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CONSOLIDATED QUARTERLY REPORT
FOR I QUARTER OF 2019

XTPL S.A.

Wrocław, 22 May 2019

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XTPL S.A.
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1 Selected unconsolidated figures

figures in PLN thousand	1 January –31 March 2019		1 January –31 March 2018	
	PLN	EUR	PLN	EUR
Net revenue from sales	215	50	780	187
Profit (loss) on sales	-982	-229	75	18
Profit (loss) before tax	-2,632	-612	-841	-201
Profit (loss) after tax	-2,650	-617	-841	-201
Depreciation/amortization	179	42	116	28
Net cash flows from operating activities	-2,287	-532	-851	-202
Net cash flows from investing activities	-1,295	-301	-623	-148
Net cash flows from financing activities	-7	-2	-7	-2
Owner's equity	6,288	1,462	6,375	1,515
Short-term liabilities	1,174	273	882	210
Long-term liabilities	0	0	19	5
Cash and cash equivalents	1,948	453	4,780	1,136
Short-term receivables	647	150	398	94
Long-term receivables	1,494	347	154	37

2 Selected consolidated figures

figures in PLN thousand	1 January –31 March 2019		1 January –31 March 2018*	
	PLN	EUR	PLN	EUR
Net revenue from sales	215	50	780	187
Profit (loss) on sales	-983	-229	75	18
Profit (loss) before tax	-3,322	-773	-841	-201
Profit (loss) after tax	-3,341	-777	-841	-201
Depreciation/amortization	179	42	116	28
Net cash flows from operating activities	-3,407	-793	-851	-202
Net cash flows from investing activities	-39	-9	-623	-148
Net cash flows from financing activities	-7	-2	-7	-2
Owner's equity	5,101	1,186	6,375	1,515
Short-term liabilities	1,275	296	882	210
Long-term liabilities	0	0	19	5
Cash and cash equivalents	2,085	485	4,780	1,136
Short-term receivables	647	150	398	94
Long-term receivables	238	55	154	37

* in 2018, the Issuer did not form a corporate group and did not publish consolidated financial statements. Unconsolidated data were indicated as comparative data.

3 Description of significant events and achievements

3.1 Summary of operating activities in the area of business development

3.1.1 Finalization of the second phase of the proof-of-concept project for a US manufacturer from the smart glass industry

In Q1 this year, the Issuer's R&D team completed the second phase of the proof-of-concept project for a leading US manufacturer from the smart glass industry. This is another phase of the validation project, more advanced than the previous ones. The parties also made arrangements to determine the scope of the next validation stage, which most probably will take place in Q3 2019. The estimated value of the smart glass market is expected to reach USD 4.25 billion in 2026. Establishment of commercial cooperation with the sector leader may in the future result in this sector having a major share in XTPL's revenue structure.

Fig. 1: XTPL team working in the laboratory

3.1.2 Reference visit at a potential partner from China – a global manufacturer of equipment for the production of displays

The negotiations, started in June 2018, of a contract with a China-based global manufacturer of equipment for the production of displays (ESPI 8/2018), following a multi-stage proof-of-concept project, resulted in a reference visit by the partner's representative at the Issuer's head office. The visit took place in December 2018. Its successful outcome coupled with fulfilment of technological expectations resulted in XTPL leaders being invited to pay a return visit to China in Q1 2019. The purpose of the visit was to collect and jointly analyze feedback from end users (customers of the potential client) in relation to the effects of the presented technological trials in the area of open defect repair. As a result of the commenced work, a document was created setting out final requirements for the dedicated industrial printing head. Based on this document, the previous commercial proposals submitted by XTPL will be revised and the final offer will be drawn up for the Chinese client.

3.1.3 Starting business talks with further entities interested in XTPL technology in the context of open defect repair

In the first quarter of 2019, the business development team established new business contacts with other entities interested in implementing the ultra-precise printing in the open defect repair process. The potential clients include, among others, an Asian manufacturer of displays, interested in using the technology developed by the Issuer to repair defects in its new line of displays produced in QLED technology. The high level of advancement of the XTPL technology achieved over recent months in the context of open defect repair, the proven expertise and a high degree of preparedness for industrial implementation gave a strong momentum to the talks.

