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UNCONSOLIDATED QUARTERLY REPORT FOR III QUARTER OF 2018

XTPL S.A.

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1. KEY INFORMATION ON THE COMPANY

1.1. CORPORATE INFORMATION:

Business name:	XTPL Spółka Akcyjna
Registered office:	Wrocław
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Phone number:	+48 71 707 22 04
Website:	www.xt-pl.com
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MANAGEMENT BOARD

- Filip Granek – Management Board President
- Maciej Adamczyk – Management Board Member

SUPERVISORY BOARD

- Wiesław Rozłucki – Supervisory Board Chairman
- Bartosz Wojciechowski – Deputy Chairman of the Supervisory Board
- Konrad Pankiewicz – Supervisory Board Member
- Sebastian Młodziński – Supervisory Board Member
- Piotr Lembas – Supervisory Board Member

XTPL S.A. was formed as a result of transformation of a limited liability company trading as XTPL sp. z o.o. on the basis of a resolution of the Extraordinary General Meeting of Shareholders of the transformed company adopted on 25 April 2016, Repertory A No. 604/2016. The company is a going concern. The transformation was registered by the District Court for Wrocław Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, on 1 June 2016.

The company has the status of a public company. Since 14 September 2017, its shares have been listed in the alternative trading system of the NewConnect market operated by the Warsaw Stock Exchange.

As regards financial reporting, the Company uses IASs/ IFRSs.

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

1.2. THE ISSUER'S BUSINESS PROFILE

The Issuer operates in the nanotechnology segment. XTPL's interdisciplinary team develops a technology of ultra-precise printing of nanomaterials, which is innovative on a global scale and is protected by an international patent application. The XTPL solution has all the features of a disruptive technology and will be consistently developed as part of advanced research with a view to defining further, innovative uses of the solution in specific application areas.

The Company commercialises its solution in a phased approach: it intends to supply nanoprinting equipment, compatible nanoinks, dedicated to specific applications, and printing heads to buyers from e.g. the printed electronics sector. In the first place, XTPL develops laboratory printers for R&D works by research and development departments of potential business clients and research centres. The next phase will include comprehensive solutions for the industry: unique printing heads – dedicated for specific application fields, as well as compatible, precisely adjusted nanoinks. The company plans for the printing heads – enabling implementation of the revolutionary nanoprinting and ultraprecise deposition technology - to be designed by XTPL, manufactured by external contractors and assembled finally by XTPL. Nanoinks will be manufactured by a selected subcontractor – based on patented formulations. XTPL intends to sell nanoinks (based commercial partner's production capacity) and printing heads directly, as well as to implement technology as a service for selected clients (technology consulting).



XTPL's goal is to revolutionise selected areas of the broad sector of **printed electronics**. Strong development of this market is due to the growing number of new applications of printed, flexible and organic electronics in various fields. XTPL technology will be used in many existing areas of printed electronics industry or - thanks to the unprecedented precision of the nanomaterials printing solution - XTPL might enable implementation of new areas in this sector. The technological revolution is based on enabling the production of complex and complicated electronic components using cheap and scalable printing methods. Just as today we cheaply and quickly print newspapers and books, in the future we will print displays, solar cells, biosensors and other elements. **The size of the entire electronics market: 2017 - USD 29.3 billion; 2027 - USD 73.4 billion; CAGR 9.3% (forecast).**

THE KEY IDENTIFIED APPLICATIONS OF XTPL TECHNOLOGY IN THE ELECTRONICS SECTOR INCLUDE:

OPEN DEFECTS REPAIR



Micro- and nano-conductive structures are indispensable in the broadly understood electronics (i.e. integrated circuits, LCD/ OLED displays, PCBs, solar cells and many others). This sector faces a major problem as these conductive structures are very often damaged at the production stage. Electronic components made on the basis of such structures are extremely expensive, which is why repair of those defects is of key importance. The

repair methods currently available in the market are very limited, complicated and costly. XTPL offers a new breakthrough solution that allows defects in conductive paths to be repaired at low cost, with unparalleled precision and speed.

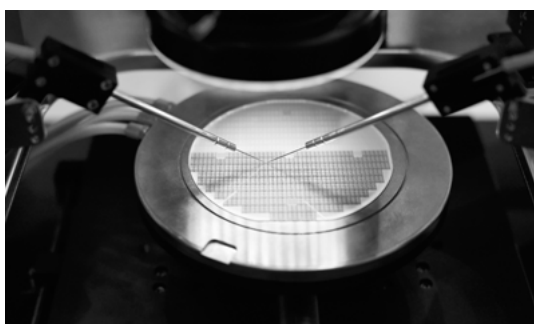
TRANSPARENT CONDUCTIVE FILMS (TCF)



Are indispensable in the production of displays, monitors, touch screens and photovoltaic cells. Currently, the most commonly used TCFs are based on indium-tin oxide (ITO). Indium is a rare element whose supply on a global scale is mostly controlled by China (about 50%-60% of global production) and Korea (15% market share). ITO-based films are not flexible (which is a serious limitation for electronics manufacturers); they insufficiently conduct electricity

and have a limited optical transparency. Due to limitations of ITO, technology companies around the world are looking for new generation TCF technology as an alternative to ITO. XTPL solution presents such an alternative. It ensures full transparency, excellent conductance parameters, low production costs due to the use of commonly available materials (i.e. silver) that can provide the sought-after technological independence from indium as well as flexibility of the conductive films, which will enable electronics manufacturers to develop and provide new generation of revolutionary solutions to customers.

SEMICONDUCTORS



XTPL solution responds to the needs of equipment manufacturers in the semiconductor sector who seek to replace photolithography with a simpler and cheaper method, yet one that ensures the highest precision. Photolithography is a technique which is highly complex, very expensive and not versatile. It requires an extremely clean substrate and ideal temperature conditions that are void of all contaminants, liquids and environmental hazards.

Furthermore, it is used only for flat surfaces in order to produce effective patterns. The additive, ultra-precise technology of creating submicron structures offered by XTPL eliminates all these disadvantages and is a sought-after alternative in this sector.

The Company's registered office and research laboratories are located on the premises of the PORT Wrocław Research Centre. Currently, the XTPL team consists of more than 45 people in Poland and the United States – scientists and technologists with interdisciplinary expertise in chemistry, physics, electronics, mechanics and numerical simulations (including nine persons with a doctorate degree), as well as specialists in strategic management and technology commercialisation with experience and successful track record in product development, marketing and capital markets. An important advantage is the fact that the Issuer's team includes many professionals with know-how developed in international markets, who in their professional career have cooperated with global corporations and research institutes.

2. KEY FACTORS AND EVENTS AFFECTING THE COMPANY'S PERFORMANCE

FINANCIAL PERFORMANCE

The tables below show selected items of income statement for the Q3 2018 and 2017.

FINANCIAL PERFORMANCE FIGURES IN PLN THOUSAND	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	CHANGE	CHANGE %
Revenue from sales	447	364	83	22.65%
Research and development expenses	887	749	139	18.5%
General and administrative expenses	1,665	1,021	644	63.0%
Operating profit (loss)	-2,111	-1,406	-705	50.2%

REVENUE FROM SALES

In the third quarter, 2018, the Company's revenue from sales was PLN 447 thousand, up 22.7% on the corresponding period of the previous year. The Company's revenue includes proceeds from grants.

RESEARCH AND DEVELOPMENT EXPENSES & GENERAL AND ADMINISTRATIVE EXPENSES

Research and development expenses in the third quarter amounted to PLN 887 thousand, up PLN 139 thousand (18.5%) on Q3 2017. Expenses under this heading are heavily influenced by the expansion of business structures (related to the growing cooperation with potential industrial clients and implemented R&D projects).

General and administrative expenses in the third quarter were PLN 1,665 thousand, up PLN 644 thousand (63.0%). General and administrative expenses were mainly driven by:

- costs of the marketing department (established in January 2018), which is responsible for developing the operating strategy related to the commercialisation of XTPL technology and supporting business development activities;
- costs of the business development department (established in Q4 2017), which carries out tasks related to searching for clients and partners interested in joint development of XTPL technology and clients interested in purchasing laboratory printers (starting from Q3, this also includes business structures built in the United States);

OPERATING PROFIT/LOSS

In the third quarter of 2018, the Company generated operating loss of PLN 2,111 thousand vs. operating loss of PLN 1,406 thousand reported in the corresponding period of 2017. The loss increased by PLN 705 thousand as a result of an increase in expenses, primarily to commercialise XTPL technology through the first industrial applications. The main areas of increased activity are described in “**Research and development expenses & general and administrative expenses**”.

