shaping global nanofuture

ANNUAL REPORT
FOR 2017

XTPL S.A.

Wrocław, 31.03.2018 r.

XTPL S.A.
Stabłowicka 147
54-066 Wrocław, Poland
xt-pl.com

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Dear Shareholders,

"Ever since the dawn of the smartphone age, back when we started making serious money, everyone has been asking me how we have managed to build a 32-billion--dollar company on nothing but designing processors – without going into manufacturing and without a recognizable brand. To that, I have one answer: it's because of the homework we had been doing beforehand, in the isolation of our laboratories and in the offices of plant managers" – these are the words of Mike Muller, one of the founders of the British ARM Holdings and the creator of groundbreaking processor manufacturing solutions that outpaces the competition. Today, ARM technology is purchased by the top players in the industry: Apple, Samsung, LG and other market leaders.

"Think big" is not just an empty buzzword, which is why I have no doubt that the case of ARM is the one that we will follow as well: XTPL has been designed to provide the unique knowledge and technology sought by the world's biggest industrial companies. We have set up a coherent process, the creation of which was preceded by solid homework – years of research and testing. The goal of our continuous, fast-paced progress is clear: XTPL solutions are to revolutionize the global industry. That is why we do not view ourselves as a start-up anymore, but rather as a scale-up, a global market challenger, a company entering the most intensive period of its development.

Rather than using vague words like "innovation", I prefer to present the achievements and measures that are bringing us ever-closer to our objective – the universal take-up of our solutions in industry. We are in more than a dozen open, active discussions with potential partners interested in joint development of XTPL technology under JDAs (joint development) or JVs (joint venture) agreements. Our business development department is keeping closely in touch with a large and growing number of potential clients, who have clearly expressed their interest in a possibility to purchase our nanoprinting solutions. This group includes major, well known companies from the USA and around the world. Silicon Valley, Anaheim, Berlin, Miami, Hanover – these are just a few of the places where XTPL representatives are set to appear in the near future – invited both to the largest trade fairs and to the vast offices of industry leaders.

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Technological barriers are meant to be broken. This is why we are finishing our preparations to launch the production of laboratory printers. Earlier on, we overcame another technological limit: using our unique method, protected by an international patent application, we have managed to print conductive lines thinner than 100 nm – an unparalleled level of precision that cannot be replicated by any other printing method in the world. This breakthrough has put us on the map and attracted attention of manufacturers of electronics, displays, photovoltaic technology, biosensors, and others. This resulted in us signing letters of intent with companies from different continents whose combined revenues are measured in billions of dollars. From Germany, through China, to Canada and the USA – we have partners interested in doing business with us and implementing our breakthrough nanoprinting technology.

The potential benefits are worth pursuing: the value of the entire market of printed electronics in 2017 was estimated at USD 29.3bn. In 2027, this amount is forecast to reach USD 73bn. Today we realize that – much like ARM before the smartphone age – what we are currently witnessing is just the beginning of a boom spurred by technological breakthroughs. Due to the platform-like nature of XTPL solutions, they can be utilized in many fast-growing industries. We are continuously exploring and verifying new application areas for our technology, beyond the display or photovoltaic cell sectors – those include biosensors, anti-counterfeiting solutions, and microelectronics industries.

As nanoparticle specialists, we know particularly well that size truly matters. Therefore, in 2018 we will work on expanding XTPL together with a growing number of mentors and investors, including international ones. We are establishing an international Advisory Board to support our commercial projects. This positive, growth-promoting bit of upheaval also includes XTPL's transition to the main trading floor of the Warsaw Stock Exchange (pending) and the planned parallel listing of the Company on the Open Market in Frankfurt. After all, even with such a breakthrough technology at our disposal, we stick to the basic principle: in the eyes of investors, the title of a top business achiever has to be earned by hard work.

Yours faithfully,
Filip Granek
CEO, XTPL S.A.

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Selected financial data of XTPL S.A. for 2017

		2017	2016	2017	2016
Items	units	PLN		EUR	
Net sales	thous.	2 194.90	38.58	517.09	sie.82
Profit (loss) on sales	thous.	-3 840.50	-2 283.15	-904.78	-521.78
Profit (loss) on operating activities [EBIT]	thous.	-3 950.55	-2 282.07	-930.70	-521.53
EBITDA	thous.	-3 518.99	-2 282.07	-829.03	-521.53
Gross profit (loss)	thous.	-3 962.04	-2 288.96	-933.41	-523.11
Net profit (loss)	thous.	-3 962.04	-2 288.96	-933.41	-523.11
Depreciation and amortisation	thous.	469.88	295.63	110.70	67.56
sNet cash flows from operating activities	thous.	-3 751.06	-1 789.48	-899.34	-404.49
Net cash flows from investing activities	thous.	-442.91	-323.04	-106.19	-73.02
Net cash flows from financial activities	thous.	8 962.03	3 381.20	2 148.70	764.29
Total assets	thous.	8 052.38	2 616.46	1 930.61	591.42
Fixed assets	thous.	1 129.98	1 051.42	270.92	237.66
Current assets	thous.	6 922.40	1 565.04	1 659.69	353.76
Short-term receivables	thous.	280.59	133.68	67.27	30.22
Long-term receivables	thous.	14.15	14.15	mar.39	mar.20
Cash and cash equivalents	thous.	6 210.25	1 420.94	1 488.95	321.19
Shareholders' equity	thous.	7 181.38	1 754.08	1 721.78	396.49
Short-term liabilities	thous.	735.66	749.03	176.38	169.31
Long-term liabilities	thous.	25.22	0.00	06.maj	0.00
Number of shares	pcs.	1 695 220.00	1 400 200.00	1 695 220.00	1 400 200.00
Profit (loss) per share	PLN per share	-2.34	-1.63	-0.55	-0.37
Book value per share	PLN per share	kwi.24	sty.25	01.lut	0.28

PLN to EUR exchange rate(s) used:

Profit and loss account*	4,2447	4,3757
Balance sheet**	4,1709	4,4240

** respective items of the profit and loss account converted at an exchange rate calculated as an arithmetic mean of the average exchange rates of the National Bank of Poland as at the last day of each reporting month*

*** respective items of the balance sheet converted at the average exchange rate of the National Bank of Poland as at the balance sheet date*

Financial Statements of XTPL S.A.
prepared as at 31 December 2017

XTPL S.A.

Wrocław, 27 March 2018

Introduction to the financial statements prepared as at 31 December 2017

I. GENERAL INFORMATION

1. Name and registered office, core business of the entity and number in the relevant court register or records

XTPL SPÓŁKA AKCYJNA [JOINT-STOCK COMPANY]
ul. Stabłowicka 147, 54-066 Wrocław
KRS [National Court Register Number]: 0000619674
Regon [Polish Business Registry Number]: 361898062
NIP [VAT Number]: 9512394886

Core business:
PKD 72.19.Z Research and experimental development on natural sciences and engineering

2. Duration of the entity

XTPL S.A. was formed through the conversion of a limited liability company under the name XTPL Sp. z o.o., pursuant to the resolution of the Extraordinary General Meeting of Shareholders of the transformed company dated 25 April 2016. Notarial Deed with Notary's File number A 608/2016 was drawn up in the presence of Notary Klaudia Mazek in the Notarial Office "Kancelaria Notarialna Klaudia Mazek Notariusz, Natalia Pełny-Góralczyk Notariusz spółka cywilna" [civil law partnership], ul. Senatorska 24/3, Warsaw.
The Company was established for an indeterminate period of time.

3. Reporting period

The financial statements cover the period between 01 January 2017 and 31 December 2017.

4. The financial statements were drawn up on the assumption that the Company's economic activity shall continue for at least the next 12 months or more. No circumstances are known to us that would indicate any serious risks to the continuity of operations of the Company.

5. The financial report of the Company is subject to an audit by a certified auditor.

II. DESCRIPTION OF THE ADOPTED ACCOUNTING RULES (POLICIES)

1. The financial and tax year adopted by the Company coincides with the calendar year and lasts 12 full consecutive calendar months.

2. Assets and liabilities are calculated in accordance with the overarching accounting rules specified in the Accounting Act.

Regarding the year 2017, pursuant to Article 4 (1b) of the Accounting Act, the Company benefits from the derogation from the application of the provisions of the Act for the purpose of reliable and clear presentation in the following scope:
- co-financing for R&D purposes will be presented by the entity as operating revenues, not other operating revenues, in accordance with Article 3 (1) (32) (h).

3. For the purposes of recognition of particular assets and liabilities in the books, the Company has adopted the following arrangements:

a) components of fixed assets were recorded at net value,

b) short-term assets were recorded at nominal value,

c) inventories – there were none,

d) receivables and liabilities were recognised at the required payment value,

e) receivables and liabilities in foreign currencies at the time when they arose were recorded according to the average exchange rate announced for a given currency by the National Bank of Poland on the preceding day. Positive or negative differences in the exchange rate arising on the date of settlement of receivables or liabilities and resulting from the difference between the actual exchange rate used or the average rate announced for a given currency by the National Bank of Poland on the preceding day and the exchange rate on the day the receivables or liabilities arose, are recognized respectively as revenues or costs of financial operations.

f) due to the fact that it does not distort the value of assets and the financial result of the Entity, at the balance sheet date the valuation according to the average exchange rate announced for a given currency by the National Bank of Poland on the date was abandoned in respect of the outstanding receivables and liabilities in a foreign currency at the balance sheet day.

g) cash was recorded at nominal value,

h) depreciation write-offs are made in the following manner:
- fixed assets under PLN 350 are recognised on a one-off basis as costs of consumption of materials,
- fixed assets between PLN 350 and PLN 3,500 are subject to one-off depreciation in the month the assets were accepted for use or in the following month,
- other fixed assets are subject to depreciation according to their estimated useful life,
- intangible assets under PLN 700 are recognised on a one-off basis as costs of consumption of materials,
- intangible assets between PLN 700 and PLN 3,500 are subject to one-off depreciation in the month the assets were accepted for use or in the following month,
- other intangible assets are subject to deprecation according to their estimated useful life.

i) Equity is recognised at nominal value and included in the accounting books by type in accordance with the provisions of law and the Articles of Association of the Company.

j) leasing - as at the balance sheet day the Company has one concluded lease contract. The operating lease contract is classified for tax purposes as operating lease, and for the balance sheet purposes as financial lease. The Company applies a simplified declining depreciation method (sum of year digits/SOYD) to assets used under the lease contract.

k) fixed assets under construction including fixed assets undergoing construction/assembly or pre-existing fixed assets being upgraded/improved are valued at the total cost directly related to their purchase or manufacture less impairment write-offs.

l) the cost of R&D works, to the extent not regulated by the Accounting Act, is recognised by the Company according to the provisions of the International Accounting Standard No. 38 "Intangible assets" (IAS 38)
- research expenditure – no regulations – IAS standards for period costs are applied,
- development expenditure – recognised as cost prepayments and accruals,
- development works are recognized as intangible assets after completion and determination of a positive result,
- the balance sheet valuation of own development works is recorded as per

m) manufacturing cost less impairment write-offs.

4. The incurred expenditure is referred to the relevant reporting periods in accordance with the applicable principle of accrual. Costs relating to other reporting periods, in accordance with the principle of maintaining the matching of revenues and costs, are recognized as accruals and deferred income.

5. The financial statements include the balance sheet, the profit and loss account drawn up with the use of the comparative method, the cash flow statement, and the statement of changes in equity.

6. The valuation of other assets and liabilities as well as the components of the financial result complies with the principle of prudent valuation set out in the Accounting Act.

President of the Management Board

Member of the Management Board

Wrocław, this 27 March 2018

Person responsible for
keeping accounting records
Elżbieta Leszczyńska

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Balance sheet

Item	31.12.2017	31.12.2016
A. FIXED ASSETS	**1 129 981,34**	**1 051 417,78**
I. Intangible assets	**543 316,54**	**749 078,51**
1. Cost of completed development works	-	-
2. Goodwill	-	-
3. Other intangible assets	543 316,54	749 078,51
4. Prepaid intangible assets	-	-
II. Tangible fixed assets	**572 515,80**	**288 190,27**
1. Fixed assets	**571 957,41**	**247 149,50**
a) land (including usufructuary rights to land)	-	-
b) buildings, premises, rights to premises and civil engineering structures	-	-
c) plant and machinery	377 765,45	28 676,55
d) vehicles	50 237,45	91 056,91
e) other fixed assets	143 954,51	127 416,04
2. Fixed assets under construction	558,39	41 040,77
3. Prepaid fixed assets under construction	-	-
III. Long-term receivables	**14 149,00**	**14 149,00**
1. From subsidiaries and affiliates	-	-
2. From other entities, in which the entity holds interest	-	-
3. From other entities	14 149,00	14 149,00
IV. Long-term investments	**-**	**-**
1. Immovable property	-	-
2. Intangible assets	-	-
3. Long-term financial assets	-	-
a) in subsidiaries and affiliates	-	-
- shares or stocks	-	-
- other securities	-	-
- loan receivables	-	-
- other long-term financial assets	-	-
b) in other entities, in which the entity holds interest	-	-
- shares or stocks	-	-
- other securities	-	-
- loan receivables	-	-

Item	31.12.2017	31.12.2016
- other long-term financial assets	-	-
b) in other entities	-	-
- shares or stocks	-	-
- other securities	-	-
- loan receivables	-	-
- other long-term financial assets	-	-
4. Other long-term investments	-	-
V. Long-term prepayments and accruals	**-**	**-**
1. Assets resulting from deferred income tax	-	-
2. Other prepayments and accruals	-	-
B. CURRENT ASSETS	**6 922 398,22**	**1 565 044,18**
I. Inventories	**-**	**4 936,16**
1. Materials	-	-
2. Semi-finished goods and work in progress	-	-
3. Finished goods	-	-
4. Goods	-	-
5. Prepaid inventories and services	-	4 936,16
II. Current receivables	**280 585,23**	**133 678,00**
1. Receivables from subsidiaries and affiliates	-	-
a) for inventories and services due within:	-	-
- up to 12 months	-	-
- over 12 months	-	-
b) other	-	-
2. Receivables from other entities, in which the entity holds interest	-	-
a) for inventories and services due within:	-	-
- up to 12 months	-	-
- over 12 months	-	-
b) other	-	-
3. Receivables from other entities	**280 585,23**	**133 678,00**
a) for inventories and services due within:	8 216,33	-
- up to 12 months	8 216,33	-
- over 12 months	-	-
b) taxes, customs duties, social and health insurance, and other regulatory liabilities	263 238,20	119 700,17
c) other	9 130,70	13 977,83

Item	31.12.2017	31.12.2016
d) disputed receivables	-	-
III. Short-term investments	**6 210 250,08**	**1 420 944,85**
1. Short-term financial assets	**6 210 250,08**	**1 420 944,85**
a) in subsidiaries and affiliates	-	-
- shares or stocks	-	-
- other securities	-	-
- loan receivables	-	-
- other short-term financial assets	-	-
b) in other entities	-	-
- shares or stocks	-	-
- other securities	-	-
- loan receivables	-	-
- other short-term financial assets	-	-
c) cash and cash equivalents	6 210 250,08	1 420 944,85
- cash on hand and in bank	288 991,46	1 420 944,85
- other cash	5 921 258,62	-
- other cash equivalents	-	-
2. Other short-term investments	-	-
IV. Short-term prepayments and accruals	431 562,91	5 485,17
C. CALLED UP SHARE CAPITAL	-	-
D. TREASURY SHARES	-	-
TOTAL ASSETS	**8 052 379,56**	**2 616 461,96**

Wrocław, this 27 March 2018

signature of the person responsible for keeping accounting records

signature of the Head of Entity

Item	31.12.2017	31.12.2016
A. SHAREHOLDERS' EQUITY	**7 181 375,75**	**1 754 084,54**
I. Share capital	169 522,00	140 020,00
II. Supplementary capital, including:	11 380 803,19	4 309 943,64
- surplus on sale of shares (issue value) over nominal value of shares	11 380 803,19	4 309 943,64
III. Capital from revaluations, including:	-	-
- due to revaluation of fair value	-	-
IV. Other reserve capital, including:	**-**	**-**
- established in line with the company's articles of association	-	-
- for treasury shares	-	-
V. Profit (loss) brought forward	-406 907,75	-406 907,75
VI. Net profit (loss)	-3 962 041,69	-2 288 971,35
VII. Write-offs from net profit during the financial year (negative value)	-	-
B. LIABILITIES AND PROVISIONS FOR LIABILITIES	**871 003,81**	**862 377,42**
I. Provisions for liabilities	**110 122,00**	**-**
1. Accrued deferred income tax liability	-	-
2. Provisions for retirement and similar benefits	96 122,00	-
- long-term	-	-
- short-term	96 122,00	-
3. Other provisions	14 000,00	-
- long-term	-	-
- short-term	14 000,00	-
II. Long-term liabilities	**25 219,78**	**-**
1. Liabilities to subsidiaries and affiliates	-	-
2. Liabilities to other entities, in which the entity holds interest	-	-
3. Liabilities to other entities	25 219,78	-
a) loans payable	-	-
b) liabilities resulting from issue of debt securities	-	-
c) other financial obligations	25 219,78	-
d) notes payable	-	-
e) other	-	-
III. Short-term liabilities	**735 662,03**	**749 023,40**
1. Liabilities to subsidiaries and affiliates	-	-
a) for supplies and services due within:	-	-
- up to 12 months	-	-

