDYT sp. z o.o. having its registered office in Poznań.

The selection was made in the procedure for extending the agreement with the current audit company (in accordance with the auditor selection procedure and policy). The recommendation regarding the extension of the agreement with the current audit company met the applicable conditions.

Policy and procedure on selection of an audit firm:

The Audit Committee adopted the policy and procedure on selection of an audit firm to audit standalone and consolidated financial statements, which is available on the Issuer's website at <https://ir.xtpl.com/pl/materialy/korporacyjne/>

The purpose of the auditor selection policy and procedure is to define transparent and non-discriminatory rules for the process leading to submission by the Audit Committee, free from any influence by third parties, recommendations regarding the audit firm, and the selection by the Supervisory Board of an independent and competent audit firm to conduct the audit.

The Company may invite any audit firms to submit their proposals for a statutory audit provided that this is not in breach of Article 17(3) of Regulation No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC ("Regulation No 537/2014), which applies to the maximum duration of an audit engagement with a particular audit firm; organisation of the tender procedure does not preclude the participation in the selection procedure of firms which received less than 15% of the total audit fees from public interest entities in the Member State concerned in the previous calendar year, as specified in the list of audit firms referred to in Article 91 of the Statutory Auditors Act; this is not in breach of the provisions which are the basis for provision of non-audit services by the audit firm, including Article 5 of Regulation No 537/2014 and Article 136 of the Statutory Auditors Act, which relate to prohibited services.

When selecting an audit firm, the Supervisory Board acts on the basis of the below criteria and recommendations from the Audit Committee. In the case of selection of an audit firm to conduct a statutory audit for the Issuer, except in the situation when the audit engagement is extended, the Audit Committee presents a recommendation to the Supervisory Board containing in particular:

- at least two possible choices for the audit engagement and a duly justified preference for one of them indicated to the Audit Committee;
- a statement that the recommendation is free from any undue influence by third parties;

– a statement that the Company has not entered into any agreements containing clauses referred to in Article 66(5a) of the Accounting Act.

The recommendation of the Audit Committee is made following a tender procedure, using the procedure described in detail in the said policy.

The Supervisory Board, when selecting an audit firm, and the Audit Committee, when drawing up the recommendation, may take into account the following criteria in particular (details shall be determined in the tender documentation): the audit firm's prior experience in conducting audits of financial statements and consolidated financial statements of companies, including public companies; the audit firm's capacity, including in terms of HR and organisation, to ensure full range of services specified by the Company in the request for proposal, taking into account the professional nature of this activity; the fee proposed by the audit firm; a possibility to conduct the audit within the time limit specified by the Company in the request for proposal; the audit firm's impartiality and independence in relation to the Company and the Group, within the meaning of the Act, in particular Article 69–73 of the Statutory Auditors Act; having the rights and authority to carry out the audit in accordance with the Statutory Auditors Act; satisfying the conditions to be able to issue an unbiased opinion in accordance with the Statutory Auditors Act; compliance with the conditions for the rotation of the audit firm and the key statutory auditor in accordance with the Statutory Auditors Act and Regulation (EU) No 537/2014; compliance by the audit firm with the standards pertaining to the audit of financial statements; other justified criteria, indicated at the discretion of the Audit Committee and the Supervisory Board.

When selecting an audit firm, the Supervisory Board uses the following rules: the rule of rotating the audit firm, based on which the maximum duration of uninterrupted statutory audit engagements with the same audit firm or an audit firm connected with such audit firm or any member of its network in the EU to which these audit firms belong, may not exceed 10 years; the rule of a cooling off period, based on which after the maximum period of uninterrupted duration of the audit engagement the current audit firm shall not carry out any statutory audit for the Company over the following 4 years; the rule of rotating the key statutory auditor, based on which the key statutory auditor may not carry out statutory audits at the Company for a period longer than 5 years. The key statutory auditor may carry out a statutory audit of the Company again after at least 3 years following the end of the last statutory audit. The rule is to select an audit firm for a minimum period of two years.