KEY BALANCE SHEET FIGURES

	30.09.2018 PLN '000	31.12.2017 PLN '000	CHANGE PLN '000	CHANGE %
NON-CURRENT ASSETS	3,023	1,595	1,428	89.5%
Property, plant and equipment	766	573	193	33.6%
Intangible fixed assets	2,041	973	1,068	109.8%
Deferred tax assets	59	35	24	67.6%
Long-term receivables	157	14	143	1021.5%
CURRENT ASSETS	5,241	6,492	-1,251	-19.3%
Trade receivables	398	8	390	4878.3%
Other receivables	459	272	187	68.6%
Short-term financial assets	0	0	0	0.0%
Cash and cash equivalents	4,369	6,210	-1,841	-29.6%
Other assets	15	2	13	656.2%
EQUITY	6,941	7,217	-276	-3.8%
NON-CURRENT LIABILITIES	7	25	-18	-71.7%
SHORT TERM LIABILITIES	1,316	845	471	55.7%
Trade liabilities	906	310	596	192.3%
Short-term financial liabilities	25	25	0	-1.3%
Bank and other loans	0	0	0	0.0%
Other liabilities	385	510	-125	-24.5%

Changes in the Company's asset position are strongly influenced by the increase in non-current assets connected with continuation of development work and purchase of tangible assets.

CASH FLOWS

Selected values from the statement of cash flows for the third quarter of 2018.

	01.07.2018 - 30.09.2018 PLN '000	01.07.2017 - 30.09.2017 PLN '000	CHANGE PLN '000	CHANGE %
Net cash flows from operating activities	-2,074	-1,223	-852	69.7%
Net cash flows from investing activities	-556	-123	-434	353.8%
Net cash flows from financing activities	4,409	8,169	-3,759	-46.0%
CHANGE IN CASH AND CASH EQUIVALENTS:	1,779	6,824	-5,045	-73.9%

Net cash flows from operating activities were - PLN 2,074 thousand. The increase vs. the corresponding period of the previous year is mainly due to the increase in the net loss.

Net cash flows from investing activities were negative at - PLN 556 thousand. Capital expenditures increased by PLN 434 thousand compared with Q3 2017. The higher capital expenditures mainly result from the Company's development works that meet capitalisation criteria (as described in NOTE 1)

Net cash flows from financing activities amounted to PLN 4,409 thousand, down by PLN 3,759 thousand vs. Q3 2017, in which the Company received capital contributions (issue of shares) of PLN 9,562 thousand. In Q3 2018, the value of capital contributions was PLN 4,418 thousand.

- Summary of the key activities and effects in the area of business development**

In the third quarter of 2018, the Issuer focused its market activities in the United States and China. Their purpose was to prepare and sign JDAs (joint development agreements), JVs (joint venture agreements) or hardware sales contracts (industrial head, laboratory printers). The Issuer's R&D team continued parallel work connected with development of technologies for subsequent applications indicated by the market, and the marketing department carried out analyses aimed at determining the attractiveness of these segments from the Issuer's perspective. The most important events in the reporting period included:

- Negotiating the terms of commercial cooperation with a global China-based manufacturer of equipment for the production of displays. The Issuer informed about commencement of the process in Current Report ESPI 8/2018. The arrangements made in the third quarter related to the final offer for the use of XTPL technology in the area of repairing broken metallic connectors in thin-film electronic circuits ("open-defect repair"). The potential client is a company listed on China stock exchange, and its capitalisation is more than USD 9 billion. The long-term goal of the negotiated cooperation is to implement unique XTPL solutions as components of the offered technological lines for the production of displays. The ongoing intensive talks are designed to ensure the best possible adaptation of XTPL's advanced technology to the partner's industrial conditions. This will

potentially speed up the implementation and will help increase the attractiveness of the XTPL's offer in the eyes of any preliminarily interested entities. Concurrently with the negotiations, preparations are taking place for a reference visit to the Company announced by representatives of the Chinese partner.

- Transition to next stages of the project to commercialise the Issuer's technology in cooperation with a US corporation, one of the leading global manufacturers of equipment for the semiconductor industry. The results obtained by the Issuer's application laboratory as part of the first phase of the project have been highly recognised by representatives of the R&D department of the US company. The ultra-precise printing technology developed by XTPL was noted as the most promising alternative to the currently used solution. Once the current second phase of the technology validation is completed, this will open the door to arrangements for long-term commercial cooperation.
- Implementation of a project to use XTPL technology for printing on glass substrate for a leading US manufacturer from the smart glass industry. As part of the project, following arrangements made between the parties, in September 2018, the Issuer's application laboratory commenced preparation of material samples. Successful finalisation of the proof-of-concept will make it possible to start the next phase of the project of a potential use of XTPL technology for ultra-precise printing on glass substrate. The smart glass market is particularly promising considering its projected growth rate. In 2023, the market is forecast to grow to USD 8.35 billion, with CAGR at 16.6% in 2017–2023. Based on the groundbreaking nanoprinting technology developed by XTPL, glass industry manufacturers will potentially be able to offer their customers new functionalities in their products.
- Research and identification of market opportunities related to quantum dots printing using the XTPL method. The work could be started thanks to the proof-of-concept project, successfully completed in July 2018, for one of potential US clients. The developed technology can be used, for example, in the production of Quantum LED (QLED) displays. The market of QLED TVs alone is forecast to exceed 100 million items in 2021 compared with 1.5 million in 2017 (source: DSCC 2017 report)
- Starting talks with one of the leading R&D institutes of the US government in the field of applied sciences. The institute expressed its preliminary interest in using the Issuer's nanoprinting technology in its research activity. At present, intensive talks are under way on the form and scope of potential cooperation. The start of the cooperation would have a significant influence on the image of XTPL in the United States, particularly in the context of the planned intensification of sales in that market.
- Talks with R&D units interested in purchasing laboratory printers for applications in the field of scientific prototyping. The devices might be used to carry out research projects and, as a consequence, to identify new areas of application of the XTPL technology in the field of printed electronics. In the case of R&D units owned by industrial partners, the talks will help establish

technological relations and start negotiations on potential industrial implementation of the technology in their newly developed products.

- **Increased equity investment by Acatis Datini Valueflex Fonds**

On 10 August 2018, the Issuer's Management Board announced that it had obtained from Universal-Investment-Gesellschaft mbH, acting for and on behalf of the existing shareholder ACATIS Datini Valueflex Fonds, a declaration of interest regarding an increase in ACATIS' equity investment in the Issuer through acquisition of newly issued shares (Current Report ESPI 9/2018). In consequence, the Company's Management Board adopted a resolution increasing its share capital within the authorised capital, excluding the pre-emptive rights of the existing shareholders (Current Report EBI 23/2018). Based on the above resolution, the share capital of XTPL was increased from PLN 169,522.00 to PLN 174,222.00, i.e. by PLN 4,700 PLN, through the issue of 47,000 series N ordinary bearer shares with a nominal value of PLN 0.10 each. The series N shares were issued through a private placement by offering the acquisition of all those shares to Universal-Investment-Gesellschaft mbH acting for and on behalf of ACATIS Datini Valueflex Fonds. As a result, on 3 September 2018, the Issuer's management board announced that it had signed an agreement with Universal-Investment-Gesellschaft mbH on acquisition of 47,000 series N shares (Current Report ESPI 10/2018). The series N shares were acquired at the issue price of PLN 94 per share and were fully paid up in cash. The proceeds will finance the increase in XTPL's sales activity in the US market.

- **Obtaining a declaration of interest from Deutsche Balaton AG to take up newly issued shares**

On 18 August 2018, the Issuer's Management Board announced that it had agreed with Deutsche Balaton AG, a parent entity of Heidelberger Beteiligungsholding AG, the Company's shareholder, the terms of increasing its equity investment in the Issuer by taking up newly issued shares (Current Report ESPI 11/2018). As a consequence, the Company's Management Board adopted a resolution increasing its share capital within the authorised capital, excluding the pre-emptive rights of the existing shareholders (Current Report EBI 25/2018). Based on the above resolution, the share capital of XTPL was increased from PLN 174,222.00 to PLN 178,362.00, i.e. by PLN 4,140.00 PLN, through the issue of 41,400 series O ordinary bearer shares with a nominal value of PLN 0.10 each. The issue price of one series O share was set at the level corresponding to 3-month VWAP (volume weighted average price) less 10% discount. In the Management Board's opinion, successful offering of the new series shares to another entity from the German financial ecosystem will contribute to building even greater credibility of XTPL. In the future, given the parallel listing of the Company's shares on the German Open Market (Freiverkehr), it may trigger interest among investors and increase liquidity of the shares in that market. The funds acquired will finance XTPL's business development activities in the United States, particularly in the Silicon Valley area, and will strengthen the Company's patent position through financing subsequent applications building up the patent cloud of XTPL technology.

- **Building operational structures in the United States**

In July 2018, the Issuer started building its operational structures in the Silicon Valley, which are the foundation for further business development in the USA. Market development and acquiring clients for XTPL in the United States was entrusted directly to local managers. The presence in the American market is another step towards a widespread, industrial implementation in the USA of the groundbreaking nanoprinting technology developed by XTPL. It may enable research and development activities together with global giants and will help recognise global trends already at a very early phase. This will translate into a dynamic adaptation of the Company's portfolio by building a product dedicated to the desired application field. The operational structures in Silicon Valley also strengthen the Issuer's credibility in the eyes of existing and potential partners from around the world.