Item	31.12.2017	31.12.2016
- over 12 months	-	-
b) other	-	-
2. Liabilities to other entities, in which the entity holds interest	-	-
a) for supplies and services due within:	-	-
- up to 12 months	-	-
- over 12 months	-	-
b) other	-	-
3. Liabilities to other entities	**735 662,03**	**749 023,40**
a) loans payable	-	350 220,47
b) liabilities resulting from issue of debt securities	-	-
c) other financial obligations	25 017,67	-
d) for inventories and services due within:	296 840,21	184 757,23
- up to 12 months	296 840,21	184 757,23
- over 12 months	-	-
e) prepaid supplies and services	-	-
f) notes payable	-	-
g) taxes, customs duties, social and health insurance, and other regulatory liabilities	237 987,43	77 001,31
h) remuneration liabilities	162 874,68	104 881,29
i) other	12 942,04	32 163,10
4. Special funds	-	-
IV. Accruals and deferred income	**-**	**113 354,02**
1. Negative goodwill	-	-
2. Other accruals and deferred income	-	113 354,02
- long-term	-	-
- short-term	-	113 354,02
TOTAL LIABILITIES	**8 052 379,56**	**2 616 461,96**

Wrocław, this 27 March 2018

signature of the person responsible for keeping accounting records

signature of the Head of Entity

Profit and Loss Account

Item	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
A. NET REVENUES FROM SALES AND EQUIVALENT, INCLUDING:	**2 194 901,58**	**38 577,88**
- from subsidiaries and affiliates	-	-
I. Net revenues from sales of products	1 763 338,67	38 577,88
II. Change in the balance of products (increase – positive value, decrease – negative value)"	431 562,91	-
III. Manufacturing cost of products for internal purposes	-	-
IV. Net revenues from sales of goods and materials	-	-
B. OPERATING EXPENSES	**6 035 402,02**	**2 321 732,56**
I. Depreciation and amortisation	469 880,82	295 631,26
II. Consumption of materials and energy	312 503,27	71 140,09
III. Outsourcing	2 231 621,67	928 803,90
IV. Taxes and charges, including:	47 430,62	13 047,65
- excise tax	-	-
V. Remuneration	2 291 497,53	827 321,66
VI. Social security and other benefits, including:	390 350,49	155 002,42
- pension benefits	278 338,71	114 639,26
VII. Other expenses by type	292 117,62	30 785,58
VIII. Value of goods and materials sold	-	-
C. PROFIT (LOSS) ON SALES (A-B)	**-3 840 500,44**	**-2 283 154,68**
D. OTHER OPERATING REVENUES	**11 005,76**	**1 199,12**
I. Profit from outflow of non-financial assets	-	-
II. Co-financing	-	-
III. Revaluation of non-financial assets	-	-
IV. Other	11 005,76	1 199,12
E. OTHER OPERATING EXPENSES	**121 057,02**	**119,85**
I. Profit on sale of non-financial fixed assets	-	-
II. Revaluation of non-financial assets	-	-
III. Other operating expenses	121 057,02	119,85
F. PROFIT (LOSS) ON OPERATING ACTIVITIES (C+D-E)	**-3 950 551,70**	**-2 282 075,41**
G. FINANCIAL REVENUES	**35 725,96**	**-**
I. Dividend and share in profits, including:	-	-

Item	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
a) from subsidiaries and affiliates, including:	-	-
- those in which the entity holds a share in the capital	-	-
b) from other entities, including:	-	-
- those in which the entity holds a share in the capital	-	-
II. Interest, including:	35 725,96	-
- from subsidiaries and affiliates	-	-
III. Profit from outflow of financial assets, including:	-	-
- in subsidiaries and affiliates	-	-
IV. Revaluation of non-financial assets	-	-
V. Other	-	-
H. FINANCIAL COSTS	**47 215,95**	**6 895,94**
I. Interest, including:	36 268,75	5 281,77
- for subsidiaries and affiliates	-	-
II. Loss from outflow of financial assets, including:	-	-
- in subsidiaries and affiliates	-	-
III. Revaluation of non-financial assets	-	-
IV. Other	10 947,20	1 614,17
I. GROSS PROFIT (LOSS) (F+G-H)	**-3 962 041,69**	**-2 288 971,35**
J. INCOME TAX	**-**	**-**
K. OTHER STATUTORY REDUCTIONS IN PROFIT (INCREASE IN LOSS)	**-**	**-**
L. NET PROFIT (LOSS) (I-J-K)	**-3 962 041,69**	**-2 288 971,35**

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signature of the person responsible for keeping accounting records

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signature of the Head of Entity

Wrocław, this 27 March 2018

Cash flow statement

Item	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		
I. Net profit (loss)	-3 962 041,69	-2 288 971,35
II. Total adjustments	210 984,21	499 495,22
1. Depreciation and amortisation	469 880,82	295 631,26
2. Profit (loss) due to exchange differences	-	-
3. Dividend and share in profits	542,79	5 220,47
4. Profit (loss) on operating activities	-	-
5. Change in provisions	110 122,00	-
6. Change in inventories	4 936,16	-3 875,76
7. Change in receivables	-146 907,23	-106 023,83
8. Change in short-term liabilities excluding loans	311 841,43	352 606,13
9. Change in prepayments and accruals	-539 431,76	-5 485,17
10. Other adjustments	-	-38 577,88
III. Net cash flows from operating activities (I+/-II)	**-3 751 057,48**	**-1 789 476,13**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
I. Inflows	105 524,25	-
1. Disposal of intangible and tangible fixed assets	91 056,91	-
2. Disposal of investments in real property and in intangible assets	-	-
3. From financial assets, including:	14 467,34	-
a) in subsidiaries and affiliates	-	-
b) in other entities	14 467,34	-
- sales of financial assets	-	-
- dividend and share in profits	-	-
- repayment of granted long-term loans	-	-
- interest	14 467,34	-
- other inflows from financial assets	-	-
4. Other inflows from investing activities	-	-
II. Outflows	**548 444,38**	**323 044,72**
1. Purchase of intangible assets and tangible fixed assets	548 444,38	323 044,72
2. Investments in real property and intangible assets	-	-
3. For financial assets, including:	-	-

Item	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
a) in subsidiaries and affiliates	-	-
b) in other entities	-	-
- purchase of financial assets	-	-
- long-term loan receivables	-	-
4. Other outflows from investing activities	-	-
III. Net cash flows from investing activities (I-II)	**-442 920,13**	**-323 044,72**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
I. Inflows	10 639 332,90	3 381 203,04
1. Net inflows from issuance of shares and other capital instruments and from capital contributions	9 389 332,90	2 894 963,64
2. Loans payable	1 250 000,00	345 000,00
3. Issuance of debt securities	-	-
4. Other inflows from financial activities	-	141 239,40
II. Outflows	1 677 308,68	-
1. Purchase of own shares	-	-
2. Dividend and other payments to shareholders	-	-
3. Profit distribution liabilities other than profit distribution payments to shareholders	-	-
4. Repayment of loans and advances	1 595 000,00	-
5. Redemption of debt securities	-	-
6. Payment of other financial liabilities	-	-
7. Payment of liabilities arising from financial leases	40 819,46	-
8. Interest	41 489,22	-
9. Other outflows from financial activities	-	-
III. Net cash flows from financial activities (I-II)	**8 962 024,22**	**3 381 203,04**
D. TOTAL NET CASH FLOWS (A.III +/- B.III +/- C.III)	**4 768 046,61**	**1 268 682,19**
E. BALANCE SHEET CHANGE IN CASH, INCLUDING	4 789 305,23	1 268 682,19
- change in cash due to exchange differences	-	-
F. CASH OPENING BALANCE	1 420 944,85	152 262,66
G. CLOSING BALANCE OF CASH (F +/- D), INCLUDING	**6 188 991,46**	**1 420 944,85**
- of limited disposability	-	-

Wrocław, this 27 March 2018

signature of the person responsible for keeping accounting records

signature of the Head of Entity

Report on changes in equity

Item	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
I. Opening balance of equity (OBE)	1 754 084,54	1 148 092,25
- changes in accounting rules (policies)	-	-
- adjustments of errors	-	-
I.a. Opening balance of equity (OBE), adjusted	**1 754 084,54**	**1 148 092,25**
1. Opening balance of share capital	140 020,00	100 000,00
1.1. Changes in share capital	29 502,00	40 020,00
a) increase from:	29 502,00	40 020,00
- issuance of shares	29 502,00	40 020,00
b) decrease due to:	-	-
- redemption of shares	-	-
1.2. Closing balance of share capital	169 522,00	140 020,00
2. Opening balance of supplementary capital	4 309 943,64	1 455 000,00
2.1. Changes in supplementary capital	7 070 859,55	2 854 943,64
a) increase from:	9 359 830,90	2 854 943,64
- issue of shares above face value	9 359 830,90	2 854 943,64
- profit distribution (statutory)	-	-
- profit distribution (in excess of the minimum statutory value)	-	-
b) decrease due to:	2 288 971,35	-
- loss coverage	2 288 971,35	-
- koszty emisji (listopad 2017)	-	-
2.2. Closing balance of supplementary capital	11 380 803,19	4 309 943,64
3. Opening balance of revaluation reserve - changes in accounting rules (policies)"	-	-
3.1. Changes in revaluation reserve	-	-
a) increase due to:	-	-
b) decrease due to:	-	-
- transfer of fixed assets	-	-
3.2. Closing balance of revaluation reserve	-	-
4. Opening balance of other reserve capital	-	-
4.1. Changes of other reserve capital	-	-
a) increase due to:	-	-

Item	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
b) decrease due to:	-	-
4.2. Closing balance of other reserve capital	-	-
5. Opening balance of profit (loss) brought forward	-2 695 879,10	-406 907,75
5.1. Opening balance of profit brought forward	-	-
- changes in accounting rules (policies)	-	-
- adjustments of errors	-	-
5.2. Opening balance of profit brought forward, adjusted	-	-
a) increase from:	-	-
- distribution of profit brought forward	-	-
b) decrease due to:	-	-
5.3. Closing balance of profit brought forward	-	-
5.4. Opening balance of loss brought forward	-2 695 879,10	-406 907,75
- changes in accounting rules (policies)	-	-
- adjustments of errors	-	-
5.5. Opening balance of loss brought forward, adjusted	-2 695 879,10	-406 907,75
a) increase from:	2 288 971,35	-
- profit (loss) brought forward for covering	2 288 971,35	-
b) decrease due to:	-	-
5.6. Closing balance of loss brought forward	-406 907,75	-406 907,75
5.7. Closing balance of profit (loss) brought forward	-406 907,75	-406 907,75
6. Net profit (loss)	-3 962 041,69	-2 288 971,35
a) net profit	-	-
b) net loss	-3 962 041,69	-2 288 971,35
c) write-offs on profit	-	-
II. Closing balance of equity (CBO)	**7 181 375,75**	**1 754 084,54**
III. Equity, including proposed profit distribution (loss coverage)	**-**	**-**

Wrocław, this 27 March 2018

signature of the person responsible for keeping accounting records

signature of the Head of Entity

XTPL S.A.
Stabłowicka 147
54-066 Wrocław, Poland
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shaping global nanofuture

Additional information and notes

The Company accounts and financial statements as at 31 December 2017 were prepared on the basis of the provisions of the Accounting Act (Journal of Laws 2016, item 1047, as amended).
In accordance with Appendix 1 of the Act the financial statements include the balance sheet, profit and loss account, statement of cash flows and statement of changes in equity.
The reporting period is from 01 January 2017 to 31 December 2017.

I. Additional information and notes to the balance sheet

Detailed scope of changes in tangible and intangible fixed assets and long-term investments by category.

1) As at the balance sheet date, the entity holds intangible assets of the net book value of PLN 543 316.54.
The detailed scope of changes in intangible assets is included in Appendix 1 hereto.

2) Cost of completed development works and the amount of goodwill, as well as an explanation of the period over which they are written off, as specified in Article 33 (3) and Article 44b (10) – not applicable.

3) The entity holds assets of the net book value of PLN 571,957.41, including land value of PLN 0.00.
The detailed scope of changes in tangible fixed assets by category is included in Appendix 2 hereto.

The value of fixed assets under construction and cost of fixed assets under construction

CB 31.12.2016	Expenditure incurred in the financial year	Detailed expenditure				**CB 31.12.2017**
		Buildings, premises and civil engineering structures	Plant and machinery	Vehicles	Other fixed assets	
41 040.77	**520 539.55**		**487 579.34**		**73 442.59**	**558.39**

4) Value of leased land in perpetual usufruct – not applicable.

5) Value of non-depreciated fixed assets used under lease, tenancy or similar agreements.
Net value of depreciated fixed assets used under lease, tenancy or similar agreements.

A lease contract for the premises located in Wrocław at ul. Stabłowicka 147 expiring on 31 August 2019.
A lease contract for the premises located in Bielsko-Biała at ul. B. Prusa 61 expiring on 31 July 2018.

6) Number and value of the securities or rights held, including share certificates, convertible debt securities, warrants and options, including the rights they confer – not applicable.

7) Change in long-term receivables and details of write-offs on receivables

Specification		As at 31.12.2017			As at 31.12.2016		
		gross value	write-offs	net value	gross value	write-offs	net value
- from other entities:							
1	EIT+ (deposit)	14 149.00	0.00	14 149.00	14 149.00	0.00	14 149.00
subtotal		14 149.00	0.00	14 149.00	14 149.00	0.00	14 149.00
Total		**14 149.00**	**0.00**	**14 149.00**	**14 149.00**	**0.00**	**14 149.00**

Changes in long-term investments – not applicable.

Change in long-term financial assets – in subsidiaries and affiliates,
in entities in which the entity holds interest and in other entities – not applicable.

8) Information on the ownership structure of the share capital and the number and nominal value of subscribed shares, including preferred shares.

Item	Series/issue Type of shares	Kind of preference	Number of shares	Value of series/ issue at nominal value	Method of capital contribution	Date of registration	Right to dividend (as of)
1	series A	ordinary	670 000	67 000.00	cash contribution	01.06.2016	
2	series B	ordinary	300 000	30 000.00	cash contribution	01.06.2016	
3	series C	ordinary	30 000	3 000.00	cash contribution	01.06.2016	
4	series D	ordinary	198 570	19 857.00	cash contribution	21.12.2016	
5	series E	ordinary	19 210	1 921.00	cash contribution	21.12.2016	
6	series F	ordinary	19 210	1 921.00	cash contribution	21.12.2016	
7	series G	ordinary	68 720	6 872.00	cash contribution	21.12.2016	
8	series H	ordinary	68 720	6 872.00	cash contribution	21.12.2016	

Item	Series/issue Type of shares	Kind of preference	Number of shares	Value of series/ issue at nominal value	Method of capital contribution	Date of registration	Right to dividend (as of)
9	series I	ordinary	10 310	1 031.00	cash contribution	21.12.2016	
10	series J	ordinary	5 150	515.00	cash contribution	21.12.2016	
11	series K	ordinary	10 310	1 031.00	cash contribution	21.12.2016	
11	series L	ordinary	140 020	14 002.00	cash contribution	28-03-2017	
11	series M	Ordinary	155 000	15 500.00	cash contribution	18-08-2017	
Total equity		**X**	**1 695 220**	**169 522.00**	**X**	**X**	**X**

9) Opening balance of the financial year, increases, utilisation and closing balance of supplementary capital.