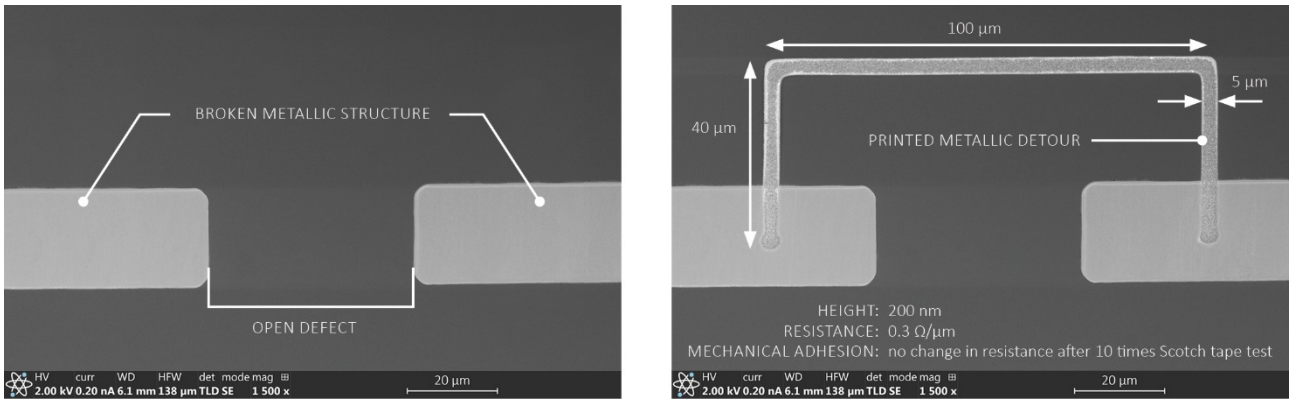

Fig. 2: Example of a broken metallic structure repaired with XTPL printed conductive detour.

3.1.4 Submission of further patent applications

In the period from January to March 2019, three new international patent applications were registered, covering further layers of intellectual property obtained in the area of nanoprinting. This is the outcome of a research project, completed in December last year, in relation to the ultra-precise deposition and the ink used in the process. All three applications were submitted in cooperation with K&L Gates, an experienced US-based law firm. At the same time, XTPL laboratories continued further, intensive work on development of the technology. As a result, already in the second quarter, this year's fourth patent application was registered. The applications ensure security for the Company and its disruptive technology. They will be one of the pillars of XTPL value. In the opinion of the Company's Management Board, the intellectual value obtained may also have a positive impact on the ongoing and future commercialization talks.

Fig. 3: XTPL team at technological tests

3.2 Debut on the Warsaw Stock Exchange

On 20 February 2019, the first listing of XTPL's shares took place on the Main Market of the Warsaw Stock Exchange. This is just over seventeen months since the Company's debut on the New Connect market (14 September 2017). At that time, XTPL gained the trust of the capital market – the company debuted in the Alternative Trading System with a capitalization of approx. PLN 112 million. When moving to the main Stock Exchange market, it had a capitalization of more than PLN 415 million. XTPL's huge market potential has attracted significant investors to the company already ahead of changing the listing market. The Company's shareholding structure now has a wider presence of two recognized German investment funds – Acatis Investment and Heidelberger Beteiligungsholding, now jointly controlling more than 18% of XTPL shares. The February debut was preceded by intensive business activities. The Issuer built strong operational structures both in Poland and the United States, filled its schedule of commercialization projects and built up the patent cloud, which is an essential part of the Company's value. The Company's management believes that the change of the listing market will help it attract a wider base of institutional investors, both international and domestic ones, who invest in globally groundbreaking innovations. The presence on the WSE Main List is also expected to strengthen the Issuer's credibility among current and future business partners.

Fig. 4: Wiesław Rozłucki, Filip Granek and Maciej Adamczyk at the Company's WSE debut ceremony 20 February 2019

3.3 Establishment of a subsidiary undertaking XTPL Inc. in the United States

On 31 January 2019, the Issuer acquired 100% stake in its newly formed subsidiary: XTPL Inc., headquartered in Sunnyvale, California, USA. The executive board of the company, includes, in addition to Filip Granek: Harold Hughes (former CFO of Intel and CEO of Rambus) and Amir Nayyerhabibi (partner at Benhamou Global Ventures) – the current members of the international XTPL Advisory Board. The international personnel of XTPL Inc. will back up the processes of securing the key IP and delivery of implementations in cooperation with industry giants. Operating directly in Silicon Valley, the entity will also increase the possibility of attracting local talent in nanotechnology and business development.