- **Extension of the Advisory Board**



In July 2018, Amir Nayyerhabibi joined the XTPL's Advisory Board. Like Harold Hughes, a long-standing member of the Intel's board, he will support the company's executive team and key managers in the strategic decision-making process, including in relation to the further lines of development of XTPL's disruptive technology and its global expansion. Amir Nayyerhabibi is a business player with experience in the semiconductor industry. He is the man behind

the success of such companies as Cortina Systems, StratumOne and AuroraNetics. Currently, he is one of the partners in Benhamou Global Ventures from Silicon Valley, a fund investing in dozens of companies from the digital economy sector. As a rule, he invests his experience and talent in companies that have unique technology and a potential for rapid growth.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

END OF SUBSCRIPTION OF SHARES FOR HEIDELBERGER BETEILIGUNGSHOLDING AG:

22 October 2018, saw an end to the process of private subscription of 41,400 (forty one thousand four hundred) series O shares of XTPL S.A. ("Series O Shares") for Heidelberger Beteiligungsholding AG from Germany. The Issuer advised about the completed subscription of Series O Shares in Current Report ESPI 14/2018.

On 22 October 2018, an agreement was signed providing for acquisition of all the Series O Shares, i.e. 41,400 series O shares of the Issuer, by one entity, Heidelberger Beteiligungsholding AG, through a private placement. The subscription began on 26 September 2018 (based on a resolution of the Management Board of XTPL S.A., which XTPL S.A. announced in Current Report EBI 25/2018). The Series O shares were acquired at the issue price of PLN 109 (one hundred zlotys) per share and were fully paid up in cash. Proceeds from the issue of the Series O Shares amounted to PLN 4,512,600 (four million five hundred and twelve thousand six hundred zlotys).

On 24 October 2018, XTPL submitted changes to its articles of association to the registry court alongside a consolidated text of this document, in connection with the increase in its share capital (from PLN 174,222.00 to PLN 178,362.00).

INCREASE OF THE SHARE CAPITAL

On November 8, 2018, the registry court registered: an increase of the share capital of XTPL S.A. up to PLN 178 362, series O shares as well as a new consolidated text of the articles of association, of which change XTPL S.A. informed in the EBI Current Report No. 28/2018 dated 9 November, 2018.

EXCEEDING 10% OF SHARES IN THE TOTAL NUMBER OF SHARES BY HEIDELBERGER BETEILIGUNGSHOLDING AG BASED IN HEIDELBERG

On November 12, 2018 the management received a notification from Heidelberger Beteiligungsholding AG on exceeding 10% of shares in the total number of Issuer's shares. The cause of exceeding the threshold was registration by the registry court of the Issuer's share capital increase - issue of series O shares. The Issuer informed about this in the current report ESPI 15/2018 from 12 November 2018

3. QUARTERLY CONDENSED FINANCIAL STATEMENTS

3.1. FINANCIAL HIGHLIGHTS

FIGURES IN PLN THOUSAND	1 JULY- 30 SEPTEMBER 2018	1 JULY- 30 SEPTEMBER 2017	1 JANUARY- 30 SEPTEMBER 2018	1 JANUARY- 30 SEPTEMBER 2017
Net revenue from sales	447	364	1,703	1,313
Profit (loss) on sales	-173	-384	-395	-616
Profit (loss) before tax	-2,127	-1,432	-4,714	-2,913
Profit (loss) after tax	-2,145	-1,432	-4,693	-2,913
Depreciation/amortisation	97	156	349	360
Net cash flows from operating activities	-2,074	-1,223	-4,534	-2,813
Net cash flows from investing activities	-556	-123	-1,753	-462
Net cash flows from financing activities	4,409	8,169	4,396	9,238
Owner's equity	6,941	8,417	6,941	8,417
Short-term liabilities	1,316	544	1,316	544
Long-term liabilities	7	31	7	31
Cash and cash equivalents	4,369	7,383	4,369	7,383
Short-term receivables	857	301	857	301
Long-term receivables	157	21	157	21

3.2. STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	NOTE	01.07.2018 - 30.09.2018 PLN '000	01.07.2017 - 30.09.2017 PLN '000	1.01.2018 - 30.09.2018 PLN '000	1.01.2017 - 30.09.2017 PLN '000
CONTINUED OPERATIONS					
Sales	2	447	364	1,703	1,313
Revenue from research and development services		0	0	0	0
Revenue from the sale of products		0	0	0	0
Revenue from grants		447	364	1,703	1,313
Cost of sales		887	749	2,365	1,929
Research and development expenses	3	887	749	2,365	1,929
Cost of finished goods sold					
Gross profit (loss)		-440	-384	-662	-616
General and administrative expenses	3	1,665	1,021	4,058	2,264
Other operating income		0	0	3	0
Other operating costs		5	0	6	0
Operating profit (loss)		-2,111	-1,406	-4,723	-2,880
Financial revenues		7	12	47	12
Financial expenses		24	38	39	44
Profit/ loss before tax		-2,127	-1,432	-4,714	-2,913
Income tax		18		-21	
Net profit (loss) on continued operations		-2,145	-1,432	-4,693	-2,913
DISCONTINUED OPERATIONS					-
Net profit (loss) on discontinued operations					
NET PROFIT (LOSS) ON CONTINUED AND DISCONTINUED OPERATIONS		-2,145	-1,432	-4,693	-2,913
OTHER COMPREHENSIVE INCOME				-	-
TOTAL COMPREHENSIVE INCOME		-2,145	-1,432	-4,693	-2,913

NET PROFIT (LOSS) PER SHARE (IN PLN)					
On continued operations					
Ordinary		-1.27	-0.84	-2.77	-1.72
Diluted		-1.27	-0.84	-2.77	-1.72
On continued and discontinued operations					
Ordinary		-1.27	-0.84	-2.77	-1.72
Diluted		-1.27	-0.84	-2.77	-1.72

3.3. STATEMENT OF FINANCIAL POSITION

ASSETS	NOTE	30.09.2018 PLN '000	30.09.2017 PLN '000	31.12.2017 PLN '000
NON-CURRENT ASSETS		3,023	1,264	1,595
Property, plant and equipment	8	766	484	573
Intangible fixed assets	1	2,041	759	973
Deferred tax assets		59	0	35
Long-term receivables		157	21	14
CURRENT ASSETS		5,241	7,729	6,492
Trade receivables		398	0	8
Other receivables		459	301	272
Short-term financial assets		0	0	0
Cash and cash equivalents	14	4,369	7,383	6,210
Other assets		15	45	2
TOTAL ASSETS		8,264	8,993	8,087

EQUITY AND LIABILITIES	30.09.2018 PLN '000	30.09.2017 PLN '000	31.12.2017 PLN '000
TOTAL EQUITY	6,941	8,417	7,217
Share capital	174	170	170
Supplementary capital	11,844	13,856	11,381
Retained profit (loss carried forward)	-384	-2,696	-395
Profit (loss) after tax	-4,693	-2,913	-3,939
NON-CURRENT LIABILITIES	7	31	25
Long-term financial liabilities	7	31	25
SHORT TERM LIABILITIES	1,316	544	845
Trade liabilities	906	178	310
Short-term financial liabilities	25	25	25
Bank and other loans	0	14	0
Other liabilities	385	327	510
TOTAL EQUITY AND LIABILITIES	8,264	8,993	8,087

3.4. STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	NOTE	01.07.2018 - 30.09.2018 PLN '000	01.07.2017 - 30.09.2017 PLN '000	1.01.2018 - 30.09.2018 PLN '000	1.01.2017 - 30.09.2017 PLN '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (loss) after tax		-2,145	-1,432	-4,693	-2,913
Total adjustments:		71	210	159	99
Depreciation/amortisation		97	156	349	360
FX gains (losses)		0	0	0	0
Interest and profit distributions (dividends)		-5	35	-43	36
Profit (loss) on investing activities		0	-12	-3	-12
Change in the balance of provisions		3	0	3	0
Change in the balance of inventories		0	-30	0	53
Change in the balance of receivables		-187	-19	-577	-174
Change in short-term liabilities, except bank and other loans		147	140	468	107
Change in prepayments/accruals		16	-61	-38	-271
Income tax paid		0	0	0	0
Other adjustments		0	0	0	0
Total cash flows from operating activities		-2,074	-1,223	-4,534	-2,813
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflows		3	12	57	12
Disposal of tangible and intangible assets		0	0	3	0
Interest on financial assets		3	12	54	12
Outflows		560	134	1,810	474
Acquisition of tangible and intangible fixed assets		560	134	1,610	474
Acquisition of financial assets		0	0	143	0
Other investment outflows		0	0	57	0
Total cash flows from investing activities		-556	-123	-1,753	-462