Specification		As at 31.12.2017	As at 31.12.2016
1.	**Opening balance of supplementary capital**	**4 309 943.64**	**1 455 000.00**
01.sty	Changes in supplementary capital	7 070 859.55	2 854 943.64
a)	increase due to	9 359 830.90	2 854 943.64
	Agio	9 359 830.90	2 854 943.64
b)	decrease due to	2 288 971.35	0.00
	coverage of loss brought forward	2 288 971.35	
01.lut	**Supplementary capital closing balance**	**11 380 803.19**	**4 309 943.64**

10) Proposals on distribution of profit or coverage of loss for the financial year.

The Management Board proposes to cover the balance sheet loss of PLN 3 962 041.69 with supplementary capital funds.

11) Information on the state of provisions according to the purpose of their creation at the beginning of the financial year, on increases, use, reversal and their final status.

Provisions for retirement and similar benefits

Specification	Long service award plans	Service retirement allowance	Annual leave	Other	Total
CB 31.12.2016, including:	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
- long-term					0.00
- short-term					0.00

Specification	Long service award plans	Service retirement allowance	Annual leave	Other	Total
Increases			96 122.00		96 122.00
Use					0.00
Reversal					0.00
CB 31.12.2017, including:	**0.00**	**0.00**	**96 122.00**	**0.00**	**96 122.00**
- long-term			0.00		0.00
- short-term	0.00		96 122.00		96 122.00

Other provisions

Specification	Repairs under warranty	Disputes	Other	Total
CB 31.12.2016, including:	0.00	0.00	0.00	0.00
- long-term				0.00
- short-term				0.00
Increases			14 000.00	14 000.00
Use				0.00
Reversal				0.00
CB 31.12.2017, including:	**0.00**	**0.00**	**14 000.00**	**14 000.00**
- long-term				0.00
- short-term			14 000.00	14 000.00

Other provisions set up for:

1. Audit of the financial statements – PLN 8 000.00
2. Supporting services for the audit of the financial statements – PLN 6 000.00

12) Breakdown of long-term liabilities by balance sheet item with the contractual payment due date from the balance sheet date:

a) between 1 and 3 years – other financial liabilities – PLN 25 219.78
b) between 3 and 5 years,
c) 5 years and more,

13) Liabilities secured by the entity's assets, including the nature and form of the security – not applicable.

14) List of material accruals and prepayments (by item)

Item	Specification (titles)	Stan na	
		Total cost prepayments, including:	BZ 31.12.2016
1	rents paid in advance	**431 562.91**	**5 485.17**
	personal insurance policies and assets insurance policies	0.00	0.00
	experimental development works under ROP [Regional Operational Programme]	Other	5 485.17
	Total accruals and deferred income, including:	429 760.24	0.00
2	negative goodwill	0.00	0.00
	value of co-financing for construction of fixed assets and R&D works	**0.00**	**113 354.02**
	value of fixed assets received free of charge	0.00	0
	wartość dotacji na budowę środków trwałych, na prace rozwojowe	0.00	113 354.02
	wartość nieodpłatnie otrzymanych środków trwałych	0.00	0.00

15 Assets recorded in multiple balance sheet items, including relationship between these items:
Settlements of financial leases are presented in the financial report as liabilities under items B.II.3.(c) and B.III.3.(c)

16) Contingent liabilities, including any guarantees, suretyships, and endorsements not reported in the balance sheet, including specification of liabilities secured by the entity's assets, and the nature and form of the collateral security:

The contingent liabilities comprise promissory notes (with promissory note declarations) issued by the Company as collateral for performance of agreements for co-financing of projects financed from EU funds:

1. the agreement no. POIR.01.01.01-00-1690/15-00 – a promissory note for 100% of co-financing plus interest, i.e. for the amount of PLN 9 846 969.14 PLN plus interest
2. the agreement no. POIR.02.03.04-02-0001/16-00 – a promissory note for 100% of co-financing plus interest, i.e. for the amount of PLN 387 100.00 PLN plus interest
3. the agreement no. GO_GLOBAL.PL(II)-0011/16 – a promissory note for 200% of co-financing plus interest, i.e. for the amount of PLN 132 783.81 PLN plus interest
4. the agreement no. UDA-POIR.03.01.05-02-0003/17-00 – a non-endorsable blank promissory note with a notarised signature or signed in the presence of an authorized representative of the Intermediary Body, along with the promissory note declaration.
5. the lease contract no. 0360032016/KR/246634 – a blank promissory note with a promissory note declaration ZAB/297457/17/86262291

17) List of non-financial assets measured at fair value – not applicable.

18) Explanations to financial instruments.

Short-term deposit financial assets are measured at nominal value. The (unnotified) interest on deposits calculated by the Company as at the balance sheet date increases financial revenues.

II. ADDITIONAL INFORMATION AND NOTES TO THE PROFIT AND LOSS ACCOUNT

1) Net income from sales of products, goods and materials, by type (of commercial activity) and by territory (domestic, export).

By territory	01.01.2017-31.12.2017	01.01.2016-31.12.2016
Total sales of products and services, including:	**1 763 338.67**	**38 577.88**
Domestic	1 763 338.67	38 577.88
Export		
Total sales of goods and materials, including:	**0.00**	**0.00**
Domestic		
Export		
Including sales from subsidiaries and affiliates of:	**0.00**	**0.00**
1. Sales of products and services	0.00	0.00
Domestic		
Export		
2. Sales of goods and materials	0.00	0.00
Domestic		
Export		
TOTAL	**1 763 338.67**	**38 577.88**

2) Amounts and explanation of reasons for fixed assets write-offs – not applicable.

3) Amounts of inventory write-offs – not applicable

4) Information on revenues, costs and results of operations discontinued in the financial year or expected to be discontinued in the subsequent year – not applicable.

5) Reconciliation of the main differences between the income tax base and the accounting profit (loss) before tax.

Differences between the balance sheet loss and the tax loss are presented in the table below:

	Specification	01.01.2017-31.12.2017	01.01.2016-31.12.2016
Balance sheet income			
1.	Sales of products and services	2 194 901.58	38 577.88
2.	Other operating revenues	102 062.67	1 199.12
3.	Financial revenues	35 787.77	**0.00**
	Total	**2 332 752.02**	**39 777.00**
Revenues increasing the tax base			
	Total	**0.00**	**0.00**
Revenues excluded from the tax base			
1.	Co-financing	1 763 338.67	38 577.88
2.	Financial revenues – non-tax	21 258.62	523.00
3.	Adjustment for increase (decrease) in products	431 562.91	
	Total	**2 216 160.20**	**39 100.88**
	TAXABLE INCOME	**116 591.82**	**676.12**
Balance sheet costs			
1.	Core operating expenses	6 035 402.02	2 321 732.56
2.	Other operating expenses	212 113.93	119.85
3.	Financial costs	47 277.76	6 895.94
	Total	**6 294 793.71**	**2 328 748.35**
Non-deductible costs			
1.	Depreciation and amortisation of non-deductible fixed assets and intangible assets	245 719.52	214 022.43
2.	Consumption of non-deductible materials	93 506.24	
3.	Non-deductible outsourcing	276 505.21	38 577.88
4.	Non-deductible taxes and charges, including:	17 821.45	2 044.00
5.	Non-deductible remuneration	812 524.59	3 000.00
6.	Non-deductible social security (ZUS) contributions	131 886.10	29 865.42
7.	Other non-deductible expenses	40 888.06	
8.	Non-deductible interest	256.10	5 276.47
9.	Other non-deductible operating expenses	927.86	110.62
10.	Adjustment of 2016 costs	951 615.29	
	Total	**2 571 650.42**	**292 896.82**

Specification		01.01.2017-31.12.2017	01.01.2016-31.12.2016
Other adjustments of deductible costs			
1.	Social security (ZUS) contributions paid in 2017	29 865.42	5 265.87
	Total	**29 865.42**	**5 265.87**
TOTAL DEDUCTIBLE COSTS		**3 753 008.71**	**2 041 117.40**

Corporate income tax base	**-3 636 417.00**	**-2 040 441.00**
Corporate income tax rate	0.19	0.19
Income tax (liability)	**0.00**	**0.00**

The Management Board did not establish any deferred tax assets for tax losses, as no highly probable losses to be settled were forecast for the following year. The Company will create such assets during taxable revenue periods. Other temporary differences constituting a basis for the establishment of deferred tax assets and provisions are immaterial, therefore deferred tax assets and provisions were not recognized.

6) Cost of products for internal purposes and costs incurred by type – for entities which draw up their profit and loss accounts by function – not applicable.

7) Cost of fixed assets under construction; including interest and capitalized FX differences on liabilities incurred to cover the cost of the assets

Item	Specification	CB 31.12.2017	CB 31.12.2016
	Value total, including:	**3 049.34**	131.35
1	interest	0.00	0.00
2	capitalized FX differences	**3 049.34**	131.35

8) Interest and FX differences resulting in increased purchase price of goods or increased product manufacturing costs in the financial year – not applicable.

9) Expenditure on non-financial fixed assets incurred in the last year and planned for the next year; incurred and planned expenditure on environmental protection should be listed separately.

Expenditure on non-financial fixed assets:	CB 31.12.2017	CB 31.12.2016
- incurred during the year	**555 853.78**	**231 987.81**
- planned for the next year	**0.00**	**400 000.00**
including environmental protection expenditure:	**0.00**	**0.00**

Expenditure on non-financial fixed assets:	CB 31.12.2017	CB 31.12.2016
- incurred during the year		
- planned for the next year		

10) Amount and nature of extraordinary or incidental costs and revenues – not applicable.

11) Revenues from long-term contracts – not applicable.

III. ADDITIONAL INFORMATION AND NOTES TO THE CASH FLOW STATEMENT

	Specification	01.01.2017-31.12.2017	01.01.2016-31.12.2016
1.	**Depreciation and amortisation**	**469 880.82**	**295 631.26**
	depreciation and amortisation of intangible assets	233 666.80	227 174.38
	depreciation and amortisation of fixed assets	236 214.02	68 456.88
2.	**Dividend and share in profits include:**	**542.79**	**5 220.47**
	interest paid on loans granted	41 489.22	
	interest paid on credits		
	accrued interest	-14 467.34	
	interest on debt securities		
	interest paid on long-term receivables		
	received dividend		
	accrued interest on loans granted	-5 220.47	5 220.47
	accrued interest on term deposit	-21 258.62	
3.	**Profit (loss) on investment activities results from:**	**0.00**	**0.00**
	sales of intangible assets		
	net value of intangible assets sold		
	sales of fixed assets		
	net value of fixed assets sold		
	net value of liquidated fixed assets		
	revaluation of fixed assets		
	revaluation of short-term financial assets		
4.	**Change in provisions results from the following items:**	**110 122.00**	**0.00**
	balance sheet change in provisions	110 122.00	

	Specification	01.01.2017-31.12.2017	01.01.2016-31.12.2016
5.	**Change in inventories results from the following items:**	**4 936.16**	**-3 875.76**
	balance sheet change in inventories	4 936.16	-3 875.76
	transfers to/from fixed assets		
6.	**Change in receivables results from the following items:**	**-146 907.23**	**-106 023.83**
	balance sheet change in short-term receivables	-146 907.23	-102 567.33
	balance sheet change in long-term receivables		-14 149.00
	adjustment for retained security deposits		10 692.50
7.	**Change in short-term liabilities excluding loans, results from the following items:**	**311 841.43**	**352 606.13**
	balance sheet change in short-term liabilities	311 841.43	352 606.13
8.	**Change in prepayments and accruals results from the following items:**	**-539 431.76**	**-5 485.17**
	change in short-term prepayments and accruals		
	change in long-term prepayments and accruals	-426 077.74	-5 485.17
	change in accruals and deferred income	-113 354.02	
9.	**The item "Other adjustments" includes:**	**0.00**	**-38 577.88**
	liquidation of fixed assets		
	received operating co-financing		-38 577.88
	change in contribution in kind		

The balance sheet amount of cash and cash equivalents as at the end of the 2017 financial year is PLN 6 210 250.08, while the cash flow statement closing balance is PLN 6 189 991.46. The difference of PLN 21 258.62 is the value of the interest on the term deposit accrued but not received as at the balance sheet date.

V. Explanatory notes to the agreements and contracts concluded by the entity, significant transactions and certain personal matters

1) The nature and commercial goal of agreements entered into by the entity and not recognised in the balance sheet to the extent required to assess their impact on the entity's material and financial standing and the entity's financial result

As at December 31 2017 the Company is a party to the following co-financing agreements:

- the agreement no. POIR.01.01.01-00-1690/15-00
- the agreement no. POIR.02.03.04-02-0001/16

- the agreement no. GO_GLOBAL.PL(II)-0011/16
- the agreement no. UDA-POIR.03.01.05-02-0003/17

2) Material transactions (including amounts) made between the Company and subsidiaries/affiliates on conditions different than market conditions – not applicable

3) Average employment in the financial year, by profession.

Item	Specification	Average employment
1	White-collar employees	20
2	Blue-collar employees	0
3	People employed abroad	0
4	Students	0
5	Persons on unpaid and parental leave	0
	Total	**20**

4) Remuneration (including profit-based remuneration) paid or payable to members of management, supervisory or administrative bodies of commercial companies (separately for each of the groups) in the financial year

	Specification	Managing bodies	Administrative bodies	Supervisory bodies	Total
	01.01.2017 - 31.12.2017				
1	remuneration	693 522.16			693 522.16
2	profit-based remuneration				0.00
3	pensions and benefits of like nature received by ex-members of the bodies				0.00
4	liabilities incurred towards pension payments				0.00
	Total	**693 522.16**	**0.00**	**0.00**	
	01.01.2016 - 31.12.2016				
1	remuneration	130 000.00			130 000.00
2	profit-based remuneration				0.00
3	pensions and benefits of like nature received by ex-members of the bodies				0.00
4	liabilities incurred towards pension payments				0.00
	Total	**130 000.00**	**0.00**	**0.00**	

5) Amounts of advances, loans and similar benefits granted to members of management, supervisory and administrative bodies of commercial entities (separately for each of the groups), with an indication of interest terms and due dates – not applicable.

6) Remuneration paid or payable to certified auditors or entities qualified to audit financial statements for the financial year.

	Specification	01.01.2017-31.12.2017	01.01.2016-31.12.2016
1	Obligatory audit of the annual financial statements	8 000.00	14 000.00
2	Other certifying services		
3	Tax consultancy		
4	Other services		
Total		**8 000.00**	**14 000.00**

7) In 2017, the Company solicited an Authorized Advisor and disclosed its information on remuneration levels in accordance with 9.2 of the Code of Good Practice for Companies Listed on the NewConnect Market.

	Specification	01.01.2017-31.12.2017	01.01.2016-31.12.2016
1	Remuneration of Authorized Advisor	4 500.00	0.00
2	Other services		
Total		**4 500.00**	**0.00**

VI. INFORMATION ON EXTRAORDINARY EVENTS

1) Events concerning material events from previous years, included in the financial statements for the current financial year, including type of error and the amount of adjustment – not applicable.

2) Material events occurring after the balance sheet date which were not presented in the financial statements – not applicable.

3) Changes in the accounting principles (policies) applied, including valuation methods and manner of preparing financial statements (if they significantly affect the entity's financial situation and financial results) as well as their causes and the resulting amount of financial results and changes in the equity

In 2017, pursuant to Article 4 (1b) of the Accounting Act, the Company claimed an exemption from the provisions of the Act for the purpose of reliable and clear presentation, in regards to:
- co-financing for research and development purposes, which shall be recorded under revenues from operating activity, and not under other operating revenues pursuant to Article 3 (1) (32) (h).

4) Numerical data ensuring data comparability in the financial statements for the previous year with the statements for the financial year

Due to the change in the presentation of a passenger car, changes were made to the balance sheet and to the cash flow statement for 2016.

