

## Report on the activities of the Supervisory Board of XTPL S.A. for the financial year of 2018

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## 1. General Information

XTPL S.A. is a joint-stock company operating on the basis of the Polish law, in particular the Act of 15 September 2002 – Commercial Companies Code.

XTPL S.A. was established through a transformation of XTPL sp. z o.o., a limited liability company with its registered office in Wrocław, under Resolution No. 1 of the Extraordinary General Meeting of Shareholders of XTPL sp. z o.o. of 25 April 2016. 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. XTPL S.A. was entered in the National Court Register under number KRS 0000619674, while XTPL sp. o.o. was entered under number KRS 0000565209.

The District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, is the appropriate registry court for XTPL S.A. This court maintains the registry files of XTPL S.A. and has received all documents of XTPL S.A. which by law need to be included in registry files.

## 2. Composition of the Supervisory Board

As at 31 December 2018 and as at the date of the report, the composition of the Supervisory Board of XTPL S.A. was follows:

- 1) Wiesław Rozłucki – Chairman of the Supervisory Board – meets the independence criteria
- 2) Bartosz Wojciechowski – Deputy Chairman of the Supervisory Board
- 3) Konrad Pankiewicz – Chairman of the Supervisory Board
- 4) Sebastian Młodziński – Supervisory Board Member
- 5) Piotr Lembas – Supervisory Board Member – meets the independence criteria.

As Piotr Janczewski had stepped down from the Supervisory Board as of 16 April 2018, the Extraordinary General Meeting of Shareholders of XTPL S.A. of 16 April 2018 adopted resolution No. 11/04/2018 appointing Wiesław Rozłucki to the Supervisory Board.

As Agnieszka Młodzińska-Granek had stepped down from the Supervisory Board as of 28 May 2018, the Extraordinary General Meeting of Shareholders of XTPL S.A. of 28 May 2018 adopted resolution No. 16/05/2018 appointing Piotr Lembas to the Supervisory Board.

## 3. Meetings of the Supervisory Board

In 2018, the Supervisory Board of XTPL S.A. held 5 meetings:

- 1) On 10 May 2018, when it:
  - i) discussed the role of the Chairman of the Supervisory Board in the context of the future development of XTPL S.A.
  - ii) adopted a resolution appointing the Chairman of the Supervisory Board
  - iii) adopted a resolution appointing the Deputy Chairman of the Supervisory Board
  - iv) discussed the financial statements for the financial year of 2017
  - v) discussed the Management Board's report on XTPL S.A. activities for the financial year of 2017
  - vi) discussed the Management Board's proposal regarding the covering of the loss incurred in the financial year of 2017

- vii) adopted a resolution regarding assessment of the financial statements of XTPL S.A. for the financial year of 2017 and presentation of a recommendation to the Annual General Shareholders Meeting of XTPL S.A.
  - viii) adopted a resolution regarding assessment of the Management Board's report on the activities of XTPL S.A. for the financial year of 2017 and presentation of a recommendation to the Annual General Shareholders Meeting of XTPL S.A.
  - ix) adopted a resolution regarding assessment of the Management Board's proposal to cover the loss incurred by XTPL S.A. in the financial year of 2017 and presentation of a recommendation to the Annual General Meeting of Shareholders of XTPL S.A.
  - x) Adopted resolutions regarding presentation of recommendations to the Annual General Shareholders Meeting of XTPL S.A. for granting discharge to Management Board members
  - xi) adopted a resolution regarding adoption of the report on the activities of the Supervisory Board for the financial year of 2017
  - xii) adopted eight resolutions regarding the incentive scheme for employees and collaborators of XTPL S.A., approved by the the Extraordinary General Meeting of Shareholders of XTPL S.A. of 29 November 2017.
  - xiii) adopted a resolution regarding approval of the Management Board's resolution on creating the Advisory Board.
- 2) On 5 June 2018, when it:
- i) adopted a resolution regarding establishment of the Audit Committee
  - ii) adopted a resolution regarding appointment of the Audit Committee members and Audit Committee Chairman
  - iii) discussed draft Terms of Reference of the Audit Committee
  - iv) discussed the policy and procedure on selection of an audit firm to audit unconsolidated and consolidated financial statements and the policy on provision of non-audit services, adopted by the Audit Committee
  - v) adopted a resolution regarding approval of the Terms of Reference of the Audit Committee
  - vi) adopted a resolution regarding approval of the policy and procedure on selection of an audit firm to audit unconsolidated and consolidated financial statements, adopted by the Audit Committee
  - vii) adopted a resolution regarding approval of the policy on provision by the audit firm which conducts an audit, by its affiliates and by members of its network, of permitted non-audit services at XTPL S.A., adopted by the Audit Committee.
- 3) On 22 August 2018, when it:
- i) discussed an increase in the share capital within the limits of the authorized capital, excluding pre-emptive rights and setting the issue price by the Management Board
  - ii) adopted a resolution regarding selection of the entity to review the unconsolidated financial statements of XTPL S.A. for the period from 1 January 2018 to 30 June 2018
  - iii) adopted a resolution regarding approval of the share capital increase within the authorized capital, excluding the entire pre-emptive rights of the existing shareholders and approval for the Management Board of XTPL S.A. to set the issue price of the shares
  - iv) adopted a resolution regarding the grant of award for an internal patent application.
- 4) On 26 September 2018, when it:
- i) discussed an increase in the share capital within the limits of the authorized capital, excluding pre-emptive rights and setting the issue price by the Management Board