CASH FLOWS FROM FINANCING ACTIVITIES					
Inflows		4,418	9,812	4,418	10,911
Contributions to capital		4,418	9,562	4,418	9,576
Bank and other loans		0	250	0	1,266
Other financial inflows		0	0	0	69
Outflows		9	1,643	22	1,673
Acquisition of own shares		0	0	0	0
Payment of dividend		0	0	0	0
Repayment of bank and other loans		0	1,602	0	1,602
Finance lease payments		6	6	18	35
Interest		2	35	4	36
Total cash flows from financing activities		4,409	8,169	4,396	9,238
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		1,779	6,824	-1,891	5,962
CHANGE IN CASH AND CASH EQUIVALENTS:		1,777	6,824	-1,912	5,962
— change in cash due to FX differences					
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,519	560	6,189	1,421
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, INCLUDING:	14	4,298	7,383	4,298	7,383
— restricted cash					

3.5. STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FIGURES IN PLN THOUSAND	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	RETAINED PROFIT (LOSS CARRIED FORWARD)	TOTAL
AS AT 1 JANUARY 2018	170	11,393	-4,346	7,216
Comprehensive income:	0	0	-4,693	-4,693
Profit (loss) after tax	0	0	-4,693	-4,693
Other comprehensive income	0	0	0	0
Transactions with owners:	5	4,413	0	4,418
Issue of shares	5	4,413	0	4,418
Distribution of profit	0	-3,962	3,962	0
AS AT 30 SEPTEMBER 2018	174	11,844	-5,077	6,941
AS AT 1 JANUARY 2017	140	4,310	-2,696	1,754
Comprehensive income:	0	0	-2,913	-2,913
Profit (loss) after tax	0	0	-2,913	-2,913
Other comprehensive income	0	0	0	0
Transactions with owners:	30	9,546	0	9,576
Issue of shares	30	9,546	0	9,576
Distribution of profit	0	0	0	0
AS AT 30 SEPTEMBER 2017	170	13,856	-5,609	8,417
AS AT 1 JULY 2018	170	7,431	-2,931	4,670
Comprehensive income:	0	0	-2,146	-2,146
Profit (loss) after tax	0	0	-2,146	-2,146
Other comprehensive income	0	0	0	0
a+ Transactions with owners:	5	4,413	0	4,418
Issue of shares	5	4,413	0	4,418
Distribution of profit	0	0	0	0
AS AT 30 SEPTEMBER 2018	174	11,844	-5,077	6,941
AS AT 1 JULY 2017	154	4,310	-2,696	1,768
Comprehensive income:	0	0	-1,432	-1,432
Profit (loss) after tax	0	0	-1,432	-1,432
Other comprehensive income	0	0	0	0
Transactions with owners:	16	9,546	-1,480	8,082
Issue of shares	16	9,546	0	9,562
Distribution of profit	0	0	-1,480	-1,480
AS AT 30 SEPTEMBER 2017	170	13,856	-5,608	8,418

STATEMENT OF CONFORMITY

Pursuant to the resolution of the Extraordinary General Meeting of XTPL S.A. of on the application of IASs/IFRSs, based on Article 45(1a) and Article 45(1c) of the Accounting Act of 29 September 1994, the Issuer will prepare financial statements as of the reporting period starting on 1 January 2018 in accordance with IASs/IFRSs.

These interim financial statements have been prepared in accordance with International Accounting Standard No. 34 "Interim Reporting" and in accordance with the relevant International Financial Reporting Standards (IFRSs) applicable to interim financial reporting, approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), as well as in accordance with the interpretations issued by the IASB as endorsed by the European Union under the IFRS Regulation (Regulation No 1606/2002), hereinafter referred to as "EU IFRSs", in force as at 30 June 2018.

EU IFRSs include the standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations UE (IFRIC), approved for application in the EU.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1. INTANGIBLE FIXED ASSETS

OTHER INTANGIBLE ASSETS FIGURES IN PLN THOUSAND	30.09.2018	30.09.2017	31.12.2017
Acquired concessions, patents, licenses and similar rights	8	11	8
Intellectual property rights	405	535	535
In-process development expenditure	1627	213	430
TOTAL	2,040	759	973

Intellectual property rights concern the know-how which was contributed at the time of formation of the Company. Know-how includes the rights to the idea of the business associated with the creation of ultra-thin conductive lines and all rights related to the implementation of this idea, including R&D work, expertise, business model and financial model. Due to the fulfillment of the basic conditions, including anticipation of future economic benefits, in the financial statements the Company has recognised the know-how represented by the idea which is the basis of the Company's operations. In accordance with the judgement of the Company's Management Board, on initial recognition of the intangible asset in the financial statements, the degree of implementation of the idea which is the main component of the know-how gave reasonable assurance as to achievement of future economic benefits that can be allocated to the recognised asset. In the opinion of the

Management Board, at the balance sheet date there is still a high level of certainty of achieving future economic benefits.

The heading “in-process development” relates to development and construction of demo prototypes of the laboratory printer. The in-process development expenditure is an intangible fixed asset that is not yet available for use. According to paragraph 97 of IAS 38, development expenditure is not amortised as amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Pursuant to IAS 38, the stage of advancement of the work aimed at developing a prototype of the laboratory printer allows the Management Board report this project under intangible fixed assets. From the technical point of view, the work progress makes it technically possible to complete the project in such a way that the resulting asset is suitable for use or sale. Due to the advanced stage of the project, it is likely that future economic benefits will flow to the Company. The current activities aimed at future commercialisation of the output of the ongoing development work also give high certainty of existence of markets and entities interested in cooperation and acquisition of the resulting intangible asset. The manufactured laboratory printers will in particular be intended for sale or rent. A use for own purposes will also be considered by the Issuer. At the current stage of the ongoing work, the Issuer has submitted five sales offers. The in-process development is financed under the grant programme of Regional Operational Programme for Dolnośląskie Province and proceeds from, inter alia, the issue of series M shares.

As regards intangible assets, the Company applies principles that are in accordance with IAS 38.

All intangible assets are the property of the Company; none of these assets are used based on any rental, lease or a similar contract.

The intangible assets are not used as collateral.

As at 30 September 2018, the Company did not have any agreements whereby it would be required to purchase any intangible assets.

As at 30 September 2018, as required by IAS 36, the Company’s Management Board carried out an impairment test for the Company’s assets: in-process development expenditure. As part of the procedure, the management tested all the previous assumptions underlying the decisions to recognise the development expenditure as an asset. The management verified the likelihood and value of future economic benefits, the ability to complete the intangible assets to be available for use or sale, the availability of appropriate technical, financial and other means to be used to complete the development and use or sell the intangible asset as well as the size and possibility of a reliable estimation of the development expenditure incurred during the development project where such expenditure can be allocated to relevant intangible assets. As at 30 September 2018, the Company’s Management Board determined that there were no indications of impairment of the intangible assets and thus did not recognise any impairment allowances for these assets.

NOTE 2. NET REVENUE FROM SALES

NET REVENUE FROM SALES FIGURES IN PLN THOUSAND	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	1.01.2018 - 30.09.2018	1.01.2017 - 30.09.2017
Revenue from research and development services	0	0	0	0
Revenue from the sale of products	0	0	0	0
Revenue from grants	447	364	1,703	1,313
TOTAL NET REVENUE FROM SALES	447	364	1,703	1,313

Taking into account the current nature of the Company's operations, which consist in conducting research and development works, the revenue from grants is presented as revenue from core activities. At present, the Company does not have any signed commercial contracts that could be the basis for disclosures in accordance with IFRS 15.

NOTE 3. OPERATING COSTS

OPERATING COSTS FIGURES IN PLN THOUSAND	1.07.2018- 30.09.2018	1.07.2017- 30.09.2017	1.01.2018- 30.09.2018	1.01.2017- 30.09.2017
Depreciation/ amortisation, including	97	156	349	360
— depreciation of tangible assets	58	90	189	183
— amortisation of intangible assets	38	66	159	177
Use of raw materials and consumables	243	66	553	189
External services	1,078	747	2,612	1,591
Cost of employee benefits	823	666	2,374	1,820
Fees and charges	26	23	59	51
Other costs by type	285	113	476	181
Value of goods and materials sold	-	-	-	-
TOTAL COSTS BY TYPE, INCLUDING:	2,552	1,770	6,423	4,193
Items reported as research and development costs	888	749	2,365	1,929
Items reported as cost of finished goods sold				
Items reported as general and administrative expenses	1,664	1,021	4,058	2,264
Change in finished goods				
Cost of producing services for internal needs of the entity				

External services include mainly costs related to the maintenance of laboratory and office space and equipment, specialist research services contracted by laboratories working on development of the XTPL technology, advisory and legal services necessary to support all areas of the Company's activity and promotion costs.