ASSETS	31.12.2016 Reported data	Adjustments	31.12.2016 Adjusted data
A. FIXED ASSETS	960 360.87	91 056.91	1 051 417.78
II. Tangible fixed assets	197 133.36	91 056.91	288 190.27
1. Fixed assets	156 092.59	91 056.91	247 149.50
d) vehicles	-	91 056.91	91 056.91
B. CURRENT ASSETS	1 656 101.09	-91 056.91	1 565 044.18
I. Inventories	95 993.07	-91 056.91	4 936.16
4. Goods	91 056.91	-91 056.91	-

CASH FLOW STATEMENT	01.01.2016 - 31.12.2016 Reported data	Adjustments	01.01.2016 - 31.12.2016 Adjusted data
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Net profit (loss)	-2 288 971.35		-2 288 971.35
II. Total adjustments	403 217.84	96 277.38	499 495.22
3. Dividend and share in profits	-	5 220.47	5 220.47
6. Change in inventories	-94 932.67	91 056.91	-3 875.76
III. Net cash flows from operating activities (I+/-II)	-1 885 753.51	96 277.38	-1 789 476.13
II. Outflows	231 987.81	91 056.91	323 044.72
1. Purchase of intangible assets and tangible fixed assets	231 987.81	91 056.91	323 044.72
III. Net cash flows from investing activities (I-II)	-231 987.81	-91 056.91	-323 044.72
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Inflows	3 386 423.51	-5 220.47	3 381 203.04

CASH FLOW STATEMENT	01.01.2016 - 31.12.2016 Reported data	Adjustments	01.01.2016 - 31.12.2016 Adjusted data
2. Loans payable	350 220.47	5 220.47	345 000.00
III. Net cash flows from financial activities (I-II)	**3 386 423.51**	**-5 220.47**	**3 381 203.04**
D. TOTAL NET CASH FLOWS (A.III +/- B.III +/- C.III)	**1 268 682.19**		**1 268 682.19**

VII. INFORMATION ON ENTITIES IN CAPITAL GROUPS:

1) Information on joint ventures not required to be reported in consolidated statements – not applicable.

2) Transactions with subsidiaries and affiliates – not applicable

3) List of companies (name, registered office) in which the entity holds a capital share of 20% or more or at least 20% percentage of total votes in the company's governing body; the list should also include the percentage of the share, level of participation in management, and the net profit (loss) of the companies for the previous financial year – not applicable.

4) If the entity does not prepare consolidated financial statements on the basis of an exemption or exclusion, information on:

a) legal grounds justifying the exclusion of such entity from the consolidated statements,
b) name and registered office of the entity preparing a consolidated financial statements at a higher level of the capital group and place of its publication,
c) key economic and financial indicators referring to the operations of subsidiaries and affiliates in the current and previous fiscal year – not applicable.

5) Information on:
a) name and registered office of the entity preparing the consolidated financial statements at the highest level of the capital group, which includes the company as a subsidiary,
b) name and registered office of the entity preparing the consolidated financial statements at the lowest level of the capital group, which includes the company as a subsidiary, which concurrently forms a part of the capital group referred to in (a) – not applicable.

6) Name, address of the head office or registered office of the entity, along with the legal form of each entity whose entity is a partner with unlimited liability – not applicable.

VIII. REQUIRED INFORMATION ON A MERGER OF COMPANIES IN THE CASE OF FINANCIAL STATEMENTS FOR THE PERIOD DURING WHICH THE MERGER TOOK PLACE

Not applicable.

IX.RISKS TO CONTINUITY OF OPERATIONS

1) In case of uncertainty as to the continuity of operations, a description of such uncertainty and a statement that such uncertainty exists, along with information whether the financial statements include the relevant adjustments; the information should also include a description of actions taken or planned by the issuer in order to eliminate such uncertainty.

The Company does not foresee any circumstances that would endanger the continuity of its operations.

X. Other information deemed material by the entity

Not applicable.

President of the Management Board
Filip Janusz Granek

Member of the Management Board
Maciej Adamczyk

Wrocław, this 27 March 2018

Person responsible for
keeping accounting records
Elżbieta Leszczyńska

Appendix 1 to Supplementary information

Scope of changes in intangible assets

Item	Detailed list	Cost of completed development works	Goodwill	Other intangible assets	Prepaid intangible assets	Total
1.	Gross value (opening balance)			1 083 264,11		1 083 264,11
a)	Increases, including:	0,00	0,00	27 904,83	0,00	27 904,83
	– purchases			27 904,83		27 904,83
	– internal transfers					0,00
	– other					0,00
b)	Decreases, including:	0,00	0,00	0,00	0,00	0,00
	– liquidation					0,00
	– revaluation					0,00
	– sales					0,00
	– internal transfers					0,00
	– other					0,00
2.	Gross value (closing balance)	0,00	0,00	1 111 168,94	0,00	1 111 168,94
3.	Amortisation opening balance			334 185,60		334 185,60
a)	Increases			233 666,80		233 666,80
b)	Decreases, including:	0,00	0,00	0,00	0,00	0,00
	– liquidation					0,00
	– sales					0,00
	– internal transfers					0,00
	– other					0,00
4.	Amortisation closing balance	0,00	0,00	567 852,40	0,00	567 852,40
5.	Net value (opening balance)	0,00	0,00	749 078,51	0,00	749 078,51
6.	Net value (closing balance)	0,00	0,00	543 316,54	0,00	543 316,54
7.	Depreciation against initial value (%)	0%	0%	51%	0%	51%

Appendix 2 to the supplementary information

Scope of changes in fixed assets

Item	Detailed list	Own land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Total
1.	**Gross value (opening balance)**			**73 077,90**	**91 056,91**	**160 320,93**	**324 455,74**
a)	**Increases, including:**	**0,00**	**0,00**	**487 579,34**	**0,00**	**73 442,59**	**561 021,93**
	– purchases			487 579,34		73 442,59	561 021,93
	– internal transfers						0,00
	– other						0,00
b)	**Decreases, including:**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
	– liquidation						0,00
	– revaluation						0,00
	– sales						0,00
	– internal transfers						0,00
	– other						0,00
2.	**Gross value (closing balance)**	**0,00**	**0,00**	**560 657,24**	**91 056,91**	**233 763,52**	**885 477,67**
3.	**Amortisation opening balance**			**44 401,35**		**32 904,89**	**77 306,24**
a)	**Increases**			**138 490,44**	**40 819,46**	**56 904,12**	**236 214,02**
b)	**Decreases, including:**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
	– liquidation						0,00
	– sales						0,00
	– internal transfers						0,00
	– other						0,00
4.	**Amortisation closing balance**	**0,00**	**0,00**	**182 891,79**	**40 819,46**	**89 809,01**	**313 520,26**
5.	**Net value (opening balance)**	**0,00**	**0,00**	**28 676,55**	**91 056,91**	**127 416,04**	**247 149,50**
6.	**Net value (closing balance)**	**0,00**	**0,00**	**377 765,45**	**50 237,45**	**143 954,51**	**571 957,41**
7.	**Depreciation against initial value (%)**	**0%**	**0%**	**33%**	**45%**	**38%**	**35%**

Report on the activities of XTPL S.A.

for the period from 1 January 2017 to 31 December 2017

Wrocław, this (...) March 2018

REPORT ON THE ACTIVITIES

1. Company data

a. Basic information

Business name:	XTPL SPÓŁKA AKCYJNA [JOINT STOCK COMPANY]
Registered office:	Wrocław
Address:	Stabłowicka 147, 54-066 Wrocław
KRS No.:	0000619674
Telephone number:	+48 71 707 22 04
Website:	www.xt-pl.com
E-mail:	investors@xt-pl.com

The Management Board:

- Filip Granek – President of the Management Board since 24 April 2017;
- Sebastian Młodziński – President of the Management Board until 24 April 2017, Member of the Management Board from 24 April to 30 November 2017;
- Maciej Adamczyk – Member of the Management Board since 1 December 2017

The Supervisory Board:

- Konrad Pankiewicz – Chairman of the Supervisory Board
- Agnieszka Młodzińska-Granek – Member of the Supervisory Board
- Maja Młodzińska – Member of the Supervisory Board until 30 November 2017
- Sebastian Młodziński – Member of the Supervisory Board since 1 December 2017
- Bartosz Wojciechowski – Member of the Supervisory Board since 30 June 2017
- Piotr Janczewski – Member of the Supervisory Board since 30 June 2017

The composition of the Company bodies as at 31 December 2017:

The Management Board:

- Filip Granek – President of the Management Board;
- Maciej Adamczyk – Member of the Management Board;

The Supervisory Board:

- Konrad Pankiewicz – Chairman of the Supervisory Board;
- Agnieszka Młodzińska-Granek – Member of the Supervisory Board;
- Sebastian Młodziński – Member of the Supervisory Board;
- Bartosz Wojciechowski – Member of the Supervisory Board;
- Piotr Janczewski – Member of the Supervisory Board;

XTPL S.A. was formed through the conversion of a limited liability company under the name of XTPL Sp. z o.o., pursuant to the resolution of the Extraordinary General Meeting of Shareholders of the transformed company dated 25 April 2016, notary's register A No. 604/2016 and was established for an indeterminate period of time. The conversion was registered on 1 June 2016 in the 6th Commercial Division of the National Court Register at the District Court for Wrocław Fabryczna in Wrocław.
The Company has the status of a public company whose shares are listed in the alternative trading system on the New-Connect market operated by the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.].

b. Business profile:

The Issuer operates in the nanotechnology market segment. XTPL's interdisciplinary team is developing a globally innovative technology (protected by an international patent application) that enables ultra-precise printing of nanomaterials. The XTPL solution has all the hallmarks of a so-called 'disruptive technology' and will be consistently developed as part of the advanced research works focused on defining new innovative uses within specific application areas.
The Company is commercialising its solution in stages: it aims to provide nanoprinting equipment, compatible nanoink and print heads for specific application to its customers, including printed electronics manufacturers.
XTPL's initial objective is to design laboratory printers for use in R&D departments of potential business clients and research centres, with additional plans for the development of an industrial printer in the next stage. In both cases, XTPL's objective is to provide the customer with both the equipment and a unique nanoink, designed for a specific application.
The solution developed by XTPL will, for example:

– facilitate the production of a new generation of Transparent Conductive Films (TCF) that are widely used in the different subsets of manufacturing industry, such as the production of displays, monitors, and touch screens. This list also includes the production of photovoltaic cells characterized by:

- considerably lower per-unit cost (due to e.g. elimination of the need to use rare earth elements in the manufacturing process)
- very high optical transparency combined with high energy efficiency (extremely low surface resistance), and
- flexibility and resistance to bending (an essential characteristic, given the current trends in the electronics industry).

– open up revolutionary applications in the field of **Open-Defect Repair,** i.e. the repair of broken metallic connectors in thin film electronics circuits, for use, for instance, in LCD and OLED displays, PCBs, integrated circuits, and silicon solar cells, as the ever-increasing miniaturization and complexity of electronic structures in these products leads to:

- increased unit costs of production, making repair of severed lines financially feasible,
- reduced width of the printed conductive lines with concurrent reduction of the distances between the lines,
- increased length of the printed conductive lines, necessitating the reduction of mechanical, thermal and electromagnetic stress during production and repair.

As such, the demand is there for a new technology that could be used to repair damaged conductive structures while meeting the requirements above. Present solutions to these problems are relatively expensive, require very toxic substances and have low efficiency (at least by industrial standards), whereas the XTPL technology addresses all three of the weaknesses that limit the currently used methods.

While developing applications in the TCF and Open-Defect Repair sectors, and due to the platform-like nature of the technology, the Company is looking for new opportunities to apply it in other areas and sectors, such as:

– production of biosensors;
– anti-counterfeiting solutions.

The Company's registered office and research laboratories are located at the EIT+ Wroclaw Research Centre.

c. Team

The XTPL team comprises over 30 people – scientists and process engineers with interdisciplinary expertise in chemistry, physics, electronics, mechanics, numerical simulations. Ten of them are PhD holders. The XTPL team also includes strategic management and commercialisation specialists with experience and successes in the fields of product development, marketing, and the capital market. One of the Issuer's chief strengths are the many professionals under its employ who possess know-how accumulated on international markets and who have worked for global corporations and research institutes over the course of their careers.

d. History

The legal predecessor of the Company, i.e. XTPL Sp. z o.o. [limited liability company], was entered into the Register of Entrepreneurs of the National Court Register under the number KRS 0000565209 on 29 June 2015. The share capital of the Company at the time of its establishment was PLN 100,000.00 and was divided into 2,000 (two thousand) shares of a nominal value of PLN 50.00 (fifty) each.

On 1 June 2016 a transformation of the limited liability company under the name of XTPL Sp. z o.o. with its registered office in Wrocław (KRS: 0000565209) ("Company under transformation") into a joint stock company with fully paid-up capital was registered. As a result of the transformation, the existing shareholders of the Company under transformation acquired all 100,000 shares of the Company of a nominal value of PLN 1.00 each, of a total nominal value of PLN 100,000.00. The registration of the transformation was entered on 1 June 2016 by the District Court for Wrocław Fabryczna in Wrocław, 8th Commercial Division of the National Court Register.
On 21 February 2017, pursuant to the resolution of the Extraordinary General Meeting number 02/02.2017, a decision was made to split the Company's shares without decreasing the Company's share capital by changing the nominal value of the shares to PLN 0.10.
XTPL was established as a company whose objective is commercialization of the breakthrough technology for printing nanomaterials.
Both the quality of the Company's team (which apart from the founders with scientific achievements brings together experienced and committed managerial staff) and the potential of the project under development were recognized by Platinum Seed, the Polish accelerator and seed fund, which selected the company as one of the most promising projects and provided it with capital support of PLN 400k.

In the initial stage of its operations, the legal predecessor of XTPL set up a laboratory with unique research infrastructure. During five months of intensive R&D activities the XTPL team reached the possibility to control the printing of conductive lines that are dozens of times smaller than the ones currently available on the market. The process was verified and confirmed in laboratory conditions. In March 2016, the Company filed a patent application covering the XTPL printing method and the nanoink formula. On 25 April 2016, a resolution was passed to transform XTPL into a joint-stock company (the transformation was approved by the court on 1 June 2016). On 1 September 2016, the Company moved to the advanced laboratories located in Wroclaw Research Centre EIT+. The research infrastructure was significantly extended and new team members were hired. Currently, the Issuer is developing the first of its products – a laboratory printer with a compatible nanoink and is conducting R&D works aimed at the development of the technology to a level that will enable its application in production conditions in identified fields of application. The Company is also focusing on acquiring new partners – potential clients – to conclude agreements on joint projects to develop the technology further.

The company is the winner of several prestigious competitions for young enterprises (Aulery 2016, MIT Enterprise Forum Poland, EIT Climate KIC Poland) and the Technical Development Manufacturing Award – an industry award granted by the representatives of the printed electronics industry during IDTECHEX SHOW Printed Electronics, Berlin 2017.
In July 2017, XTPL carried out a public offering involving issue of (xii) 155,000 (one hundred and fifty-five thousand) series M ordinary bearer shares of nominal value of PLN 0.10. The shares were allocated to 16 persons (physical and legal ones) in the institutional tranche and to 349 persons (physical and legal ones) in the retail tranche. As a result of the issue the Company raised PLN 10,230,000 gross. The offering attracted, among others, the German investment fund Acatis provided by Universal-Investment GmbH.
On 14 September 2017, the Company made its debut in the Alternative Trading System of the New Connect market. After the debut another large investment fund from Germany – Heidelberger Beteiligungsholding AG – filed a notification that it exceeded the 5% threshold of the total number of votes in the Company.