3.4 Publication of an analytical report about the company by GBC – a leading analytical company from Germany

In March this year, German analytical company GBC has published a report on the commercial potential of XTPL, including a recommendation for the price of the company's stock. Using the discounted cash flow (DCF) approach, the team of German analysts estimated the company's stock at PLN 230.80 and consequently issued a "buy" recommendation. The analysts also noted that the company's valuation might increase as the first commercial contracts are signed over the coming quarters. Justifying its estimates, the German experts point to e.g. the company's strong expansion and the likelihood of the first contracts to be signed this year.

GBC has extensive experience in the analysis of Western small and mid-caps, i.e. companies with capitalization up to EUR 500 million. The several hundred firms analyzed include a wide representation of companies from the high-technology sector.

4 Extraordinary factors and events having a significant impact on the condensed financial statements

In the reporting period, no extraordinary factors or events had a significant impact on the condensed financial statements.

5 Factors which may affect the results in the subsequent quarters

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

- Signing the first commercial hardware sales contracts
- Signing the first commercial Joint Development Agreements (JDAs)
- Ability to protect and safeguard intellectual property
- Acquisition of funds (including public funds – grants) for co-financing of R&D projects and commercialization projects
- Taking a decision to start work on a new application field
- Situation in capital markets in Europe.

6 Financial forecast

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

7 Explanation of seasonality or business cycles

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

8 Information on the Issuer

Business name: XTPL Spółka Akcyjna

Registered Office: Wrocław

Address: Stabłowicka 147, 54-066 Wrocław

KRS: 0000619674

NIP: 9512394886

REGON: 361898062

Phone number:+48 71 707 22 04

Website: www.xtpl.com

Email: investors@xtpl.com

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

As regards financial reporting, the Company uses IASs/ IFRSs. The Company's financial year is from 1 January to 31 December.

9 Shareholding structure

The shareholding structure as at 31 March 2019 is as follows (shareholders holding at least 5% of the total number of votes at the General Meeting):

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek	303,288	*17.00%*	303,288	*17.00%*
2.	Sebastian Młodziński	299,852	*16.81%*	299,852	*16.81%*
3.	Leonarto Sp. z o.o. *	298,015	*16.71%*	298,015	*16.71%*
4.	Heidelberger Beteiligungsholding AG	192,371	*10.79%*	192,371	*10.79%*
5.	TPL Sp. z o.o. **	140,020	*7.85%*	140,020	*7.85%*
6.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	127,000	*7.12%*	127,000	*7.12%*
7.	Stefan Twardak	103,081	*5.78%*	103,081	*5.78%*
8.	Konrad Pankiewicz*	2,573	*0.14%*	2,573	*0.14%*
9.	Others	317,420	*17.80%*	317,420	*17.80%*
	TOTAL	1,783,620	*100.00%*	1,783,620	*100.00%*

* 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 300,588 shares of the company, constituting 16.85% of its share capital.

** TPL Sp. z o.o. holds series L shares issued for the purpose of an employee share program. 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 Supervisory Board (33%) and Adriana Pankiewicz, wife of Konrad Pankiewicz, member of the Issuer's Supervisory Board (33%).

The shareholding structure as at the date of publication of the report is as follows (shareholders holding at least 5% of the total number of votes at the General Meeting):

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek	303,288	*17.00%*	303,288	*17.00%*
2.	Sebastian Młodziński	299,852	*16.81%*	299,852	*16.81%*
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10 Shares held by members of management and supervisory bodies

Name	Role	Number of shares as of publication of the report	Number of shares as of 31 March 2019
Filip Granek	CEO	303,288	303,288
Maciej Adamczyk	Management Board Member	0	0
Wiesław Rozłucki	Chairman of the Supervisory Board	0	0
Bartosz Wojciechowski	Deputy Chairman of the Supervisory Board	170	170
Konrad Pankiewicz	Supervisory Board Member	2,573	2,573
Sebastian Młodziński	Supervisory Board Member	299,852	299,852
Piotr Lembas	Supervisory Board Member	0	0
Leonarto Sp. z o.o. *	Konrad Pankiewicz has 100% stake in the entity	298,015	298,015

11 Management Board and Supervisory Board

Management Board:

As of 31 March 2019 and as of the date of publication of the report, the Management Board performed its duties in the following composition:

• Filip Granek – Management Board President

• Maciej Adamczyk – Management Board Member

Supervisory Board:

As of 31 March 2019 and as of the date of publication of the report, the Supervisory Board performed its duties in the following composition:

• Wiesław Rozłucki – Chairman of the Supervisory Board – an independent SB member

• Bartosz Wojciechowski – Deputy Chairman of the Supervisory Board

• Konrad Pankiewicz

• Sebastian Młodziński

• Piotr Lembas – an independent SB member

12 XTPL Group

12.1 Changes in the Group organization

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

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

12.2 Non-arms length transactions with related entities

Not applicable. The Issuer has not entered into any transactions with its related party on non-commercial terms.