- ii) adopted a resolution regarding approval of the share capital increase within the authorized capital, excluding the entire pre-emptive rights of the existing shareholders and approval for the Management Board of XTPL S.A. to set the issue price of the shares
  - iii) discussed the planned date of adoption by XTPL S.A. of an inside information policy.
- 5) On 29 October 2018, when it:
- i) listened to the Management Board's presentation on the plans and objectives of XTPL S.A. for 2019
  - ii) adopted a resolution regarding the consent to take up shares in a subsidiary
  - iii) adopted resolutions regarding remuneration of Management Board members.
  - iv) The Management Board presented to the Supervisory Board the inside information policy of XTPL S.A., and the Supervisory Board did not express any reservations to the draft document.

The meetings of the Supervisory Board were recorded in minutes, which are kept at the registered office of XTPL S.A.

#### 4. Audit Committee

##### a. Key information about the Audit Committee

By Resolution No. 1/06/2018 of 5 June 2018 the Supervisory Board established an Audit Committee at the Company.

The Audit Committee started its operations before the date required by law, before obtaining the status of a public interest entity, which took place on the day of the Company's debut on the WSE regulated market on 20 February 2019.

The brief of the Audit Committee is set out in the "Terms of Reference of the Audit Committee of XTPL S.A." adopted by the Supervisory Board by Resolution No. 5/06/2018 of 5 June 2018.

The Audit Committee consists of three members. As of 31 December 2018 and as of the date of preparation of the report, the Audit Committee performed its duties in the following composition:

- Wiesław Rozłucki – Chairman of the Audit Committee
- Sebastian Młodziński – Audit Committee member
- Piotr Lembas – Audit Committee member

The Audit Committee's members who meet the independence criteria (as defined in the Act on Statutory Auditors) are: Wiesław Rozłucki and Piotr Lembas.

The Audit Committee member who has knowledge and skills relating to the Company's sector (within the meaning of the Act on Statutory Auditors) is Sebastian Młodziński. Sebastian Młodziński gained his knowledge and skills in the Issuer's sector in 2015–2017 when he was the President of the Company's Management Board.

The Audit Committee member who has knowledge and skills of accounting (within the meaning of the Act on Statutory Auditors) is Piotr Lembas. Piotr Lembas has a degree in finance and accounting and holds CFA designation.

## **b. Audit Committee's activity in the reporting period**

In the financial year of 2018, the Audit Committee held one meeting (on 5 June 2018), at which the following policies and procedures of the Audit Committee were adopted:

- a) Policy and procedure on selection of an audit firm to audit financial statements.
- b) Policy on provision by the audit firm which conducts an audit, by its affiliates and by members of its network, of permitted non-audit services.