In November 2017, as a result of its R&D works the Company took a decision to develop a new field of application for the developed technology – repair of broken metallic connectors in thin-film electronics circuits (open-defect repair).
In December 2017 the Management Board adopted a resolution on the launch of works aimed at the change of the listing market of the Company's shares from the Alternative Trading System (the New Connect market) to the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. [GPW, Warsaw Stock Exchange].

e. Branches

The Issuer does not have branches.

f. Share capital and shareholder structure

The Company's share capital amounts to PLN 169,522.00 (one hundred sixty-nine thousand five hundred and twenty-two zlotys and 00/100) and is divided into 1,695,220 (one million six hundred and ninety-five thousand two hundred and twenty) bearer shares of a nominal value of PLN 0.10 (ten groszes) each, including:

- 670,000 (six hundred and seventy thousand) series A shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 67,000.00 (sixty-seven thousand zlotys and 00/100);
- 300,000 (three hundred thousand) series B shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 30,000.00 (thirty thousand zlotys and 00/100);
- 30,000 (thirty thousand) series C shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 3,000.00 (three thousand zlotys and 00/100);
- 198,570 (one hundred ninety-eight thousand five hundred and seventy) series D shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 19,857.00 (nineteen thousand eight hundred and fifty-seven zlotys and 00/100);
- 19,210 (nineteen thousand two hundred and ten) series E shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 1,921.00 (one thousand nine hundred and twenty-one zlotys and 00/100);
- 19,210 (nineteen thousand two hundred and ten) series F shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 1,921.00 (one thousand nine hundred and twenty-one zlotys and 00/100);
- 68,720 (sixty-eight thousand seven hundred and twenty) series G shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 6,872.00 (six thousand eight hundred and seventy-two zlotys and 00/100);
- 68,720 (sixty-eight thousand seven hundred and twenty) series H shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 6,872.00 (six thousand eight hundred and seventy-two zlotys and 00/100);
- 10,310 (ten thousand three hundred and ten) series I shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 1,031.00 (one thousand thirty-one zlotys and 00/100);
- 5,150 (five thousand one hundred and fifty) series J shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 515.00 (five hundred and fifteen and 00/100);

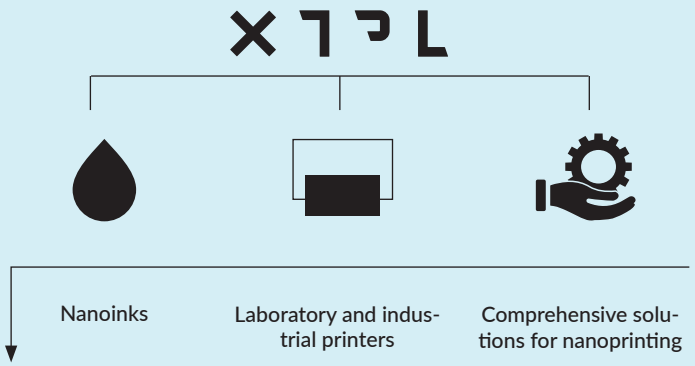
- 10,310 (ten thousand three hundred and ten) series K shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 1,031.00 (one thousand thirty-one zlotys and 00/100);
- 140,020 (one hundred forty thousand and twenty) series L shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 14,002.00 (fourteen thousand two zlotys and 00/100);
- 155,000 (one hundred fifty-five thousand) series M shares of a nominal value of PLN 0.10 (ten groszes) each and the total nominal value of PLN 15,500.00 (fifteen thousand five hundred zlotys and 00/100);

The shareholding structure as at 31 December 2017:

Item	Shareholder	Number of shares held	% of shares	Number of votes	% of votes
	TOTAL	**1 695 220**	**100.00%**	**1 695 220**	**100.00%**
1.	Filip Granek	303 000	17.87%	303 000	17.87%
2.	Sebastian Młodziński	300 000	17.70%	300 000	17.70%
3.	Leonarto Sp. z o.o.	298 000	17.58%	298 000	17.58%
4.	TPL Sp. z o.o.	140 020	8.26%	140 020	8.26%
5.	Stefan Twardak	103 081	6.08%	103 081	6.08%
6.	Heidelberger Beteiligungsholding AG	102 000	6.02%	102 000	6.02%
7.	Universal-Investment-Gesellschaft Mit Beschrankter Haftiung for Acatis Investment GMBH	94 000	5.55%	94 000	5.55%
8.	Others	355 119	20.95%	355 119	20.95%

2. Business model, development strategy and the markets on which the company intends to operate

The Company intends to provide consumers of the printed electronics sector with comprehensive technological solutions for ultra-fine printing of nanomaterials: a printer (with a print head) and a compatible nanoink. The Issuer's initial objective is to further develop its products – laboratory printers and nanoink – for use in its customers' R&D operations, with additional plans for industrial printer development (nanoink included) later in the future.



COMMERCIALISATION

The process of launching the full commercialisation of XTPL solutions ***consists of three*** *stages.*

1

STAGE I (completed) – the stage of developing a lab prototype of the printer and an ink formula compatible with the printer. At this stage, the Issuer does not generate any operating revenue; most of its operations are financed from external sources, such as grants, subsidies and funds obtained from the issue of series M shares.

2

STAGE II (underway) – at this stage, the Company offers an MVP (minimum viable product) in the form of a laboratory printer. This printer will be targeted at R&D centers of business and scientific entities, which can be considered a testing group. Customers can implement their own R&D projects based on the provided solution. The objectives of this stage are primarily: validating the technology and showcasing it to the research and development departments of prospective customers, building a technological relationship, allowing customers to create prototypes, and defining other potential uses for the technology in specific application fields.

At this stage, the company expects first revenues from the sale of lab printers and nanoinks and seeks clients – potential partners interested in concluding joint development agreements (JDAs) for technology development (the development works will be co-financed by the partner in exchange for, e.g. pre-emptive rights to the completed solution).

3

STAGE II – at this stage, XTPL will start providing the full-fledged solutions for the industry. The industrial printer will differ from the lab printer in terms of size, functionality (better efficiency) and degree of technological maturity. The Company assumes that during this stage, the printer will be manufactured by an external partner (commissioned by XTPL), the print head will be produced by XTPL and the nanoink will be manufactured by a partner (subcontractor). XTPL will directly sell the nanoink and print heads, as well as implement the technology at the customer's site (technological consulting).
During this stage, the Company expects to generate revenues from the sale of print heads (as one-off transactions), from the sale of nanoinks (repeat transactions), and from the sale of dedicated implementation services provided for the new technology (one-off transactions).

The Company plans to offer its technology to the broadly understood market of printed electronics. At the moment, two application areas (markets) have been identified and verified:

The TCFs (Transparent Conductive Films) market

TCFs are the key component used in the manufacturing sector covering photovoltaic panels, displays, touch screens and flexible electronics. The operation of these components requires the use of materials with the highest possible neutrality to light (absorbed or emitted by the device) and, at the same time, with the highest conductance parameters (as a result the

electrical circuit is closed, which is responsible, e.g. for touch identification on smartphone screens or the flow of current in a photovoltaic cell).
Such a wide range of applications translates into a high-value TCF market that was estimated at approx. USD 5bn in 2016 (based on the 2016 IDTechEx report and data from www.statista.com and other sources). According to forecasts by MarketsandMarkets, the market will be worth USD 8.46bn in 2026, which means an average annual growth of 9.4%.
The most common substrate for TCFs is indium-tin oxide (ITO). Indium is rare earth element, whose global supply is controlled by China (over 60% of global indium production), while the second largest producer, Korea, has a 15% share in the market. ITO is used mainly on two media types – glass and PET plastics – and remains the current industry standard for market applications. However, while it offers acceptable parameters of optical transparency and electrical efficiency, its use prevents further development of the end products.
There are two drivers of the TCF market: (i) the continuous pressure for lower prices, and (ii) the development of new technologies and solutions in the field of consumer electronics, including so-called flexible electronics.

The current prices of TCFs on the ITO-dominated market are around 18-22 USD/1m^2, with no leeway for further significant price reductions. Furthermore, the development of consumer electronics and new technologies, including flexible electronics, requires much higher parameters of TCFs than the ones provided by current ITO-based solutions. When we add the fluctuating prices of indium, its limited resources and China's dominant position in the market, ITO-bases solutions are becoming insufficient in terms of technology (lower parameters), economy (lower value for money) and business (ITO lacks the characteristics of a disruptive technology capable of changing the market playing field). Manufacturers are therefore looking for solutions with superior technological efficiency at lower prices, ones which would allow them to become independent from the rare indium.
The market evolution and the search of alternatives to ITO have resulted in innovative solutions which allow to produce new-generation TCFs. At present, the best developed TCFs are based on:

- silver nanowires;
- metal mesh;
- carbon nanotubes;
- conductive polymers;
- graphene.

Data provided by IDTechEx indicate that the take-up of new technological alternatives to ITO will increase to around 45% by 2027 from less than 10% in 2017.

Producers of new-generation TCFs will have the opportunity to become key players on the market, owing to the transformation of the general electronics market from a supply-driven market to a market limited by demand (for existing devices, layers based on ITO will remain the dominant solution). The growth in electronics consumption has slowed down, so producers are looking for new markets, one of which is printed and flexible electronics. Similar trends can be observed in the photovoltaic sector, where the smart window solutions (i.e. windows that can alter the sunlight passing through them to generate electricity and charge household appliances or other devices) and the emphasis on higher efficiency of the cells

require new generation TCFs (optical transparency, energy efficiency, cost of production, and flexibility in some applications). Added to that are higher product durability and flexibility requirements.
The technology developed by XTPL will address all of the above challenges in the TCF market. It will also allow for development of new end products for the target markets, in particular products utilizing flexible conductive films – a vital competitive advantage over ITO. The crystal ITO layers are not compatible with flexible surfaces (they break when bended and lose their conductive qualities), which makes them useless in the rapidly growing field of flexible electronics (flexible displays, flexible solar cells etc.).

The technology developed by XTPL will provide potential customers with parameters that meet the market expectations:

- transparency higher than ITO (optical transparency);
- electrical resistance lower than ITO (higher energy efficiency);
- flexibility higher than ITO (new applications – flexible consumer electronics);
- considerably lower cost than ITO (no rare earth elements, no need to use expensive patterning, e.g. photolithography).

Open defect repair market (removing local defects in conductive lines)

Electrically conductive metallic micro- and nanostructures are predominantly used in:

- liquid crystal displays (LCDs) and OLED (Organic Light-Emitting Diode) displays;
- printed circuit boards (PCBs);
- integrated circuits;
- silicon solar cells.

Depending on their application, conductive structures are produced using either (i) thin-film technologies (line thickness of 7 nm-50 µm; photolithography, vapour deposition, magnetron sputtering, etching) or (i) thick-film technologies (line thickness of 50-100 µm, screen printing, inkjet printing, stencil printing, silk-screening).

The most common production defects in micro- and nanostructure production are:

- breaks of conductive lines caused by local gaps in the conductive material (open defects);
- narrowing of the conductive lines (near open defects) that occurs when the width or height of the conductive line is smaller than specified.

Near open defects can degrade to completely open defects during subsequent production processes or operation-related stress. The ever-increasing miniaturization and complexity of electronic structures in these segments leads to:

- increased unit costs of production, making repair of severed lines financially feasible;
- reduced width of the printed conductive lines with concurrent reduction of the distances between the lines;
- increased total length of the conductive lines;
- the need to reduce mechanical, thermal and electromagnetic stress during production and repair.

As such, there is a demand for a new technology for repairing damaged conductive structures that would meet those requirements. A new technology for repair of conductive lines could be used in such products as: LCDs, PCBs, solar cells, System in Package or integrated circuits.

TFT/LCD displays

Production of LCDs (Liquid-Crystal Displays) and TFT (Thin-Film-Transistors) displays is characterised by a very high incidence of defects. The quality control rejection rate is particularly high as the production of a new generation of displays begins (ramp-up). The increase in resolution, when combined with the simultaneous increase in display size, contributed to a higher number of conductive lines and an increased risk of line breakage. In order to reduce production costs, the area of the glass substrates has also significantly increased – the 10th generation of TFT substrates is 3 meters long. As a result, the 8th generation substrate used in mobile device manufacture holds more than a billion pixels. In the production of TFT/LCD matrices, material costs range from 50% to 70% of the total manufacturing cost (compared with 10% in integrated circuits production). This increases the pressure on the manufacturer to achieve high production efficiency and to implement an effective method of repair. Conductive lines for TFT matrices with a typical width of less than 10 µm are produced using the thin-film method. Detection and repair of broken conductive lines must take place before the TFT matrix is combined with a colour filter. Currently, the most common method of repairing TFT matrices is the laser chemical vapour deposition (LCVD) technology. However, this method is problematic due to the highly toxic substances used in the process, its low efficiency and limited capacity to create conductive lines narrower than 10 µm.

Printed circuit boards (PCBs)

Breaks in copper lines are a common manufacturing flaw in PCBs. The area of PCBs is currently undergoing a push towards conductive line miniaturization (below 20 µm) and the use of insulators made from materials with low melting points. Repairing lines narrower than about 20 micrometres is performed by removing the defective section and replacing it through wire bonding. This method is only highly effective for wide paths. The current trend for electronic device miniaturization necessitates finding a replacement method. The LCVD method or laser pyrolysis of solid materials are currently used in the production of narrower lines. The defect repair method proposed by XTPL can be used to repair thin paths and can very largely replace LCVD or laser pyrolysis.

Solar cells

The H-shaped front solar cell electrode is created using silver paste screen printing and consists of 50-100 lines (fingers), 50-100 µm wide and approximately 30 µm high. According to the analysis carried out as part of the European Reptile project, breaks in conductive lines (fingers) are the manufacturing flaw most often responsible for rejection of finished solar cells. So far, there has been no effective method of repairing the broken conductive lines within the cell. XTPL's technology has a chance to fill this gap.

Multi-chip modules (MCMs)

Thin-film deposition of multi-chip modules (MCMs) is used to reduce signal delays between integrated circuits and reduce interference. The thin-film MCM technology is vulnerable to line breakage. The most common methods of MCM repair are: LCVD and direct laser deposition.

Integrated circuits

Due to the progressive miniaturization and increasing number of metallization layers (between 3 and 10 layers), integrated circuits are susceptible to defects and damage.
In integrated circuits, the local method of repair and deposition of metallic lines is used:

- during the design of integrated circuits, in order to shorten the production cycle (the standard re-design period ranges from 6 weeks to several months);
- during failure analysis of damaged or malfunctioning integrated circuits, in order to determine the cause of failure (repair for failure analysis).

As the miniaturization of integrated circuits progresses, so does the complexity of metallic line repair and editing. Currently, the only widespread method of editing connections less than 1 µm wide is focused ion beam (FIB). However, this technique is unsuitable for editing metallic lines over 100 µm long and results in lines with high electrical resistance. Additionally, FIB causes the destruction of active electronic circuits in integrated circuits, in addition to other adverse effects that hinder or prevent successful repair and analysis of the integrated circuit.

The value of the open defect repair market (removing local defects in conductive lines)

The Company estimated the value of the open defect repair market using two methods, i.e. (i) the top-down method and (ii) the bottom-up method. The calculations drew upon data from expert industry reports. Taking into account the Company's business model and the independent nature of the target markets, XTPL will be able to gradually penetrate the individual target markets. The analysed target market segments were: (i) photovoltaic cells, (ii) PCBs, (iii) photolithographic masks, (iv) systems-in-package, (v) IC (integrated circuit) analysis and testing, and (vi) TFT/LCD displays. The calculations drew upon data from expert industry reports: (i) "Display market – global forecast to 2022" Markets and Markets, 2016;

(ii) "Global printed circuit boards market insights, opportunity, analysis, market shares and forecast 2017 - 2023," Business Wire, 2017; (iii) "Failure analysis market – forecast to 2020," Markets and Markets, 2015; and (iv) "Focused ion beam market – global industry analysis, size, share, growth, trends and forecast 2015 - 2021," Transparency Market Research, 2015.

Top-down analysis

The top-down analysis was based on market analyses of end products (PCBs and TFT/LCD displays) and services (analysis and testing of damaged integrated circuits). For the purposes of the analysis, the production rejection rate was assumed to be 5% (except for the TFT/LCD market, where the assumptive rate was 30%) and the rejection rate caused by the metal film breakage was assumed to be 15%. The market share of local metal deposition techniques in the damaged integrated circuits analysis and testing market segment for was estimated at 30%. Using the top-down method, the total value of the local metallic line repair market was estimated at USD 6.82bn in 2016 and USD 10.03bn in 2020.

Bottom-up analysis

The bottom-up analysis drew upon a market analysis of devices for local repair of metallic connections. Due to the lack of data for the LCVD and DLD methods (direct laser deposition), the FIB market was taken into account. For the purpose of the analysis, the share of FIB-based (focused ion beam) installations used for e.g. metallisation was assumed to be 70%, and the global market share of FIB among metallisation-based local repair devices was assumed to be 50%. Using the bottom-up method, the metallisation-based repair market was estimated at USD 4.55bn in 2016 and USD 6.02bn in 2020.

3. Events significantly affecting the Company's operations

a. In the financial year 2017

- Completion of the first phase of commercialisation of the XTPL technology.

In the first half of 2017, the Issuer successfully completed the first prototype of the laboratory printer for printing ultra--thin electrically conductive lines. The printed lines can be as small as 150 nanometres or less in width, over 400 times narrower than achievable using the standard techniques for digital printing or screen printing. A compatible set of nano-inks has been developed concurrently with the laboratory printer prototype. Thus, the Issuer completed the first phase of commercialisation of its nanomaterial printing technology.
The completion of the printer's prototype has not only allowed the Company to proceed to the second phase of commercialisation, which includes tests aimed at further perfecting the prototype (so-called alpha testing – conducted inside the Issuer's laboratories, and beta testing conducted with potential clients) and optimising the printing processes. The establishment of an application laboratory and commencement of R&D research on various possible application fields (industrial applications) are also a part of the phase.

The target production version of the printer will be provided upon a fee, among others, to engineers from R&D departments of external entities and research centres who will be able to use the XTPL technology in their R&D works and fast prototyping.

The purpose of the planned provision of the printer to R&D centres is:

- validating the technology and showcasing it to the research and development departments of prospective customers and industry trendsetters, building a technological relationship (necessary for further successful development of the technology);
- allowing clients to create prototypes (apply of the Issuer's prototype TCFs for newly developed products of the clients);
- obtaining first revenues – verifying the commercialisation potential of the technology;
- obtaining feedback on other potential applications of the technology (new application fields).