12.3 Proceedings before courts and other bodies

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

12.4 Guarantees given

Not applicable. Neither the Issuer nor its subsidiary provided any guarantees in the reporting period.

12.5 Events occurring after the balance sheet date

On 24 April 2019, the Company's Extraordinary General Meeting of Shareholders adopted a resolution on repealing the previous incentive scheme (adopted on 29 November 2017) and authorizing the Supervisory Board – in relation to the Management Board members, and the Management Board – with respect to other scheme participants, to settle the scheme for 2018 and establish the rules for concluding agreements with scheme participants limiting the transferability of shares. The previous scheme will be settled in 2019.

On 24 April 2019, the Company's Extraordinary General Meeting of Shareholders (EGM) adopted a resolution on creating a new incentive scheme (based on shares and subscription warrants, and consequently the issuance of new series P shares, conditional capital increase and the issuance of new series R shares and the issuance of series A subscription warrants), as described below:

– In connection with the new incentive scheme, the EGM adopted a resolution to increase the Company's share capital by PLN 4,260.20 (four thousand two hundred and sixty zlotys and 20/100) to PLN 182,622.20 (one hundred and eighty two thousand six hundred and twenty two zlotys and 20/100) through the issue of 42,602 (forty two thousand six hundred and two) series P ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each, representing 2.4% of the share capital. As of the date of publication of the report, the change had not been registered by the registry court.

– The EGM also adopted resolutions to conditionally increase the Company's share capital by no more than PLN 18,262.20 (eighteen thousand two hundred and sixty two zlotys and 20/100) through the issue of no more than 182,622 (one hundred and eighty two thousand six hundred and twenty two) series R ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each and to issue no more than 182,622 (one hundred and eighty two thousand six hundred and twenty two) registered series A subscription warrants – provided that the conditional increase in the Company's share capital, approved by resolution No. 06/04/2019 of the Extraordinary General Meeting of 24 April 2019, is registered by

the competent registry court. The subscription price for one series R share (as a result of exercising the rights from subscription warrants) will amount to PLN 165.84. As of the date of publication of the report, the changes had not been registered by the registry court yet.

At the meeting of 24 April 2019, the EGM also adopted resolutions on:

– approving the new terms of reference of the Supervisory Board

– approving new terms of reference of the General Meeting

– amendments in the Issuer's Articles of Association

– approval of the consolidated text of the Issuer's Articles of Association

– determining remuneration for the members of the Audit Committee.

The content of the resolutions adopted by the EGM was published in ESPI Currency Report No. 20/2019 of 24 April 2019.

12.6 Other information

Employment as at 31 March 2019 – 42 persons.

As at the date of publication of the report, the Company submitted 4 patent applications, including 3 in the first quarter of 2019.

13 Condensed unconsolidated financial statements

13.1 Statement of financial position

ASSETS	NOTE	31.03.2019 PLN'000	31.03.2018 PLN'000
Non-current assets		**5,041**	**2,076**
Property, plant and equipment		690	647
Intangible fixed assets		2,805	1,240
Deferred tax assets		52	35
Long-term receivables		1,494	154
Current assets	2	**2,646**	**5,200**
Trade receivables		47	88
Other receivables		600	310
Cash and cash equivalents		1,948	4,780
Other assets		51	22
Total assets		**7,687**	**7,276**

EQUITY AND LIABILITIES	NOTE	31.03.2019 PLN'000	31.03.2018 PLN'000
Total equity		**6,288**	**6,375**
Share capital		178	170
Supplementary capital		16,341	11,393
Retained profit (loss carried forward)		-7,581	-4,346
Profit (loss) after tax		-2,650	-841
Provisions		**225**	**0**
Deferred income tax – provision		1	0
Other provisions		224	
Non-current liabilities		**0**	**19**
Long-term financial liabilities	2	0	19
Short term liabilities		**1,174**	**882**
Trade liabilities		484	322
Short-term financial liabilities	2	19	25
Other liabilities		671	535
Total equity and liabilities		**7,687**	**7,276**