Costs which are not directly related to any R&D project are presented in the general and administrative expenses. They mainly include items specified under the "External services" heading, namely office rent, consulting and legal service costs, costs related to promotion and customer acquisition and remuneration of employees supporting R&D processes (logistics, finance, grants).

The increase in general and administrative expenses compared with the corresponding period of the previous year results from extension of the organisational structure to include a new marketing department and business development department as well as the structures developed in the United States. Activities in the area of marketing include organisation of trade shows and conferences and promoting the company and the XTPL technology. The business development department is focused on identification of new markets and establishing business and commercial relations to acquire new partners and define customer needs. The cost base is also affected by the costs related to maintaining the company's presence on the NewConnect market (legal, advisory and accounting services).

NOTE 4. WRITE-DOWN OF INVENTORIES TO THEIR NET RECOVERABLE AMOUNT AND REVERSAL OF THE WRITE-DOWN

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

NOTE 5. IMPAIRMENT ALLOWANCE FOR FINANCIAL ASSETS, TANGIBLE ASSETS, INTANGIBLE ASSETS OR OTHER ASSETS AND REVERSAL OF THE IMPAIRMENT ALLOWANCE

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

NOTE 6. RELEASE OF PROVISIONS FOR RESTRUCTURING COSTS

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

NOTE 7. TYPES AND AMOUNTS OF CHANGES IN ESTIMATES PRESENTED IN PRIOR INTERIM PERIODS OF THE PRESENT FINANCIAL YEAR OR CHANGES TO ESTIMATES PRESENTED IN PRIOR FINANCIAL YEARS

In the reporting period no changes in estimates were made.

NOTE 8. SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS FIGURES IN PLN THOUSAND	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	1.01.2018 - 30.09.2018	1.01.2017 - 30.09.2017
XTPL printers	95	31	142	95
Computer sets	16	8	51	36
Server with software	0	0	30	6
Office equipment	0	0	0	4
Total significant acquisitions	111	39	223	141

NOTE 9. SIGNIFICANT LIABILITIES ON ACCOUNT OF PURCHASE OF TANGIBLE ASSETS

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

NOTE 10. CORRECTION OF ERRORS FROM PREVIOUS PERIODS

In the third quarter of 2018, no such events occurred.

NOTE 11. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS AS A RESULT OF A CHANGE IN THE PURPOSE OR USE OF THESE ASSETS

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

NOTE 12. TRANSFERS BETWEEN INDIVIDUAL FAIR VALUE HIERARCHY LEVELS IN RESPECT OF FINANCIAL INSTRUMENTS

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

NOTE 13. CHANGES IN THE CLASSIFICATION OF FINANCIAL INSTRUMENTS AS A RESULT OF A CHANGE IN THE PURPOSE OR USE OF THESE ASSETS

In the reporting period no changes took place in the classification of financial instruments as a result of a change in the purpose or use of these assets.

NOTE 14. NOTES TO THE STATEMENT OF CASH FLOWS

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

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

FIGURES IN PLN THOUSAND	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	1.01.2018 - 30.09.2018	1.01.2017 - 30.09.2017
PBT presented in the statement of comprehensive income	-2,145	-1,432	-4,693	-2,913
PBT presented in the statement of cash flows	-2,145	-1,432	-4,693	-2,913

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	1.01.2018 - 30.09.2018	1.01.2017 - 30.09.2017
Realised interest on financing activities	3	12	4	12
Realised interest on investing activities	-3	-35	-54	-36
Realised interest on financing activities	-5	0	7	0
TOTAL INTEREST AND DIVIDENDS:	-5	-23	-43	-24

CHANGE IN THE BALANCE OF RECEIVABLES	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	1.01.2018 - 30.09.2018	1.01.2017 - 30.09.2017
Change in the balance of trade receivables	-228	0	-391	0
Other receivables	41	19	-186	-174
TOTAL CHANGE IN THE BALANCE OF RECEIVABLES	-187	19	-577	-174

CHANGE IN THE BALANCE OF LIABILITIES	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	1.01.2018 - 30.09.2018	1.01.2017 - 30.09.2017
Change in the balance of trade liabilities	243	89	595	-7
Other liabilities	-96	51	-127	114
TOTAL CHANGE IN THE BALANCE OF LIABILITIES:	147	140	468	107

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	1.01.2018 - 30.09.2018	1.01.2017 - 30.09.2017
Statement of cash flows	4,298	7,383	4,298	7,383
Statement of financial position	4,298	7,383	4,298	7,383

INFLOW FROM GRANTS FIGURES IN PLN THOUSAND	1.07.2018- 30.09.2018	1.07.2017- 30.09.2017	1.01.2018- 30.09.2018	1.01.2017- 30.09.2017
— to operations	447	364	1703	1313
— to assets	0	0	0	0
TOTAL INFLOWS FROM GRANTS	447	364	1703	1313

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

NOTE 15. RELATED-PARTY TRANSACTIONS

Presented below are related party transactions on the balance sheet date.

Q3 2018 FIGURES IN PLN THOUSAND	TO ASSOCIATES	TO JOINT VENTURES	KEY MANAGEMENT PERSONNEL*	OTHER RELATED ENTITIES **
Purchase of services	0	0	0	44
Loans granted	0	0	0	0
Financial incomes – interest on loans	0	0	0	3

Q3 2017 FIGURES IN PLN THOUSAND	TO ASSOCIATES	TO JOINT VENTURES	KEY MANAGEMENT PERSONNEL*	OTHER RELATED ENTITIES **
Purchase of services	0	0	0	253
Loans received	0	0	0	0
Financial expenses – interest on loans	0	0	0	30

3 QUARTERS OF 2018	TO ASSOCIATES	TO JOINT VENTURES	KEY MANAGEMENT PERSONNEL*	OTHER RELATED ENTITIES **
Purchase of services	0	0	0	149
Loans granted	0	0	0	200
Financial incomes – interest on loans	0	0	0	14

3 QUARTERS OF 2017	TO ASSOCIATES	TO JOINT VENTURES	KEY MANAGEMENT PERSONNEL*	OTHER RELATED ENTITIES **
Purchase of services	0	0	0	398
Loans received	0	0	0	1,000
Financial expenses – interest on loans	0	0	0	30

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

** the item includes entities linked through key management

Terms of related party transactions

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

The main item of related-party transactions is the loan of PLN 200 thousand granted to TPL sp. z o.o. The loan was given on 16 January 2018 and matures on 30 June 2021.

Taking into account the borrower's financial position and the collateral held, the Company did not create any impairment allowance as at 30 September 2018. The financial position of TPL sp. o.o. had not changed until the date of approval of these interim report for publication.

NOTE 16. OBJECTIVES AND RULES OF FINANCIAL RISK MANAGEMENT

The Company is exposed to risk in each area of its operations. With understanding of the threats that originate through the Company's exposure to risk and the rules for managing these threats the Company can run its operations more effectively.

Financial risk management includes the processes of identification, assessment, measurement and management of this risk.

The main financial risks to which the Company is exposed include:

- Market Risks:
- The risk of changes in market prices (Price Risk)
- The risk of changes in foreign exchange rates (Currency Risk)
- The risk of changes in interest rates (Interest Rate Risk)
- Liquidity Risk
- Credit Risk

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

MARKET RISK

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

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

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

PRICE RISK

In the period from January to September 2018, the Company did not invest in any debt instruments and, therefore, is not exposed to any price risk.

CURRENCY RISK

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

INTEREST RATE RISK

Deposit transactions are made with institutions with a strong and stable market position. The instruments used – short-term, fixed-rate transactions – ensure full security. The Company used no loans in the period from January to September 2018.

LIQUIDITY RISK

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

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

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

CREDIT RISK

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

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

NOTE 17. MATERIAL SETTLEMENTS ON ACCOUNT OF COURT CASES

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

NOTE 18. INFORMATION ABOUT CHANGES IN THE ECONOMIC POSITION AND OPERATING CONDITIONS WHICH MIGHT HAVE A MATERIAL IMPACT ON THE FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES, WHETHER THOSE ASSETS AND LIABILITIES ARE RECOGNISED AT FAIR VALUE OR AT ADJUSTED PURCHASE PRICE (AMORTISED COST)

In the third quarter of 2018, no significant changes were identified in the economic position or operating conditions which would have a material impact on the fair value of the Company's financial assets and liabilities.

NOTE 19. INFORMATION ABOUT CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS AND NON-DISCLOSED LIABILITIES ARISING FROM CONTRACTS

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

The contingent liabilities listed in points 1–5 originated before 31 December 2017.