- Public issue of shares and the Issuer's debut on the New Connect market

On 20 April 20 2017, at the Extraordinary General Meeting, the Issuer's shareholders decided to increase the share capital by conducting a public share issue and agreed for XTPL S.A. shares to be traded on NewConnect.

On 4 July 2017 the share subscription began. During the book building, process the issue price was set at PLN 66.00. The Management Board set the final number of shares issued at 155,000 (issue of series M shares). All of 135,000 shares were taken up in the institutional tranche, and in the retail tranche (the remaining 20,000 shares) the demand was over 13 times higher than the available pool of shares (reduction rate of 93%).

As a result of the public offering the company obtained the amount of PLN 10.2 million (EUR 2.5 million). The share capital increase through the issue of series M shares was registered on 18 August 2017.

On 8 September 2017 the Management Board of the Warsaw Stock Exchange adopted the Resolution No. 1031/2017 on the admission of XTPL S.A. shares to trading in the Alternative Trading System of the NewConnect market. The first listing of the Company shares took place on 14 September 2017. The funds from the share offering will finance the commercialization process of the developed technology.

- Exceeding the threshold of 5% of votes at the General Meeting by two international financial institutions

As a result of the public offering, registration of series M shares and transactions on the Issuer's securities, two international investment funds exceeded the threshold of 5% of votes at the Issuer's General Meeting:

- ACATIS Investment GmbH – an investment fund based in Frankfurt – has taken up over 5% of XTPL S.A. shares in the public offering. ACATIS is one of the most well-known investment funds in Europe with assets exceeding EUR 3 billion.

ACATIS Investment GmbH manages one of the most awarded German investment funds. The fund has taken up 94,000 M series shares in the public offering;

- On 14 September 2017, Heidelberger Beteiligungsholding AG, a part of the Frankfurt-based investment holding Deutsche Balaton AG, announced that it exceeded the threshold of 5% of votes at the Issuer's General Meeting and reported holding of 102,000 shares of the Issuer. Deutsche Balaton AG is an investment company with a capitalization of nearly EUR 200 million, investing primarily in securities listed on the capital market, mainly in bonds and shares. In most cases the company chooses German assets but also uses attractive investment opportunities abroad.

- Signing a letter of intent with Wise Device Inc.

In June 2017, the Issuer began cooperation with the Canadian company Wise Device Inc. (WDI) – a world leader in the development of automation for industrial microscopy. WDI is interested in the use of the XTPL technology in the process of repairing display defects, which occur already in the production stage. The plans for joint activities were included in a letter of intent. The aim of the cooperation is the development of specialized technologies and equipment for use in the production process of LCD displays. The Issuer and WDI will put special emphasis on developing a method for repairing broken metallic connectors in the layers of TFT displays, i.e. the key elements of LCD displays.
Wise Device Inc. designs and manufactures innovative solutions in the field of microscopy, including OEM components as well as complete optomechanical and optoelectronic subsystems. WDI technology helps individuals and companies in many industries, including life sciences, biomedical imaging, machine manufacturing, and electronics / semiconductor manufacturing. Its solutions are currently used by such companies as Intel, Corning, Apple, Samsung and LG.

- Technical Development Manufacturing Award granted to the Issuer during the IDTechEx Show

The prototype of the XTPL laboratory printer presented during the IDTechEx Show Printed Electronics Europe in Berlin in May 2017 received the prestigious industry award – Technical Development Manufacturing Award. The awarding jury included: Ashutosh Tomar, Chief Engineer in Technological Strategy at Jaguar Land Rover, and Professor Ulrich Moosheimer from the University of Applied Sciences in Munich.

In the Issuer's opinion, receiving the award already at the time of the first public presentation of the prototype confirms the great interest of the industry in the development of the technology and indicates that the printed electronics market is looking for technological solutions for ultra-precise printing of nanomaterials.

- Examination of the possibility of application of XTPL technology

In the second quarter of 2017 IDTechEx, the British research company commissioned by the Issuer, conducted survey on XTPL technology among companies and research centres operating in the field of printed electronics around the world. The results showed a significant level of interest from the printed electronics industry:

- 78.9% of respondents see the potential use of ultra-precise printing technology for nanomaterials (XTPL technology) in printed electronics;
- 57.6% of the respondents declare their interest in using this technology in their organization;
- 38% of the respondents declare their willingness to evaluate samples of the technology or a device enabling its use in less than a year;
- 50.3% of the respondents rated the technology as valuable or very valuable (scores 4 or 5 on the rating scale from 1 to 5).

The survey was conducted among 339 respondents from 310 companies and research centres operating in the field of printed electronics all over the world.
The results of the survey prompted the Issuer to launch activities aimed at market expansion through the commercialization of the technology also outside the TCFs (Transparent Conductive Films) industry.

- Opening of an application laboratory in the Issuer's internal structures

In the first half of 2017, the Issuer started creating an application laboratory – a new unit within its organizational structure. The application laboratory will support the process of technology preparation and optimisation from the first contact with a potential customer to the final implementation of a XTPL solution at the customer's site. The Company's application engineers will coordinate the development of technology, taking into account the requirements of specific customers and specific applications. Establishment, extension and financing of the application laboratory is one of the objectives of the offering of series M shares.

- Establishment of the business development department

In Q4 2017 the Issuer established a new department responsible for business development. Thus, the next issue objective, formulated by the Company in connection with the public offering of M series shares, was implemented. The tasks of the department include commercialization of the developed technology, including contacts with potential clients and partners, as well as searching for new application areas. The main short- and medium-term goals that have been set by the Management Board in this regard include the sale of laboratory printers to a group of potential customers that meet the criteria set out in the commercialization model, and the search for new partners for technology development in specific application fields – especially based on joint development agreements (JDAs) providing co-financing of R&D works by the future recipient of the solution.

- Participation in large industry trade fairs

IDTechEX Show Printed Electronics Berlin

The trade fair IDTechEx Show, which took place on 10-11 May 2017 in Berlin, is one of the most important trade fairs in the printed electronics industry in the world. During the event, the Issuer presented publicly the prototype of the XTPL laboratory printer for the first time. The complete set of XTPL technologies were: the nanoink, print head and printer – a

platform that allows the use of the technologies, for instance, in R&D works. The presentation of the prototype met with great interest from the printed electronics industry. Moreover, during the fair, the Issuer was granted the Technical Development Manufacturing Award granted by industry experts.

TechInnovation in Singapore

On 19-20 September, as one of the 15 companies representing the European Union, the company took part in TechInnovation 2017. TechInnovation is the largest international event in Singapore connecting entrepreneurs with inventors and companies developing breakthrough technologies.

During the fair, the Issuer presented its invention and the potential of its application to companies, mainly from Southeast Asia, looking for technologies and business cooperation. The fair allowed the Issuer to present its latest achievements in research and development as well as preparations for the introduction of the first products onto the market, to build relationships with potential business partners that will translate into the development of the company's product offer.

Printed Electronics, Santa Clara

On 15-16 November 2017 the Issuer participated in a printed electronics show called Printed Electronics USA in Santa Clara, California, USA. The technology of printing ultra-precise and transparent electrically conductive lines presented by the Issuer during the event attracted strong interest.
All the fair events resulted in a significant number of new contacts – potential buyers interested in the lab printers presented by the Company as well as partners interested in concluding joint development agreements. The established contacts constitute a solid base for the operations of the business development department.

Financing participation in industry fairs is one of the objectives of the offering of series M shares.

- Development of a new area of applications for XTPL technologies

In Q4 2017 the Issuer's technology team successfully completed the pilot stage of R&D works in the area of open--defects repair – the possibility to apply the Company's technology in repairs of metallic connections damaged in the production stage of thin film electronics circuits. The achievement of technical parameters in laboratory conditions set in the specification provided by one of the partners allowed the Company to take a decision to develop of a new application area for which the global market value is estimated at approx. USD 4.5 billion with a simultaneous cumulative annual growth rate of 7.5%. In contrast to the current technologies of repairing broken metallic connections in thin-film electronics circuits, the Issuer's technology is characterized by: faster deposition of metallic material, which translates into a reduction in the duration of the defect repair process, less complexity of the repair process, which translates into lower unit costs, and the advantage in terms of the possibility to print lines much longer than 100 micrometres (advantage over the FIB technology) and at width below 1 micrometre (advantage over the LCVD technology). The development of the new application area for the Issuer's technology is the implementation of the assumptions for the search of further areas of application for the technology of precise printing of nanomaterials, about which the Issuer informed in its Information Document. Undertaking research and development works in the area of repair of metallic connectors

damaged in the production stage in thin-film electronics circuitry was possible due to the creation of the Company's application laboratory whose extension and maintenance was financed from the funds obtained in the public offering of series M shares.

- Decision on the change of trading venue

On 12 December 2017 the Management Board XTPL S.A. adopted a resolution on the launch of works aimed at the change of the listing market of the Company's shares from the Alternative Trading System (the New Connect market) to the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. [GPW, Warsaw Stock Exchange], which the Company announced in its current report ESPI 8/2017. The single European passport, which will be obtained as a result of the transfer to the regulated market, will allow the Issuer to pursue parallel listing of shares on the Open Market (Freiverkehr), operating at Deutsche Börse AG, one of the largest stock exchanges in the world. The dual listing will bring XTPL closer to investors from Western Europe, a region that is one of the key directions of the foreign expansion scheduled for 2018 in the process of commercialization of the solutions offered by the Company.

- Approval of a share-based incentive programme

On 14 November 2017 the Supervisory Board of the Issuer contingently approved the Terms and Conditions of the XTPL S.A. Incentive Programme for the Members of the Management Board, employees and associates of the Company. The conditional nature of the resolution of the Supervisory Board lay in the necessity of its approval by the General Meeting. In the resolution No. 04/11/2017 the Extraordinary General Meeting of the Issuer convened on 29 November 2017 resolved to introduce the Incentive Programme to be carried out in the years 2018-2021. The aim of the Programme is to motivate its potential beneficiaries to actions which will ensure a long-term increase in the Company value and the stability in the key staff of the Company.
Until the date of signing hereof, no rights to shares have been granted to the members of the Management Board, employees or associates of the Company under the Program yet.

- Conclusion of a co-financing agreement for the project of development of demonstration prototypes of a lab printer under the Regional Operational Programme of the Lower Silesia Voivodeship for 2014-2020

On 13 December 2017 the Company concluded a grant agreement for the development laboratory printer demonstration prototypes under the Regional Operational Program for the Lower Silesian Voivodship for the years 2014-2020. The aim of the subsidised works is the commercialization of lab printers which includes, among others, development of commercial prototypes of lab printers and compatible nanoink formulas. The project also provides for the performance of internal and external printer tests. The completion of the planned efforts will be another crucial step towards commercialisation and marketing of the ground-breaking technology for printing ultra-thin conductive line for applications in printed electronics. The co-financing will amount to PLN 2 457 548.44, whereas the total value of the project is PLN 4 508 627.22.

4. Achievements in the field of research and development

The main area of the Issuer's activity is development and commercialisation of its innovative technology of ultra-precise printing of a wide range of nanomaterials.

In 2017 the Issuer focused its research and development activities on:

- constructing and running a prototype of the submicron laboratory printer that allows very precise printing of various nanomaterials, and refining ink formulas (compatible with the developed printer) containing metallic nanoparticles;
- conducting internal tests (so-called alpha tests) of the first version of the laboratory printer. The tests were carried out in order to obtain data to optimize the technological process and develop a beta version of the device (and a family of nanoinks compatible with the device) to be used for testing under real conditions (at potential clients');
- works aimed at applying the developed technology to transparent conductive films (TCFs) for use in displays and solar cells;
- works to adapt the developed technology to repair of defects in TFT displays that occur at their production stage.
- The works resulted, among others, in:
- obtaining increased accuracy of printed conductive lines - below 100 nm (with initial target at 400 nm). In the course of future commercialization works, such high printing resolution can – in the Issuer's opinion – open up new opportunities and markets;
- in the area of TCFs, achievement of new milestones on the way to develop the technology in accordance with the adopted schedule;
- confirmation of the potential use of the technology developed by the Issuer in a new application field – open-defect repair in thin-film electronics circuitry: an initial version of the nanoink formula was developed and tested, the initial objectives for the open-defect repair technology were fully tested, and the first proof of concept of the printing device was completed (the PoC prototype can successfully make demonstration repairs of connections in laboratory conditions);

5. Financial and non-financial results

a. Financial results

- Selected items of profit and loss account:

in 1000 PLN	2017	2016	Deviation	Dynamics
	1	2	1-2	1/2
Net revenues from sales and equivalent (including co-financing):	2 194.90	38.58	2 156.32	5689%
Change in the balance of products (increase – positive value, decrease – negative value)	431.56	0.00	431.56	x
Profit (loss) on sales	-3 840.50	-2 283.15	-1 557.35	168%
Profit (loss) on operating activities [EBIT]	-3 950.55	-2 282.07	-1 668.48	173%
EBITDA	-3 518.99	-2 282.07	-1 236.92	154%
Financial revenues	35.73	0.00	35.73	x
Financial costs	47.22	6.89	40.33	685%
Gross profit (loss)	-3 962.04	-2 288.96	-1 673.08	173%
Net profit (loss)	-3 962.04	-2 288.96	-1 673.08	173%
Depreciation and amortisation	469.88	295.63	174.25	159%

- Factors affecting the value of revenues in 2017:

The co-financing obtained by the Company constitutes its main source of revenues. The dynamic increase in revenues is the result of running many grant projects and the growing scope of works. The revenues divided into particular projects are presented in the table below:

in 1000 PLN Grant project title	2017	2016
1. Development of an innovative technological process for the production of a new generation of TCFs for applications in displays and thin-film photovoltaic cells	1 320.41	0.00
2. Development of a strategy for expansion into the US market for transparent conductive films produced using the XTPL method.	103.69	0.00
3. Filing a patent application under the PCT procedure for the method of manufacturing ultra-thin conductive metallic lines	93.93	0.00

in 1000 PLN Grant project title	2017	2016
4. A new generation of TCFs for use in displays and thin-film photovoltaic cells - XTPL	170.32	38.58
5. Preparation of XTPL SA to enter the NewConnect market	75.00	0.00
TOTAL	**1 763.34**	**38.58**

Active development costs are presented in the item ***Change in the balance of products.*** Development works are carried out as part of the grant project: *Development of demonstration prototypes of a lab printer with compatible nanoink formulas leading to commercialisation and marketing of the ultra-thin conductive line printing technology for use in printed electronics.*

Surplus cash held in bank deposits generated Financial income in the form of interest in the mount of PLN 35.7 thousand.

- Factors affecting the level of costs in 2017:

2017 saw a significant increase in the costs of operations, which results from conducting intensive R&D works, as well as activities aimed at the commercialization of the developed technology and obtaining additional sources of financing. The breakdown of costs by type is presented in the table below:

in 1000 PLN	2017	2016	Deviation	Dynamics	2017	2016
	1	2	1-2	1 / 2	% structure	x
Depreciation and amortisation	469.88	295.63	174.25	159%	7.8%	12.7%
Consumption of materials and energy	312.50	71.14	241.36	439%	5.2%	3.1%
Outsourcing	2 231.62	928.80	1 302.82	240%	37.0%	40.0%
Taxes and charges	47.43	13.05	34.38	363%	0.8%	0.6%
Remuneration	2 291.50	827.32	1 464.18	277%	38.0%	35.6%
Social security	390.35	155.00	235.35	252%	6.5%	6.7%
Other expenses by type	292.12	30.79	261.33	949%	4.8%	1.3%
TOTAL	**6 035.40**	**2 321.73**	**3 713.67**	**260%**	**100.0%**	**100.0%**

The following depreciation charges have an impact on the increase in the item *Depreciation and amortisation*:

a) specialized equipment purchased and manufactured on its own for the needs of conducting R&D (about PLN 75 000)
b) equipping the workplace of laboratory and administration employees.

Cost increase in *Consumption* of materials and energy is characterized by high dynamics; this item includes mainly consumables, chemical reagents, electronic and mechanical materials used by individual laboratories as part of their R&D activity.

Outsourcing includes costs related to: renting of premises with the necessary equipment to conduct R&D, renting of premises for administration, purchase of specialist studies / expert opinions, legal and advisory / consulting services.