Permitted non-audit services policy

The Audit Committee adopted the policy on provision by the audit firm which conducts an audit, by its affiliates and by members of its network, of permitted non-audit services. The policy is available on the Issuer's website at <https://ir.xtpl.com/pl/materialy/korporacyjne/>

<https://ir.xtpl.com/pl/materialy/korporacyjne/>

The policy reflects the provisions of Regulation No 537/2014 and the Statutory Auditors Act.

The policy on provision by the audit firm which conducts an audit, by its affiliates and by members of its network, of permitted non-audit services provides that the Audit Committee issues a decision with consent to the provision of non-audit services after assessing whether the service is permitted, whether the service is not prohibited and whether there are any threats to the independence of the audit firm. The Audit Committee communicates its decision immediately to the Supervisory Board and the Management Board of the Company. Permissible services may be provided to the extent not related to the tax policy of the Company and after the Audit Committee has carried out an assessment of risks and independence safeguards.

The statutory auditor or audit firm carrying out the statutory audit of the Company and members of their networks, or entities connected with the statutory auditor or audit firm, may not provide the Company, its parent company or entities

controlled by it with any prohibited services other than financial audit in the following periods: from the beginning of the audited period to the issuance of an audit report and in the financial year immediately preceding the above period, with respect to services related to development and implementation of internal control procedures and risk management procedures connected with preparation or control of financial information or development and implementation of technological systems related to financial information.

Audit Committee meetings:

During the Reporting Period, the Audit Committee held 6 meetings.

During those meetings the Audit Committee:

1. Adopted a resolution on granting consent to the assignment relating to assessment of the report on remuneration of XTPL S.A. Management Board and Supervisory Board Members.
2. Passed a resolution on adoption of the report on the activities of the XTPL Audit Committee for the period from January 1, 2022 to December 31, 2022.
3. Listened to the presentation by the Management Board of XTPL S.A. on the planned financial round and issue of series V shares.
4. Listened to the presentation by the Management Board of XTPL S.A. on performance for the first quarter of 2023.
5. Discussed the procedure for selecting an audit firm for the next period.
6. Held a discussion on recommending to the Supervisory Board of XTPL the extension of the agreement with 4AUDYT Sp. z o.o. to audit standalone financial statements of XTPL S.A. and consolidated financial statements of XTPL Group for 2023 and 2024, and perform a limited review of standalone half-yearly financial statements of XTPL S.A. and consolidated half-yearly financial statements of XTPL Group for the periods from January 1, 2023 to June 30, 2023 and from January 1, 2024 to June 30, 2024.
7. Adopted a resolution on recommending to the Supervisory Board of XTPL the extension of the audit agreement with 4AUDYT Sp. z o.o. to audit standalone financial statements of XTPL S.A. and consolidated financial statements of XTPL Group for 2023 and 2024, and perform a limited review of standalone half-yearly financial statements of XTPL S.A. and consolidated half-yearly financial statements of XTPL Group for the periods from January 1, 2023 to June 30, 2023 and from January 1, 2024 to June 30, 2024.
8. Adopted a resolution on granting consent to the assignment relating to assessment of the report on remuneration of XTPL S.A. Management Board and Supervisory Board Members.
9. Discussed the H1 2023 report and points from review of the condensed consolidated and standalone financial statements.
10. Listened to Management Board's presentation of selected information relating to the financial statements and the Management Report for the three quarters of 2023.
11. Discussed the Q3 2023 report.

In addition, discussions were held with the auditor regarding the issue of the auditor's independence, the strategy performing financial statements audit and the objectives and scope of the audit. The level of materiality of the audit and how it was determined were also discussed with the auditor.

A detailed description of the activities of the Audit Committee during the Reporting Period will be presented in the report on the activities of the Audit Committee, which will be a part of the report on the activities of the Supervisory Board (it will be made available in the materials relating to the convocation of the Annual General Meeting).

Signatures:

Filip Granek

Management Board President

Jacek Olszański

Management Board Member