1. Agreement No. POIR.01.01.01-00-1690/15-00 – a promissory note for 100% of co-financing plus interest, i.e. PLN 9,846,969.14 plus interest.
2. Agreement No. POIR.02.03.04-02-0001/16-00 – a promissory note for 100% of co-financing plus interest, i.e. PLN 387,100.00 plus interest.
3. Agreement No. GO_GLOBAL.PL(II)-0011/16 – a promissory note for 200% of co-financing plus interest, i.e. PLN 132,783.81 plus interest.
4. Agreement No. UDA-POIR.03.01.05-02-0003/17-00 – a blank promissory note with a “pay to order”

clause and a signature notarised or submitted in the presence of a person authorised by an intermediary institution together with a promissory note declaration.

5. Lease agreement No. 0360032016/KR/246634 – a blank promissory note with a promissory note declaration ZAB/297457/17/86262291.
6. Overdraft agreement of 4 April 2018 with Bank Zachodni WBK S.A. The agreement provides for a limit of PLN 300,000 to finance working capital requirements. The facility is secured by: a) inflows to the current account with BZ WBK S.A.; b) blank promissory note with a promissory note declaration.

At the balance sheet date presented and until the date of approval of the interim financial statements for publication, no events occurred that could result in materialisation of the above contingent liabilities.

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

NOTE 20. INCENTIVE SCHEME

In the period from 1 July 2018 to 30 September 2018 and until the date of approval of the report for publication, the Company did not grant share options.

NOTE 21. INFORMATION ABOUT SEASONALITY OF BUSINESS AND CYCLES

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

NOTE 22. EXTRAORDINARY FACTORS WHICH OCCURRED IN THE REPORTING PERIOD WITH AN INDICATION OF THEIR IMPACT ON THE FINANCIAL STATEMENTS

In the reporting period no significant extraordinary factors or events took place that could have an impact on the financial statements.

NOTE 23. INFORMATION ON ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

NOTE 24. DIVIDEND PAID OR DECLARED, IN TOTAL AND PER SHARE, WITH A DIVISION INTO ORDINARY AND PREFERENCE SHARES

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

NOTE 25. OPERATING SEGMENTS

In the period covered by this interim report, no operating segments have been identified in accordance with IFRS 8. The Company's development phase and a lack of revenues from operating activities made it impossible to identify segments that would meet the criteria set by the above standard.

NOTE 26. INFORMATION ABOUT THE INFLUENCE OF CHANGES IN THE COMPOSITION OF THE ENTITY DURING THE INTERIM PERIOD, ANY BUSINESS COMBINATIONS, ACQUISITION OR LOSS OF CONTROL OVER SUBSIDIARIES, LONG-TERM INVESTMENTS, RESTRUCTURES OR DISCONTINUED BUSINESSES.

In the reporting period no changes were made in the composition of the entity.

NOTE 27. INFORMATION ON DEFAULT ON ANY BANK AND OTHER LOANS OR A BREACH OF MATERIAL PROVISIONS OF BANK AND OTHER LOAN AGREEMENTS WHERE NO REMEDIAL ACTIONS HAVE BEEN TAKEN BEFORE THE END OF THE REPORTING PERIOD

No such events occurred in the reporting period.

NOTE 28. EFFECT OF APPLICATION OF NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICY

In connection with the resolution of the Extraordinary General Meeting of XTPL S.A. of on the application of IASs/IFRSs, based on Article 45(1a) and Article 45(1c) of the Accounting Act of 29 September 1994, the Company will prepare financial statements as of the reporting period starting on 1 January 2018 in accordance with IASs/IFRSs.

The impact of the resolution adopted on the financial statements for the year ended 31 December 2017 is described below.

To take into account any identified differences between the Polish Accounting Standards ("PASs") and IFRSs, the Company made adjustments to its profit (loss) for 2017, as a result of which the financial result has been increased by PLN 23 thousand. As at the end of 2017, the Company's equity presented as per IFRSs changed in relation to the equity presented as per PASs, increasing by PLN 35 thousand. Other adjustments made by the Company are insignificant from the point of view of these financial statements and relate to the presentation only.

The tables below contain a detailed description of the adjustments.

CHANGES IN THE STATEMENT OF FINANCIAL POSITION	AS AT 31 DECEMBER 2017 AS PER PASS	ADJUSTMENTS IFRSs	AS AT 31 DECEMBER 2017 AS PER IFRSS	COMMENTARY
ASSETS				
Property, plant and equipment	573	-	573	
Intangible fixed assets	543	430	973	A
Deferred tax assets	-	35	35	B
Long-term receivables	14	-	-	
Trade receivables	8	-	8	
Other receivables	272	-	272	
Cash and cash equivalents	6,210	-	6,210	
Other assets (short-term prepayments)	432	(430)	2	A
TOTAL ASSETS	8,052	35	8,087	
EQUITY AND LIABILITIES				
Equity	7,182	35	7,217	B
Provision for pensions and similar benefits	96	(96)	-	C
Other provisions	14	(14)	-	D
Long-term loans and other sources of financing	25	-	25	
Trade liabilities	296	14	310	D
Short term loans and other sources of financing	25	-	25	
Other short-term liabilities	414	96	510	C
TOTAL EQUITY AND LIABILITIES	8,052	35	8,087	

CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	YEAR ENDED 31.12.2017 ACCORDING TO PASS	IFRS ADJUSTMENTS	YEAR ENDED 31.12.2017 ACCORDING TO IFRSS	COMMENTARY
GROSS PROFIT (LOSS)	-3,841	2,890	-951	
General and administrative expenses	-	3,000	3,000	E
Other operating income	11	-	11	
Other operating costs	121	(110)	11	C, D
OPERATING PROFIT (LOSS)	(3,951)	-	(3,951)	
Financial revenues	36	-	36	
Financial expenses	47	-	47	
PROFIT (LOSS) BEFORE TAX	(3,962)	-	(3,962)	
PROFIT (LOSS) AFTER TAX	(3,962)	23	(3,939)	B

CHANGES IN EQUITY	AS AT 1 JANUARY 2016 (DATE OF ADOPTION OF IFRS)			COMMENTARY	AS AT 31 DECEMBER 2017 (END OF THE LAST PERIOD PRESENTED IN THE FINANCIAL STATEMENTS ACCORDING TO PASS)			COMMENTARY
	ACCORD- ING TO PASS	IFRS ADJUST- MENTS	ACCORD- ING TO IFRSS		ACCORD- ING TO PASS	IFRS ADJUST- MENTS	ACCORD- ING TO IFRSS	
Share capital	100	-	100		170	-	170	
Supplementary capital	1,455	-	1,455		11,381	-	11,381	
Retained profit (loss carried forward)	(407)	-	(407)		(4,369)	35	(4,334)	B
EQUITY	1,148	-	1,148		7,182	35	7,217	

As a result of the transformation, on the day of transition from the Polish Accounting Standards (PASs) to IFRSs, the Company's Management Board made the following adjustments: The individual changes result from the following differences between PASs and IFRSs:

- adjustments resulting from the transformation of the financial statements to comply with IFRSs:
 - change in the presentation of the development expenditure (adjustment A)
 - change in the presentation of a short-term provision for unused annual leaves (adjustment C)
 - change in the presentation of other short-term provisions (adjustment D)
- adjustments not related to the transformation of financial statements to comply with IFRSs:
 - recognition of deferred income tax (adjustment B)
 - change in presentation of the statement of comprehensive income from the nature of expenses method to the function of expenses method (adjustment E).

The changes described above in the Company's financial statements also influenced the presentation of items in the statement of cash flows.

STATEMENT OF CASH FLOWS	YEAR ENDED 31.12.2017 ACCORDING TO PASS	IFRS ADJUSTMENTS	YEAR ENDED 31.12.2017 ACCORDING TO IFRSS
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax	(3,962)	-	(3,962)
Total adjustments:	211	430	641
Depreciation/amortisation	470	-	470
Interest and profit distributions (dividends)	1	-	1
Change in the balance of provisions	110	(110)	-
Change in the balance of inventories	5	(5)	-
Change in the balance of receivables	(146)	5	(141)
Change in short-term liabilities, except bank and other loans	311	110	421
Change in prepayments/accruals	(540)	430	(110)
Other adjustments	-	-	-
Total cash flows from operating activities	(3,751)	430	(3,321)
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows	548	430	978
Total cash flows from investing activities	(443)	(430)	(873)
CASH FLOWS FROM FINANCING ACTIVITIES			
Total cash flows from financing activities	8,962	-	8,962
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	4,768	-	4,768

EFFECTS ON DEFERRED TAX

The first time adoption of the IFRSs has not affected the deferred tax value. Upon transformation of the financial statements, the Company recognised, for the first time, deferred tax assets on deductible temporary differences in the amount of PLN 12,000 as at 31 December 2016. No deferred tax liability was recognised as at 31 December 2016.

NOTE 29. DATE OF APPROVAL OF THE FINANCIAL STATEMENTS FOR PUBLICATION

This financial information for the periods 01.01.2017–30.09.2017 and 01.01.2018–30.09.2018 was approved for publication by the Company's Management Board on 12 November 2018.