Remuneration including extra charges are the largest item in terms of share in the total costs. The high level of costs as compared to 2016 results mainly from the increase in employment (e.g. building of teams for the Application Laboratory, Business Development Department). The appropriate staff will be a guarantee of achieving the R&D and business objectives set for the Company. Detailed data on employment is provided in item 5.d.

Financial costs include mainly servicing of loans repaid in 2017, as well as lease interest.

- Costs related to conducting research and development works:

	2017	2016	2017 / 2016
	in 1000 PLN	in 1000 PLN	Dynamics %
Research costs (included in costs by type)	2 713.57	1 012.51	268.0%
Cost of development works (included in costs by type)	425.16	0.00	x
Capital expenditure related to conducting research and development works	429.22	143.81	298.5%

b. Awards and recognitions

The Economic Award of the President of the Republic of Poland

XTPL was awarded the Economic Award of the President of the Republic of Poland in the Best Polish Startup category. The awards were presented at Congress 590. The award is granted to companies which significantly contribute to Poland's economic development and to a positive image of Poland worldwide. XTPL was nominated for the award by the Polish Association of Listed Companies. In 2017 152 companies were nominated for the award.

Invitation to TechInnovation 2017 in Singapore

XTPL was one of the 15 companies selected to represent the European Commission at TechInnovation 2017 in Singapore. The conference and trade fair, which took place in September, is the largest event in Singapore connecting entrepreneurs with inventors and companies developing breakthrough technologies in fields such as information technology, electronics, medicine, and energy. The event was attended by over 100 exhibitors who presented several hundred new, ready-to-market technologies.
IDTechEx Technical Development Manufacturing Award

XTPL took part in the world's leading electronics trade fair, IDTechEx Printed Electronics, at which it presented the prototype printer for the production of ultra-thin conductive lines. This solution will facilitate the production of a new generation of Transparent Conductive Films (TCFs) that are primarily used in the production of displays, monitors, and touch screens. This list also includes the production of photovoltaic cells, printed electronic, biosensors, lab-on-chip devices and anti-counterfeiting solutions. Particularly promising is the revolutionary application of the technology in the sector of open-defect repair – removal of broken metallic links in thin-film electronic systems. The technology met with immediate interest and recognition. XTPL was presented with the Technical Development Manufacturing Award – one of the most important industry distinctions.

Invitation to Hannover Messe 2017

XTPL was one of three Polish emerging companies that received a special invitation from the Minister of Development and Finance to participate in the industrial fair in Hannover. Hannover Messe is the world's largest and most important industry event. Poland was the partner country of the last year's edition. Selected Polish companies with global potential, active in the advanced technologies segment, had the opportunity to present their achievements at the event, which attracted over 200,000 visitors. The lead theme of the Hanover Messe 2017 Fair was "Integrated Industry – Creating Value". The subject matter of the event ranged from product digitisation to energy efficiency.

Invitation to the Presidential Palace for "Startups in the Palace B2B"

XTPL was one of the 10 Polish companies invited to the Presidential Palace for a meeting with the President of the Republic of Poland, as well as with investors, large enterprises and business angels. On March 14, 2017, representatives of the Issuer presented its technology and took part in a discussion on Polish innovation and cooperation between science and business. The young companies that presented their technologies during the Polish "Startups in the Palace B2B" event not only had a chance to network with partners and investors but were also able to obtain a passport to participate in one of Poland's economic missions. XTPL received such an invitation and participated together with the President in the economic forum in Finland.

c. Co-financing

The following table lists current co-financing projects and the amount of the costs refunded:

2017	2016

Name of the co-financing project	Agreement	Project start	in 1000 PLN	in 1000 PLN
1. Development of an innovative technological process for the production of a new generation of TCFs for applications in displays and thin-film photovoltaic cells	POIR.01.01.01-00- 1690/15	04.2016	1 320.41	0.00
2. Development of a strategy for expansion into the US market for transparent conductive films produced using the XTPL method.	GO_GLOBAL.PL(II)-0011/16	12.2016	103.69	0.00
3. Filing a patent application under the PCT procedure for the method of manufacturing ultra-thin conductive metallic lines	POIR.02.03.04-02- 0001/16	01.2016	93.93	0.00
4. A new generation of TCFs for use in displays and thin-film photovoltaic cells - XTPL		01.2017	170.32	38.58
5. Preparation of XTPL SA to enter the NewConnect market	UDA-PO-IR.03.01.05-02-0003/17-00	05.2017	75.00	0.00
6. Development of demonstration prototypes of a lab printer with compatible nanoink formulas	RPDS.01.02.02-02-0014/17-00	03.2017	0,00	0,00
leading to commercialisation and marketing of the ultra-thin conductive line printing technology for use in			**1 763,34**	**38,58**
printed electronics	**RPDS.01.02.02-02-0014/17-00**	**03.2017**	**0.00**	**0.00**
Total			**1 763.34**	**38.58**

d. Employment

Employment as at 31 December

	2017	2016	Change
	1	2	1-2
by gender:			
Women	8	4	4
Men	20	14	6
Total	**28**	**18**	**10**
by function			
R&D, (research and development personnel)	21	14	7
Others	7	4	3

	2017	2016	Change
	1	2	1-2
Total	**28**	**18**	**10**
by education:			
PhD holders	6	6	0
Employees with a master's/bachelor's/engineering degree	22	12	10
Total	**28**	**18**	**10**

6. Current and anticipated financial and material standing

a. Current financial and material standing

Ratio analysis

	2017	2016	Definicja wskaźnika
Debt ratios			
Total debt ratio	0.11	0.29	Total liabilities / Assets
Short-term debt ratio	0.09	0.29	Short-term liabilities / Assets
Liquidity ratios			
Current liquidity ratios	9.41	2.09	Current assets / Short-term liabilities
Cash flow ratio	8.44	1.90	Cash / Short-term liabilities
Profitability ratios			
Return on Assets (ROA)	-1.51	-1.92	Net profit (loss) / Total assets
Return on equity (ROE)	-2.26	-1.99	Net profit (loss) / Shareholders' equity

The revenues shown in the profit and loss account include mainly subsidies received, therefore profitability ratios based on the value of sales are not presented.

In 2017 the Company continued the works commenced in 2015-2016 aimed at the commercialization of the developed XTPL technology. High operating costs of the Company resulted in a negative net financial result of PLN -3 962.04 thousand. A negative financial result affects negatively the return on equity ratio.

Despite the negative financial result, the current liquidity and cash flow ratios are at a high level, which indicates a high potential of the Company to settle current liabilities. Settling liabilities on time allows for building good relations with sup-

pliers, which may translate into longer payment terms and greater discounts in subsequent periods. High liquidity ratios are due to the acquisition of additional capital on the NewConnect market.

Structure of assets.

Assets	2017	% share in total assets	2016	% share in total assets	In 1000 PLN	Change in %
	1		2		1-2	
A. Fixed assets, including	**1 129.98**	**14.0%**	**1 051.42**	**40.2%**	**78.56**	**7%**
I. Intangible assets	543.32	6.7%	749.08	28.6%	-205.76	-27%
II. Tangible fixed assets	572.51	7.1%	288.19	11.0%	284.32	99%
III. Long-term receivables	14.15	0.2%	14.15	0.5%	0.00	0.
B. Current assets, including	**6 922.40**	**86.0%**	**1 565.04**	**59.8%**	**5 357.36**	**342%**
I. Inventories	0.00	0.0%	4.93	0.2%	-4.93	-100%
II. Short-term receivables	280.59	3.5%	133.68	5.1%	146.91	110%
III. Short-term investments	6 210.25	77.1%	1 420.94	54.3%	4 789.31	337%
IV. Short-term prepayments and accruals	431.56	5.4%	5.49	0.2%	426.07	7761%
TOTAL ASSETS	**8 052.38**	**100.0%**	**2 616.46**	**100.0%**	**5 435.92**	**208%**

The increase in the value of *Tangible fixed assets* is the result of expenditure on:
- purchase and manufacture of specialized equipment (including XTPL printers) used for the development of XTPL technology,
- equipping the workplace of laboratory and administration employees.
- purchase of a passenger car (financed by operating lease)

Acquisition of additional capital on the NewConnect market and proceeds from subsidies translated into a large increase in the value of *Short-term investments* in the form of cash in bank accounts.

The item *Short-term receivables* includes mainly VAT receivables.

Active development costs in 2017 related to the implementation of the grant project under the name: *Development of demonstration prototypes of a lab printer with compatible nanoink formulas leading to commercialisation and marketing of the ultra-thin conductive line printing technology for use in printed electronics constitute the main part of the Short-term prepayments and accruals*.

Structure of liabilities

Liabilities	2017	% share in total liabilities	2016	% share in total liabilities	In 1000 PLN	Change in %
	1		2		1-2	
A. Shareholders' equity	7 181.38	89.2%	1 754.08	67.0%	5 427.30	309%
B. Liabilities and provisions for liabilities, including	871.00	10.8%	862.38	33.0%	8.62	1%
I. Provisions for liabilities	110.12	1.4%	0.00	0.0%	110.12	x
II. Long-term liabilities	25.22	0.3%	0.00	0.0%	25.22	x
III. Short-term liabilities	735.66	9.1%	749.03	28.6%	-13.37	-2%
IV. Accruals and deferred income	0.00	0.0%	113.35	4.3%	-113.35	-100%
TOTAL LIABILITIES	**8 052.38**	**100%**	**2 616.46**	**100%**	**5 435.92**	**208%**

The increase in *Equity* is the result of the Company acquiring additional capital on the NewConnect market.

Provisions created for remuneration for the audit and preparation of the financial statements for 2017 as well as untaken vacation leaves are presented in the item *Provision for liabilities*.

Long-term liabilities include financial liabilities resulting from the operating lease agreement signed in 2017.

The item *Short-term liabilities* includes liabilities due to:
- prepaid inventories and services (40% of the item's value)
- taxes, social security (32% of the item's value)
- remuneration (22% of the item's value)

Cash flows.

Cash flows by type of activity are presented in the table below:

in 1000 PLN	2017	2016
Net cash flows from operating activities	-3 729.80	-1 794.70
Net cash flows from investing activities	-511.71	-323.04
Net cash flows from financial activities	9 030.83	3 386.42
Net cash flows	4 789.32	1 268.68

b. Expectations regarding the financial and material standing (including planned investments)

In 2018 the Issuer assumes financing of operations from shareholder's equity (funds from the issue of series M shares) and subsidies obtained in the previous years. Additionally, the Issuer will try to obtain additional grant financing to finance research and development works and / or commercialization of the developed technology. In 2018 the Issuer also expects to obtain the first revenues from the sale of its technologies.
The main directions of investments planned for 2018 concern expenditure on the construction of laboratory printers for own needs and to execute grant agreements (the Company builds devices and accepts them as its own fixed assets). The estimated amount of investment for this purpose is ca. PLN 900 thousand.

7. Treasury shares

In the financial year from 1 January 2017 to 31 December 2017 the Company did not acquire any own shares.

Pursuant to the resolution of the Extraordinary General Meeting No. 03/02/2017 of 21 February 2017 the Company issued 140,020 ordinary series L shares for the employee incentive programme. The shares were acquired by TPL Sp. z o.o. by way of a private subscription. At the same time, the Issuer concluded with TPL Sp. z o.o. a contract for administration of series L shares as part of the incentive programme. The administration includes activities which are necessary to implement the Incentive Programme, i.e. the subsequent transfer of the share ownership title to individuals entitled under the Rules and Regulations of the Incentive Programme adopted by a resolution of the General Meeting of XTPL. The shares which are not taken up under the incentive programme will be redeemed. Until the date of signing hereof, no rights to shares have been granted to the members of the Management Board, employees or associates of the Company under the Programme yet.

8. Financial instruments

In the year from 1 January 2017 to 31 December 2017 the Issuer did not apply hedge accounting and did not use financial instruments against risks related to: price changes, credit, significant cash flow obstructions and financial liquidity.

9. Environmental impact of the Issuer's operations

The Issuer's operations have no significant impact on the environment.
The technology developed by the Issuer in the TCF (Transparent Conductive Films) area, when adopted by the industry, will result in:

- in the case of photovoltaic solar cells – an increase in their overall efficiency (increase in electricity production of a given photovoltaic unit);
- in the case of displays – a decrease in operational energy consumption per display unit.

The implementation of the Issuer's technology in the open-defect area will make it possible to reduce the use of toxic gases required by current metallic connection repair methods.

10. Risk factors and description of threats

The list of risk factors and threats related to the Issuer's operations (presented below) is not exhaustive. The company has presented only the risk factors that are known to it and that have been identified so far.

The factors are not presented in the order of significance, probability of occurrence or potential impact on the Company's operations. The risk factors indicated may have a negative impact on the business, financial condition, development prospects, Company performance and/or the market price of the Issuer's shares.

Risk related to introduction of the technology into the commercialisation phase

The Company's business model provides for the ultra-thin conductive line printing technology for various applications in printed electronics to be gradually introduced into the commercialisation phase. The technologies to be commercialised are the printing devices and nanoink. The adopted business model assumes that the entire value chain will be managed by the Company, i.e. production, product marketing, distribution and provision of specialized, customer-tailored services. Launching a modern product requires considerable financial expenditure and proper organizational arrangements. In accordance with the assumptions adopted by the Issuer – which are based on the market share structure of display manufacturers (and photovoltaic cell manufacturers) – the scope of marketing and distribution will be global. There is a risk that the launch of devices in individual markets will fail to follow the current assumptions, which may be caused by, e.g.: lack of demand (or insufficient demand) in target countries, failure to accurately identify the potential clients' needs, incorrect interpretation of the legal environment, the Company's products not being fully adjusted to foreign markets, an ineffective promotional campaign or an unexpected emergence of a competitor. Any of these events may hamper the Company's growth and negatively affect its operations and/or financial situation.

Risk related to product liability

The Company's business model assumes that the gradual commencement of commercialisation of the ultra-thin conductive line printing technology for various applications in printed electronics poses the risk of defects or insufficient product quality in the initial phase of the commercialisation. It is possible that during the first stage of product commercialisation unforeseen defects might appear or market shareholders find the product quality unsatisfactory.

Risk related to the business development model and failure to execute the Company's strategy

The business model is predicated on the commercialisation of the technology developed by the Company (the technology for ultra-fine printing of a wide range of nanomaterials). This process will involve the Company's products: the printer, the nanoink, and ultimately, print heads for industrial applications.

Due to the early stage of its development, the Company has not yet fully implemented a repeat business model. Nevertheless, the Company has outlined a development strategy, which entails launching the products that are the focus of the Company's technology commercialisation efforts.

Taking into account the geographic and economic conditions of the market, the Company will mainly develop its business presence in the United States, Asia and Western Europe. The Company intends to strengthen its market position through organic growth, primarily through further development of its technology.

Due to a number of factors, the Company cannot fully guarantee that its adopted business development model will be effective. The Company's future position in the general printed electronics market depends on its ability to outline and implement an effective long-term development strategy and to further develop its technology. The risk of making sub--optimal decisions due to inadequate analysis of the situation or the Company's inability to adapt to changing market conditions, flaws in the adopted strategic assumptions (with regard to e.g. the developed technology, the adopted technology commercialisation plan, and the extent of demand from potential customers) may result in the ineffectiveness of the business development model and the future financial results being lower than currently assumed.
There is also a risk that the Company's forecasts about the direction of the market growth and consumer preferences will prove to be incorrect, which may negatively affect the actual demand for the Company's products.

The estimates and assumptions adopted by the Management Board are based on experience and observations of changing trends. However, if the Company operates on incorrect assumptions, the Management Board may take poor business decisions and incorrectly estimate the impact of trends across the markets in which the Company operates. Such a situation could have a material adverse effect on the business, financial condition, performance and outlook of the Company.

Risk related to difficulties acquiring experienced and specialised employees

The highly technologically advanced nature of the research conducted by the Company means that employee skills and experience are becoming ever more demanding. Next to its technology, the engineering and scientific staff of the Company constitutes its most valuable resource. The pace and quality of the Company's research and development works is directly tied to the skills of the specialists that form the R&D team. The company employs engineers in the fields: of chemistry, physics, electronics, mechanics, material engineering and numerical simulations. In almost all of these fields, the supply of specialists ready and willing to work for the Company is limited. The Company competes for the best specialists with both domestic and foreign companies.

As the Company's operations are to scale up significantly in the future, this factor may be a particularly strong limiting factor for the Company's growth. Difficulties in recruiting employees may delay works or force the Company to give up some of its projects.