On that day, the Supervisory Board also adopted the Terms of Reference of the Audit Committee.

In the course of work on the Company's financial statements for 2018, the Audit Committee remained in contact with the auditor, held meetings with the Management Board and the Company's financial department, and then considered the auditor's additional report for the Audit Committee and verified the drafted financial statements and reports on the Company's activities.

## **c. Assessment of the Audit Committee's work**

The Audit Committee is of the opinion that all its members have demonstrated due care in the performance of their duties, using their knowledge and experience in the process; in the analyzed period, the Audit Committee fulfilled all the obligations arising from applicable laws and internal regulations.

## **5. Assessment of the position of XTPL S.A., taking into account assessment of the internal control, risk management and compliance systems and the internal audit function.**

Having familiarized itself with the Company's development plans, the Supervisory Board assesses the Company's position as appropriate in the light of the current stage of development, noting that in 2019, the Company will face two major challenges that have a significant impact on implementation of its long-term business plans, namely: execution of the first commercial contracts and securing stable financing.

In addition, the Supervisory Board believes that taking into account the current stage of development and size of the company, the Management Board has taken sufficient measures to ensure an appropriate level of security, including proper internal control.

In the area of risk management, the Supervisory Board assesses that the risk map presented by the Management Board (alongside the methods of mitigating and preventing risks) constitutes an appropriate approach at the current stage of the Company's development.

Taking into account the Company's internal regulations (including the information circulation policy, the policy on preventing conflicts of interest and the remuneration policy), the Supervisory Board is of the opinion that the Company has appropriate compliance and internal control systems in place. However, the Supervisory Board notes that as the Company's business will grow in size, the internal control systems will have to be upgraded and an internal audit unit will have to be established. The Supervisory Board will monitor the situation on an ongoing basis in this regard, formulating relevant recommendations for the Management Board as and when appropriate.

During the meeting of the Supervisory Board on 29 October 2018, the rules for circulation of inside information at XTPL S.A. were discussed. Having reviewed the draft inside information policy, the Supervisory Board expressed its positive opinion of the document without raising any reservations.

On 11 January 2019, the Supervisory Board familiarized itself with a draft policy on remunerating management board members and key managers at XTPL S.A. and expressed its positive opinion of the document without raising any reservations.

In 11 January 2019, the Supervisory Board adopted a resolution regarding adoption of the rules for preventing conflicts of interest in XTPL S.A.

Due to the size of the Company, no separate internal audit unit was established in 2018. Internal audit tasks were divided and allocated to the persons involved in the process of documents circulation and approval. In addition, the Company has a Legal Department and a Finance Department, which support internal control processes.

On 9 May 2019, the Management Board presented the Company's risk map to the Audit Committee.

## **6. Assessment of performance by XTPL S.A. of the information obligations relating to the application of corporate governance principles and to current and financial reports**

Considering the expected approval of the share prospectus of XTPL S.A., on 11 January 2019, the Supervisory Board adopted the corporate governance principles described in the "Best Practice for GPW Listed Companies" (in the scope relating to the Supervisory Board).

In the financial year of 2018, XTPL S.A. was a public company listed in the alternative trading system of the NewConnect market operated by the Warsaw Stock Exchange.

As an entity listed on the NewConnect market, XTPL S.A. observed the Best Practice for NewConnect Listed Companies in the declared scope. On 15 September 2017, the Company issued EBI Current Report No. 5/2017, advising about the scope of application of the Best Practice. In particular, XTPL S.A. published monthly reports in accordance with point 16 of the Best Practice.

In the opinion of the Supervisory Board, in 2018 the Company complied with the Best Practice for NewConnect Listed Companies.

In addition, XTPL S.A. provided current and financial information in the scope determined in Appendix 3 to the Alternative Trading System Rules.

The reports were issued through the EBI system. In the opinion of the Supervisory Board, in 2018 the Company complied with the provisions of Appendix 3 to the Alternative Trading System Rules regarding the provision of current and financial information.

In addition, XTPL S.A. used the ESPI system to provide information specified in Article 70 of the Act on Public Offering, and other information (in particular that required under Article 17 and Article 19 MAR).