NOTE 30. EVENTS AFTER THE BALANCE SHEET DATE THAT HAVE NOT BEEN REFLECTED IN THE INTERIM FINANCIAL STATEMENTS

22 October 2018, saw an end to the process of private subscription of 41,400 (forty one thousand four hundred) series O shares of XTPL S.A. ("Series O Shares") for Heidelberger Beteiligungsholding AG from Germany. The Issuer advised about the completed subscription of Series O Shares in Current Report ESPI 14/2018.

On 22 October 2018, an agreement was signed providing for acquisition of all the Series O Shares, i.e. 41,400 series O shares of the Issuer, by one entity, Heidelberger Beteiligungsholding AG, through a private placement. The subscription began on 26 September 2018 (based on a resolution of the Management Board of XTPL S.A., which XTPL S.A. announced in Current Report EBI 25/2018). The Series O shares were acquired at the issue price of PLN 109 (one hundred zlotys) per share and were fully paid up in cash. Proceeds from the issue of the Series O Shares amounted to PLN 4,512,600 (four million five hundred and twelve thousand six hundred zlotys).

On 24 October 2018, XTPL submitted changes to its articles of association to the registry court alongside a consolidated text of this document, in connection with the increase in its share capital (from PLN 174,222.00 to PLN 178,362.00).

4. THE MANAGEMENT BOARD'S OPINION ON THE ABILITY TO ACHIEVE ITS PUBLISHED PERFORMANCE FORECASTS FOR A PARTICULAR GIVEN YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT

Not applicable. The Issuer did not release any performance forecasts to the public.

5. WHERE THE ISSUER'S INFORMATION DOCUMENT CONTAINED INFORMATION REFERRED TO IN § 10(13)(A) OF APPENDIX 1 TO THE TERMS OF REFERENCE OF THE ALTERNATIVE TRADING SYSTEM – DESCRIPTION OF THE PROGRESS OF THE ISSUER'S ACTIONS AND INVESTMENTS TOGETHER WITH THEIR IMPLEMENTATION SCHEDULE

COMMERCIALISATION THE START OF FULL COMMERCIALISATION OF XTPL SOLUTIONS IS A THREE-PHASE PROCESS:

- **Phase 1 (completed)** – Development of the laboratory printer prototype and a formulation of the ink compatible with the printer. At this stage, the Company did not generate any operating revenue; most of its operations were financed from external sources, such as grants, subsidies and funds obtained from the issue of series M shares.
- **Phase 2 (in progress)** – At this stage, the Company offers a “Minimum Viable Product” (MVP) in the form of a laboratory printer.

The laboratory printer will be addressed to R&D centres of business entities and scientific institutions. The main purpose of this phase is to validate the technology and present it to R&D units of potential clients, build relationships at the technological level, enable prototyping and define further breakthrough applications in specific areas.

At this phase, the Company expects to obtain its first revenue (from the sale of laboratory printers and nanoink); at the same time it will look for partners – potential clients with whom Joint Development Agreements (JDAs) could be signed to support technology development, with the work to be co-financed by the partner in return for, e.g. a preemptive right for the purchase of the final solution).

- **Phase 3** – At this stage XTPL will offer comprehensive solutions for the industry. The industrial printer will differ from the lab printer in terms of size, functionality (better performance) and technological maturity. At this phase the printer is to be manufactured by an external partner (contracted by XTPL), the printing head by XTPL and the nanoink by a partner-subcontractor. The nanoink, the printing head and the implementation service at the client's facility (technology consulting) will be sold directly by XTPL.

At this phase, the Company expects to generate revenue by selling printing heads (one-off transactions), the nanoink (recurring transactions) and dedicated implementation services (one-off transactions).

6. THE KEY STRATEGIC INITIATIVES PLANNED BY THE ISSUER IN THE AREA OF TECHNOLOGY COMMERCIALISATION INCLUDE

- starting the sale of printing heads and nanoinks for application in the areas “open-defect repair”;
- extension of the patent family related to the XTPL technology;
- development of structures supporting business development outside of Poland (primarily in the US market);
- starting R&D cooperation (under JDAs or JVs) with potential business clients and research institutes operating in selected application segments;
- starting cooperation on building prototypes of XTPL printing multi-heads for industrial purposes in the TCF and semiconductors segments;
- obtaining additional subsidies (grants) to support the technology commercialisation phase.

7. INFORMATION ON INITIATIVES DESIGNED TO INTRODUCE INNOVATIVE SOLUTIONS IN THE AREA OF BUSINESS DEVELOPMENT

The Issuer’s main area of activity is development and commercialisation of the innovative technology of ultra-precise printing of nanomaterials.

In the R&D area, in Q3 2018, the Company:

- ended tests of the lab printer in the beta version, which marked another milestone on the road to commercialisation of technology in the scientific prototyping area, and started preparations for external tests at potential clients;
- continued, in accordance with the adopted schedule, work aimed at using the developed technology in the area of Transparent Conductive Films (TCF) for application in displays and solar cells (achieving the milestones determined in the work plan);
- continued preliminary research work designed to verify if the developed technology can be applied to printing quantum dots used in the display industry;
- conducted research connected with the use of the developed technology in the semiconductor industry.

8. INFORMATION ON THE PRINCIPLES ADOPTED IN THE PREPARATION OF THE REPORT, INCLUDING INFORMATION ABOUT CHANGES IN ACCOUNTING POLICIES.

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") approved by the EU.

The new standards, which came into force from 1 January 2018, are applied by the Company: :

- IFRS 9 "Financial Instruments" – approved by the EU on 22 November 2016 (applicable to the reporting periods commencing on or after 1 January 2018). The new standards replaced the previous IAS 39.
- IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS" – approved by the EU on 22 September 2016 (applicable to the reporting periods commencing on or after 1 January 2018).

UNIFORM DESCRIPTION OF SIGNIFICANT ACCOUNTING PRINCIPLES

- **INTANGIBLE FIXED ASSETS**

Intangible assets are recognised if:

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

The identification criteria is met if:

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

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

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

An intangible asset is recognised if, and only if:

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

The Company assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset, both on the income and cost side, including by estimating availability of the means needed to complete, use and generate benefits from the asset.

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

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

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

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

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

Intangible assets are amortised on a straight-line basis over the anticipated period of their economic life. Amortisation of intangible assets is recognised in the income statement under the "Amortisation" heading.

Intangible assets used by the Company with their useful lives:

Licenses for computer programs	2 to 5 years
Intellectual property rights (know-how)	5 years

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

- **TANGIBLE ASSETS**

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

Costs incurred after the tangible assets had been put in use, such as repair and maintenance costs and running costs are reflected in profit or loss of the reporting period in which they were incurred. However, if it is possible to demonstrate that the expenditure caused an increase in the expected future economic benefits from ownership of the asset above the originally expected benefits, then the expenditure increases the initial value of such asset (improvement).

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

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

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

Technical equipment and machines	4 to 15 years
Vehicles	3 to 10 years
Other fixed assets	2 to 4 years

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

- **FIXED ASSETS UNDER CONSTRUCTION**

Assets under construction are measured at the overall cost directly related to their acquisition or generation, including financial costs (except exchange differences which do not represent an adjustment to interest paid), less impairment losses. Fixed assets under construction are not depreciated until they are completed and put in use.

- **FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

IFRS 9 did not change the classification of financial liabilities.

The table below presents changes in the classification and measurement of financial assets as at the date of the first adoption of IFRS 9.

CLASSES OF FINANCIAL INSTRUMENTS	CLASSIFICATION BY IAS 39	CLASSIFICATION BY IFRS 9
Financial assets		
Loans granted	Loans and receivables	Measured at amortised cost
Trade and other receivables	Loans and receivables	Measured at amortised cost
Cash and cash equivalents	Loans and receivables	Measured at amortised cost

IMPAIRMENT OF FINANCIAL ASSETS

Interest carried at amortised cost

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

The Company uses the following models of making impairment allowances for individual items of financial assets:

- **Loans granted and amounts due from connected entities** – the Company performs an individual analysis of all exposures, assigning them to one of three stages:
 - Stage 1 – where credit risk has not increased significantly since initial recognition and where 12-month expected credit loss (ECL) is recognised.
 - Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognised.

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

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

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

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

- **Cash and cash equivalents** – the Company estimates allowances based on the likelihood of default determined using external bank ratings.

At present, the Company does not use hedge accounting.

Impact of the implementation of IFRS 9 on the Company's financial statements as at 30 June 2018:

The most important item of financial assets in the Company's financial statements is cash, held on accounts with banks from Santander Group. Banks which are members of Santander Group have a stable short-term and long-term rating, so the Company decided not to post any allowances.

- **LEASING**

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

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

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

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

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

With regard to leases, the company uses the principles set out in IAS 17 "Leases".

The Company currently has one lease agreement, which is presented as a financial lease and, in the context of the new provisions of IFRS 16 Leases, its presentation will not change.

In addition, the Company has not identified any contracts whose presentation should change as of 1 January 2019.