Risk related to loss of key team members

The Company's operations rely on a select team of people with relevant know-how, whose competences include engineering, technical and financial management, as well as strategic management of the Company. Therefore, any loss of key personnel may adversely affect further operations of the Company, its financial and economic position, and its development outlook by limiting the capacity of the Company to sell products, develop technology and acquire new contracts, as well as by hindering the servicing of existing contracts.

The majority of the Company's staff works in operations, and is charged with tasks that require specialist knowledge, skills and education. The Company is exposed to a risk of departure of some operations employees, which may weaken the organizational structure of the Company's operations. Such a scenario would potentially undermine the stability of the Company's operations and necessitate higher levels of remuneration in order to retain employees. This may lead to an increase in the Company's operating costs.

Risk of dependency on future contractors

Due to the early stage of its development (before the commercialisation of its core product), at the moment the Company has not identified any dependence on contractors. However, there is a risk that, after a product is launched, the Company may become dependent on a specific contractor – especially during the initial commercialisation phase, when the Company will be forced to engage with a limited number of contractors. Similarly, the Company's target market is quite limited (due to its specific nature), which also entails a risk of dependency on a particular client.

Risk related to research and development

The number of new technological solutions identified in the market of next generation TCFs or for the repair of broken metallic connections in thin-film electronic circuits requires the Company to constantly improve its solutions, as well as to devote considerable funds to research and development. The results of the research and development works is not only a function of successful commercialisation and development of devices utilizing XTPL's technology, but also of production efficiency and, consequently, the manufacturing cost of the products. Some of the works planned by the Issuer are aimed at developing highly innovative solutions, which carries a risk of failure. If the Company's research and development works prove to be unsuccessful, it may have a material adverse on the Company's business, its financial situation and development prospects.
The risk factor may have a negative impact on the business, financial condition, development prospects, Company performance and/or the market price of the Issuer's shares.

Risk related to disclosure of confidential information relating to technology

One of the prerequisites for the successful implementation of the Company's strategy is maintaining secrecy by persons in possession confidential information, in particular concerning R&D and technological processes relating to the print heads and the nanoink. There is a risk of sensitive information being disclosed by persons related to the Company, which may result in their use by competing entities, despite the measures of intellectual property protection adopted by the Company, such as the obtained patents.

The risk factor may have a negative impact on the business, financial condition, development prospects, Company performance and/or the market price of the Issuer's shares.

Risk of intellectual property infringement

The Company operates in an area where regulations regarding industrial and intellectual property rights and their protection are of crucial importance. There are currently no pending industrial and intellectual property rights infringement proceedings involving the Company.

The Company intends to conduct its operations so as not to infringe industrial and intellectual property rights of third parties. However, it cannot be ruled out that third-party claims of industrial and intellectual property rights infringement may be brought against the Company. Such claims, even if unfounded, may adversely affect the Company's strategy implementation timetable, and the defence against such claims may involve significant costs, which may in turn adversely affect the Company's financial results. The Company, while working on its own patent application, thoroughly reviewed the literature and currently known patents in order to mitigate this risk. However, there is a risk of infringement of intellectual property rights tied to patents that are pending but have not been disclosed.
Working with external partners entails similar risks. Entities not explicitly authorized may attempt to exploit XTPL's intellectual property by either violating the patent application directly or by attempting to circumvent it. The circumstances described above may have a material adverse effect on the development prospects, performance and financial position of the Company.

Risk related to technology scaling

Due to the fact that the technology which XTPL's printing process is based on includes highly innovative solutions, there is a risk that its scaling up from laboratory to industrial applications may be unsuccessful.
This risk may materialize through difficulties in achieving the same stable technological parameters (typical of the laboratory environment) in industrial-scale production. In addition, there is a risk that the finished technology may not achieve the desired effectiveness in some industrial manufacturing processes (e.g. as a result of failure to achieve sufficient efficiency of the production process).
The Company's estimates of production costs are based on market observation and the assumptions of the Management Board. There is a possibility that the actual production costs of the printers and nanoink, as well as the cost of commerciali-

sation of the XTPL technology will be much higher than currently expected. Any underestimation of the device production costs may have a material adverse effect on the Company's financial results and its development prospects.

Risk related reaching target customers and executing sales plans

XTPL's customers will include, in particular, manufacturers of displays and photovoltaic cells. These entities possess elaborate communication and decision-making channels. There is a risk that the offer of a company with a short market history, such as XTPL, will be dismissed as unreliable. This may lead to delays in the execution of the Company's sales plans or even a failure to acquire a customer and may result in a loss of potential revenue.

Risk of emergence of a competitive technological solution

New technological solutions competing with XTPL's technology are constantly being developed on the global technology market. When the parameters of the currently available solutions are compared with the parameters achieved by XTPL's technology – in the Company's opinion – the competing solutions show inferior parameters and often higher production costs than the equivalent parameters expected from XTPL's industrial solution. The Company has taken steps aimed at obtaining patent protection for its technology. In March 2016, with the help of the British patent law firm GJE (with a strong track record in patenting inventions in the field of nanotechnology), XTPL filed a patent application covering both the method and the nanoink formula. The patent application was filed in the United Kingdom and it is currently being extended to cover around 30 countries of the world (PCT procedure). As at the Prospectus Date, the patent was not yet granted, but the Company's intellectual property enjoys protection as of the application submission date.

Due to the size of the global market of TCFs, it is possible to identify technology companies working on a new generation of TCFs as an alternative to currently predominant ITO-based solutions. These companies are at various stages of development, and the technological solutions they have disclosed are based mainly on four types of TCF layers: silver nanowires, metal mesh, carbon nanotubes and conductive polymers. The last two of these solutions are limited to parameters inferior or equal to those of ITO-based layers. Therefore, in the Company's opinion, they are not considered fundamentally competitive to ITO. Silver nanowires and metal mesh are more suitable candidates as a viable alternative and, therefore, potentially competitive with respect to XTPL, as they offer characteristics superior to ITO. Silver nanowires are characterized by high flexibility, easy pattern deposition and optimum production efficiency. However, this technology is characterized by high surface resistance (affecting, for example, the power consumption of end devices). The metal mesh technology developed by the American firm Rolith Inc. is characterized by very promising technical parameters, however, it is much more expensive to implement than the solution developed by XTPL.

Across the market of open-defect repair in thin-film electronic circuits, the currently used methods that constitute the main competition for the Company's offer are: laser chemical vapour deposition, physical vapour deposition and focused ion beam. These solutions, although provided by companies present on the market for many years and possessing high potential, have a number of limitations (efficiency, toxicity, high total cost) compared to the method offered by XTPL. Among new technologies currently being introduced to the market, the EHD technology developed by the Swiss company Scorna

is a noteworthy example – however, it cannot be used in many cases, because the high voltage involved in the method can cause additional damage in the repaired electronic circuits.

At present, the Company's competitive risk can be described as minimal, as the technologies developed are less efficient than the solutions the Company is working on. However, one cannot rule out the emergence of more technologically advanced or more cost-effective solutions on the market. There is also a risk that other market actors will significantly step up spending on the promotion of the currently available solutions. These risks may materially affect the Company's development prospects.

Risk related to implementation of proprietary technologies by potential customers of the Company

Eventually, the business model is predicated on the commercialisation of the technology developed by the Company (the technology for ultra-fine printing of a wide range of nanomaterials). This process will entail selling the Company's products – the printer, the print head and the nanoink. The Company intends to provide customers in the printed electronics sector with comprehensive technological solutions – i.e. devices (lab printers, industrial printers) and nanoinks.
Global producers of electronic components (e.g. display components) and photovoltaic cells are an important subset of potential users of the Company's technology. There is a risk that these entities, possessing sufficient technical and organizational resources, may develop their own nanoprinting solutions and will not be interested in the product offered by XTPL.

The Management Board:

President of the Management Board
Filip Janusz Granek

Member of the Management Board
Maciej Adamczyk

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Stabłowicka 147
54-066 Wrocław, Poland
xt-pl.com

shaping global nanofuture

Wrocław, this 31 March 2018

Statement of the Management Board of XTPL S.A.
on the selection of an entity qualified to audit the 2017 financial statements.

The Management Board of XTPL S.A. represents that the entity qualified to audit financial statements which performed the audit of the annual financial statements was selected in accordance with the provisions of law, and that the entity and certified auditors who performed the audit of the statements met the conditions for expressing an impartial and independent opinion on the audited annual finacial statements, in accordance with the applicable regulations and professional standards.

President of the Management Board
Filip Janusz Granek

Member of the Management Board
Maciej Adamczyk

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Wrocław, this 31 March 2018

Statement of the Management Board of XTPL S.A. on the accuracy of the financial statements for 2017

The Management Board of XTPL S.A. represents that to the best of the knowledge of the members of the Management Board of the Company the financial statements for 2017 and the comparative data have been prepared in accordance with the applicable accounting policies and that they truthfully, genuinely and clearly reflect the material and financial standing of the Company as well as its financial results, and that the report on the activities of the Company includes a true picture of the Company's development, achievements and standing, including the description of the basic risks and threats to its operations.

President of the Management Board
Filip Janusz Granek

Member of the Management Board
Maciej Adamczyk

Report of the Management Board of XTPL S.A. on the application of the principles of corporate governance in 2017

Wrocław, this 31 March 2018

GOOD PRACTICES

The Management Board of XTPL S.A. hereby provides information concerning the Company's application of the principles of corporate governance set out in the Appendix No. 1 to the Resolution No. 293/2010 of the Management Board of the Warsaw Stock Exchange [Giełda Papierów Wartościowych S.A.] of 31 March 2010 which constitutes the uniform text of "Code of Best Practice for Companies Listed on the NewConnect Market"

	Principle	Principle of the Code of Good Practice for Companies Listed on the NewConnect Market	Application	
1	Information policy	The Company shall have a transparent and effective information policy, using both traditional methods and modern technologies which ensure a fast, secure and wide access to information. The Company, while using these methods to their fullest extent, shall ensure proper communication with investors and analysts, provide for the possibility of broadcasting general meetings via the Internet, record meeting sessions and publish them on the website.	NO	All the necessary information will be available on the Issuer's website. For technical reasons the Company decided that it is impossible to provide broadcasting or recording of the General Meeting sessions.
2	Effective access to information	The Company shall ensure effective access to information necessary to assess the Company's standing and prospects, and the way it operates.	YES	
3	Corporate website	The Company has a corporate website where it publishes: 1. basic information on the Company and its activity (home page), 2. description of the Issuer's activity with indication of the kind of activity which generates the most profit, 3. description of the market on which the Issuer operates with indication of the position of the Issuer on the market 4. professional resumes of the members of the Company's bodies, 5. information on any relationships of a member of the supervisory board with a shareholder holding shares representing not less than 5% of the total number of votes in the general meeting of the company, which the management board obtained based on a statement made by a member of the supervisory board, 6. corporate documents of the company, 7. outline of strategic plans of the company, 8. published forecasts of financial results for the current financial year together with the basis of such forecasts (in the case the Issuer publishes them)	YES	

	Principle	Principle of the Code of Good Practice for Companies Listed on the NewConnect Market	Application	
3	Corporate website	9. the Issuer's shareholding structure including indication of the main shareholders and free-float shares; 10. personal and contact details of the person in charge of the company's investor relations and media contacts; 11. (repealed), 12. published current and periodic reports, 13. calendar of scheduled publications of periodic financial reports, dates of general meetings, meetings with investors and analysts, and press conferences, 14. information on corporate events, such as the payment of dividends and other events leading to the acquisition or limitation of shareholder's rights, including the time limits and rules of such operations. Such information shall be submitted a time limit which allows the investors to make investment decisions. 15. (repealed), 16. shareholders' questions on the issues included in the agenda, submitted before and during a general meeting, along with responses to those questions, 17. information on the reasons for the cancellation of a general meeting, changes of the date or agenda and their justification, 18. information on an adjournment in a general meeting and the reasons for an adjournment, 19. information on the entity with which the company concluded an agreement for the provision of services of an Authorised Advisor, including its name, website address, phone numbers and e-mail address, 20. information on the entity acting as the Issuer's market maker, 21. information document (prospectus) of the company published in the last 12 months, 22. (repealed), Information submitted to the website shall be easily accessible. The issuer shall update the information submitted to the website. If new significant information is available or the information presented on the website changes significantly, it shall be updated without delay.	YES	

	Principle	Principle of the Code of Good Practice for Companies Listed on the NewConnect Market	Application	
4	Language of the website	The company shall runs its corporate website in Polish or in English, at the issuer's discretion. Current and periodic reports shall be submitted to the website at least in the language of their publication in accordance with the provisions applicable to the issuer.	YES	
5	Investor relations section	The company shall have an information policy with particular emphasis on the needs of individual investors. For this purpose, apart from its corporate website, the company shall use its individual investor relations section at www.GPWInfoStrefa.pl.	NO	The company shall be fully responsible for running the investor relations section on its website.
6	Communication with the Authorised Advisor	The issuer shall maintain ongoing contacts with representatives of the Authorized Advisor in order to allow them to properly perform their duties towards the issuer. The company shall appoint a person responsible for contacts with the Authorized Advisor.	YES	
7	Notification of significant events	If an event occurs in the Company which, in the opinion of the issuer, is of material significance to the performance of obligations of the Authorised Advisor, the issuer shall immediately inform the Authorised Advisor thereof.	TAK	
8	Authorised Advisor's access to information	The issuer shall provide the Authorised Advisor with access to all documents and information necessary to perform the duties of the Authorised Advisor.	YES	
9	Information in the annual report	In the annual report the Issuer shall provide: 9.1 information on the total amount of remuneration of all members of the management board and the supervisory board, 9.2 information on the remuneration paid by the issuer to the Authorised Advisor in respect of all services provided to the issuer.	YES	
10	Participation of authorities in general meetings	The general meeting shall be attended by members of the management board and the supervisory board who can provide adequate answers to questions asked at the general meeting	YES	
11	Meetings with investors	At least twice a year, the issuer, in cooperation with the Authorised Advisor, shall hold meetings with investors, analysts and the media which are open to the public	YES	

	Principle	Principle of the Code of Good Practice for Companies Listed on the NewConnect Market	Application	
12	Resolution of the general meeting on the issue of shares	The resolution of the general meeting on the issue of shares with subscription rights shall determine the issue price or the mechanism for its determination or shall obligate a competent body to determine the price prior to the date of establishment of subscription rights within a time limit which enables an investment decision.	YES	
13	Provision of a comfortable time interval between resolutions of the general meeting and their execution	13. Resolutions of the general meeting shall be adopted as to provide a sufficient time interval between the decisions resulting in specific corporate events and the dates of determination of the rights of shareholders being a result of such events. 13a. If the management board of the issuer is notified by a shareholder who holds at least a half of the share capital or at least a half of all votes in the company that the shareholder has summoned an extraordinary general meeting pursuant to Article 399 §3 of the Code of Commercial Companies, the management board of the issuer shall immediately perform actions it is obliged to perform in order to organise and conduct the meeting. This principle shall also apply if the registration court authorizes shareholders to summon an extraordinary general meeting pursuant to Article 400 §3 of the Code of Commercial Companies.	TAK	
14	The principle of determining dividend rights	The date of establishing the right to dividend and the date of dividend payment shall be scheduled in such a way as to ensure the shortest possible period between them, in each case no longer than 15 business days. A longer period between these dates requires a detailed justification.	YES	
15	Conditional payment of dividend	The resolution of the general meeting on the payment of conditional dividend shall only include conditions which are to be fulfilled before the day of establishing the right to dividend.	YES	

	Principle	Principle of the Code of Good Practice for Companies Listed on the NewConnect Market	Application	
16	Monthly reports	16. The issuer shall publish monthly reports within 14 days from the end of each month. A monthly report shall include at least the following: 1. information on trends and events in the issuer's market environment which, in the opinion of the issuer, may have a material effect on the issuer's financial condition and results in the future, 2. statement of all information published by the issuer in the form of a current report in the reporting period; 3. information on the fulfilment of issue objectives, even if they were partially fulfilled, in the reporting period, 4. investor's calendar, including events planned in the following month, which concern the Issuer and are significant from the point of view of investors' interests, including in particular: the dates of publication of periodic reports, planned general meetings, opening of the subscriptions, meetings with investors or analysts, and the expected date of publication of the analytical report. 16a. If the issuer is in breach of the reporting obligation set out in Appendix [Exhibit] 3 to the Alternative Trading System Rules ("Current and periodical information in the Alternative Trading System on the NewConnect Market"), the Issuer shall publish without delay information explaining the situation in accordance with the procedure applicable to the provision of current reports on the NewConnect market.	YES	
17	(repealed)			

The Management Board:

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