In the opinion of the Supervisory Board, in 2018 the Company complied with the Act on Public Offering and the MAR in relation to current and inside information.

The above assessment was based on EBI Current Reports Nos. 1/2018–31/2018 and ESPI Current Reports Nos. 1/2018–15/2018 and financial reports published in the financial year of 2018 (Q1, Q2, Q3 and 2017 reports).

On 20 April 2019, the Company's shares were admitted to trading on the regulated market of the Warsaw Stock Exchange. In EBI Current Report No. 1/2019 of 25 February 2019, the Company advised about the scope of application of the Best Practice for WSE Listed Companies. The assessment of compliance by the Company with the information obligations resulting from the Best Practice for WSE Listed Companies and the regulation on current and financial information will be made in the Supervisory Board's report for the financial year of 2019.

## **7. Assessment of rationality of the sponsorship policy operated by the Company**

Not applicable.

## **8. Current activities of the Supervisory Board**

In 2018, the Supervisory Board of XTPL S.A. acted in accordance with the Articles of Association of XTPL S.A. and applicable laws – including, in particular, the Act of 15 September 2000 – Commercial Companies Code. When taking its decisions, the Supervisory Board was guided by the legitimate interest of XTPL S.A. and the interests of its shareholders. In 2018, members of the Supervisory Board were in constant contact with members of the Company's Management Board, supervising and engaging in consultations on individual areas of the Company's operations.

In 2018, the Supervisory Board of XTPL S.A. exercised constant supervision over XTPL S.A. in all areas of activity carried on by XTPL S.A. The activities described above included, *inter alia*, analysis and assessment of current financial results and the annual financial statements, analysis of information received from the Management Board regarding the activities of XTPL S.A. and meetings of the Supervisory Board and the Management Board to discuss the position of XTPL S.A. including implementation of information obligations imposed on XTPL S.A. as a public company in 2018.

## **9. Assessment of work of the Supervisory Board**

In the opinion of the Supervisory Board of XTPL S.A., all its members have demonstrated due care in the performance of their duties, using their knowledge and experience in the process. The Supervisory Board of XTPL S.A. requests that discharge be granted to all its members for performance of their duties in 2018.

## **10. Result of assessment of the financial statements of XTPL S.A. for the financial year of 2018**

The Supervisory Board of XTPL S.A. has established that the financial statements for the financial year of 2018 meet the applicable legal requirements and does not raise reservations about their contents. The Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. approve the financial statements of XTPL S.A. for the financial year of 2018.

The Supervisory Board has established that the financial statements:

- give a true and fair picture of the Company's assets and financial position as well as its financial result and cash flows, in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting policy;
- are in substance and form consistent with the laws applicable to the Company and the Company's Articles of Association;

- were duly prepared based on properly maintained books of account, in accordance with Chapter 2 of the Accounting Act of 29 September 1994.

#### **11. Result of assessment of the Management Board's report on XTPL S.A. activities for the financial year of 2018.**

The Supervisory Board of XTPL S.A. has established that the Management Board's report on XTPL S.A. activities for the financial year of 2018 meets the applicable legal requirements and does not raise reservations about its contents. The Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. approve the Management Board's report on XTPL S.A. activities for the financial year of 2018.

#### **12. Result of assessment of the Management Board's proposal regarding the covering of the loss of XTPL S.A. for the financial year of 2018**

The Supervisory Board of XTPL S.A. has expressed its positive opinion about the proposal of the Management Board of XTPL S.A. to cover the net loss of XTPL S.A. for the financial year of 2018 in the amount of PLN 7,209 thousand (seven million two hundred and nine thousand zlotys) entirely from the supplementary capital of XTPL S.A.; considering the proposal as justified, the Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. adopt a resolution to cover the net loss of XTPL S.A. for the financial year of 2018 entirely from the supplementary capital of XTPL S.A.

**Wiesław Rozłucki**

**(Bartosz Wojciechowski)**

**Piotr Lembas**

**Sebastian Młodziński**

**Konrad Pankiewicz**