- **FOREIGN CURRENCY TRANSACTIONS**

The items included in the financial statements are presented in the Polish zloty, which is the functional currency of the Company.

Transactions expressed in foreign currencies are translated at initial recognition into the functional currency as follows:

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

At the end of each reporting period:

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

Foreign exchange gains and losses arising from:

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

● PREPAYMENTS AND ACCRUALS

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

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

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

Unearned revenues are measured at nominal value.

- **EQUITY**

The Company's equity is divided into:

- Registered (share) capital – recognised at the value stated in the Company's Articles of Association and entered in the National Court Register (KRS);
- Supplementary capital;
- Retained profit (loss carried forward).

- **PROVISIONS**

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

- **BANK LOANS AND OTHER LOANS RECEIVED**

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

- **BORROWING COSTS**

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

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

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

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

- **CURRENT AND DEFERRED TAX**

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

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

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

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

A deferred tax asset is recognised for all deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference or tax loss can be utilised.

Deferred tax assets and liabilities are recognised regardless of when they are to be utilised.

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

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

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

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

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

- **REVENUE RECOGNITION**

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

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

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer.

Impact of the implementation of IFRS 15 on the Company's financial statements as at 30 June 2018:

The Company did not have any signed commercial contracts that could be the basis for disclosures in accordance with IFRS 15. Implementation of IFRS 15 "Revenue from Contracts with Customers" will not affect the value of the Group's equity as at 30 January 2018 or at the date of publication of the interim financial statements.

REVENUES FROM THE SALE OF SERVICES (PRODUCTS)

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

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

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

REVENUE FROM THE SALE OF GOODS AND MATERIALS

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

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

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

INTEREST

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

- **GRANTS**

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

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

Grants related to income are presented as part of profit or loss, either separately or under a general heading such as "Other income"; alternatively, they are deducted in reporting the related expense.

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

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

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

Grants related to income are presented as income, separately from the related costs which the grants are intended to compensate. Grants are recognised as income regardless of whether they were received in the form of cash or as a decrease of liabilities.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, which is recognised and measured in accordance with IAS 39, i.e. at the amount of the difference between the initial carrying amount of the loan determined in accordance with IAS 39 and the inflows received. The grant is accounted for in accordance with IAS 20 "Accounting for government grants and disclosure of government assistance".

In the presented reporting periods, the Company received no grants to assets.

- **CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is defined as:

- b) a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the

control of the entity; or

- b) a present obligation that arises from past events but is not recognised in financial statements because:
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

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

● INCENTIVE SCHEME

On 29 November 2017, the Company's Extraordinary General Meeting adopted a resolution introducing an incentive scheme at the Company. The scheme provides for possible allocation of the Company's shares to the Management Board members and personnel of the Company.

The purpose of the incentive scheme is to:

- create mechanisms that will motivate the Management Board and personnel of the Company to undertake activities that will lead to a rapid increase in the Company's revenues and profits and ensure the Company's long-term development, consequently increasing the value of the Company's shares;
- ensure a stable composition of the Management Board and personnel of the Company;
- maintain a high level of motivation of the Management Board and personnel of the Company.

The incentive program is based on 140,020 (one hundred and forty thousand twenty) series L shares of the Company, which were acquired by TPL Sp. z o.o., a limited liability company which is also the scheme's administrator. The scheme might also include shares of a new issue, subject to the decision of the Company's Management Board. Any shares that will not be taken up as part of the scheme will be cancelled by the Company after they have been acquired from TPL.

The scheme defines the share option allocation criteria, but it does not specify any financial or non-financial objectives for vesting as these will be defined by the Company's bodies during the term of the scheme. The incentive scheme is divided into three periods: the financial year ended 31 December 2018; the financial year ended on 31 December 2019 and the financial year ended on 31 December 2020. Allocation of share options to the eligible individuals is subject to the decision of the Supervisory Board and the Management Board after the end of the individual periods.

IFRS 2 requires that the Company should recognise the related costs and equity increase for such transactions when the employee benefits are received. On the date when the individual tranches under the scheme vest in the eligible persons, the Company will estimate the remuneration costs based on the fair value of the awarded options. The cost determined in this way will be recognised in the statement of

comprehensive income for a given period in correspondence with the equity position presented in the statement of financial position throughout the vesting period.

The incentive scheme involving the award of share options will be recognised in the financial statements in accordance with IFRS 2.

- **MANAGEMENT BOARD'S ESTIMATES**

The preparation of financial statements requires the management board of the entity to make estimates and assumptions that affect the amounts reported in these financial statements and notes thereto. Actual results may be different from estimates. These estimates concern, inter alia, provisions and impairment allowances, prepayments and accruals and adopted depreciation/ amortisation rates.

ACCRUALS FOR UNUSED ANNUAL LEAVES

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

USEFUL LIVES OF TANGIBLE ASSETS

Each year, the Company's management board reviews the residual value, depreciation methods and useful lives of tangible assets subject to depreciation. As at 31 December 2017, the management board is of the opinion that the useful lives of assets applied by the Company for purposes of depreciation reflect the expected period of future economic benefits from these assets.

DEFERRED TAX ASSETS AND LIABILITIES

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

IMPAIRMENT TEST FOR TANGIBLE AND INTANGIBLE ASSETS

In accordance with the requirements of IAS 36, the Company monitors its assets in terms of impairment on an ongoing basis. At the time of a decision to start a new development project, the Company assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset, both on the income and cost side, including by estimating availability of the means needed to complete, use and generate benefits from the asset. Where there is no certainty as to the possibility of obtaining future economic benefits, technical capability or an intention to complete the development or

availability of funds to complete the development or a possibility of a reliable estimate of the expenditure incurred, then development costs are recognised in the statement of comprehensive income in the period in which they were incurred (under costs of ordinary activities). At the end of each reporting period, the Company tests all previous assumptions regarding in-process development. Where there are any indications of impairment, the Company will assess the recoverable amount of the assets affected and will post relevant impairment allowances. Impairment tests are carried out to ensure that assets are carried at a value not exceeding their recoverable amount. The recoverable amount is the higher of:

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

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

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

At the end of the reporting periods presented, in the opinion of the Company's Management Board there were no indicators of impairment of tangible or intangible assets, including intangible assets that are not yet available for use.

9. DESCRIPTION OF THE CORPORATE GROUP, INDICATING CONSOLIDATED ENTITIES.

Not applicable. At the date of publication of the report, the Issuer does not have any subsidiaries yet, so it does not form any corporate group.

10. IF THE ISSUER FORMS A CORPORATE GROUP AND DOES NOT PREPARE CONSOLIDATED FINANCIAL STATEMENTS – INDICATION OF THE REASONS WHY NO SUCH FINANCIAL STATEMENTS ARE PREPARED.

Not applicable. At the date of publication of the report, the Issuer does not have any subsidiaries yet, so it does not form any corporate group.

11. A LIST OF SHAREHOLDERS HOLDING AT LEAST A 5% SHARE IN THE SHARE CAPITAL AND VOTING POWER AT THE GENERAL MEETING AS AT THE DATE OF THIS QUARTERLY REPORT

Information on the company's shareholding structure, with an indication of shareholders who hold, at the date of this report, at least 5% of voting power at the Company's General Meeting.

REF.	SHAREHOLDER	NUMBER OF SHARES HELD	% OF SHARE
1.	Filip Granek	303 000	16,99
2.	Sebastian Młodziński	300 000	16,82
3.	Leonarto Sp. z o.o. *	298 000	16,71
4.	Heidelberger Beteiligungsholding AG	192 371	10,79
5.	TPL Sp. z o.o. **	140 020	7,85
6.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	127 000	7,12
7.	Stefan Twardak	103 081	5,78
8.	Konrad Pankiewicz *	2 223	0,12
9.	Others	319 896	17,82
	TOTAL	1 783 620	100,00%

Number of shares = Number of votes

% of shares = % of votes

* Konrad Pankiewicz, Member of the Issuer's Supervisory Board, is the sole shareholder and CEO of Leonarto Sp. z o.o. Konrad Pankiewicz, together with a related entity, owns 300,223 shares of the company, constituting 17.23% of its share capital

** TPL Sp. z o.o. holds series L shares issued for the purpose of an employee scheme, not introduced to trading on NewConnect. The shareholders of TPL Sp. z o.o. are Filip Granek, the Issuer's CEO (34% of shares), Sebastian Młodziński, member of the Issuer's Management Board (33%) and Adriana Pankiewicz, wife of Konrad Pankiewicz, member of the Issuer's Supervisory Board (33%).

12. INFORMATION ON THE NUMBER OF PEOPLE EMPLOYED BY THE ISSUER IN FULL TIME EQUIVALENT UNITS

The Company employs 36 persons under contracts of employment in full time equivalent units (as at 30 September 2018).

FOR THE MANAGEMENT BOARD:

Maciej Adamczyk, Management Board Member