13.2 Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	NOTE	1.01.2019 – 31.03.2019 PLN`000	1.01.2018 – 31.03.2018 PLN`000
Continued operations			
Revenue from sales		215	780
Revenue from research and development services			-
Revenue from the sale of products			-
Revenue from grants		215	780
Cost of sales	1	1,197	705
Research and development expenses		1,197	705
Cost of finished goods sold			-
Gross profit (loss)		-982	75
General and administrative expenses	1	1,646	941
Other operating income		1	3
Other operating costs		9	0
Operating profit (loss)		-2,636	-863
Financial revenues		10	25
Financial expenses		6	3
Profit/ loss before tax		-2,632	-841
Income tax		18	0
Net profit (loss) on continued operations		-2,650	-841
Discontinued operations		-	-
Net profit (loss) on discontinued operations			
Net profit (loss) on continued and discontinued operations		-2,650	-841
Other comprehensive income		-	-
Total comprehensive income		-2,650	-841
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-1.49	-0.50
Diluted		-1.49	-0.50
On continued and discontinued operations			
Ordinary		-1.49	-0.50
Diluted		-1.49	-0.50

13.3 Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Supplementary capital	Retained profit (loss carried forward)	Total
As at 1 January 2019	178	16,341	- 7,581	8,938
Comprehensive income:	-	-	- 2,650	- 2,650
Profit (loss) after tax	-	-	- 2,650	- 2,650
Other comprehensive income	-	-	-	-
Transactions with owners:	-	-	-	-
Issue of shares	-	-	-	-
Distribution of profit	-	-	-	-
As at 31 March 2019	178	16,341	- 10,231	6,288
As at 1 January 2018	170	11,393	- 4,346	7,216
Comprehensive income:	-	-	- 841	- 841
Profit (loss) after tax	-	-	- 841	- 841
Other comprehensive income	-	-	-	-
Transactions with owners:	-	-	-	-
Issue of shares	-	-	-	-
Distribution of profit	-	-	-	-
As at 31 March 2018	170	11,393	- 5,188	6,375

13.4 Statement of cash flows

STATEMENT OF CASH FLOWS	NOTE	1.01.2019 – 31.03.2019 PLN'000	1.01.2018 – 31.03.2018 PLN'000
Cash flows from operating activities			
Profit (loss) before tax		- 2,650	- 841
Total adjustments:		363	- 10
Depreciation/amortization		179	116
Interest and profit distributions (dividends)		- 9	- 24
Profit (loss) on investing activities		-	- 3
Change in the balance of provisions		- 70	-
Change in the balance of inventories		-	- 88
Change in the balance of receivables		- 161	- 26
Change in short-term liabilities, except bank and other loans		440	36
Change in prepayments/accruals		- 16	- 21
Total cash flows from operating activities	3	- 2,287	- 851
Cash flows from investing activities			
Inflows		5	34
Disposal of tangible and intangible assets		-	3
Interest on financial assets		5	31
Outflows		1,300	657
Acquisition of tangible and intangible fixed assets		44	457
Acquisition of financial assets		1,256	143
Other investment outflows		-	57
Total cash flows from investing activities	3	- 1,295	- 623
Cash flows from financing activities			
Inflows		-	-
Outflows		7	7
Finance lease payments		6	6
Interest		0	1
Total cash flows from financing activities	3	- 7	- 7
Total cash flows from investing activities		- 3,589	- 1,481
Change in cash and cash equivalents:		- 3,589	- 1,481
Cash and cash equivalents at the beginning of the period		5,536	6,189
Cash and cash equivalents at the end of the period, including:		1,947	4,708
– restricted cash		-	-

13.5 Notes

Due to the fact that the data in some notes to the unconsolidated financial statements are the same as those in the notes to the consolidated financial statements, the unconsolidated financial statements contain only the notes whose data differ from the notes prepared for consolidated financial statements.

13.5.1 Note 1. Operating costs

OPERATING COSTS figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018	1.01.2018 - 31.12.2018
Depreciation/ amortization, including	179	116	559
– depreciation of tangible assets	102	59	347
– amortization of intangible assets	77	57	212
Use of raw materials and consumables	178	116	1,439
External services	893	654	4,283
Cost of employee benefits	1,304	690	4,500
Taxes and charges	75	16	80
Other costs by type	215	53	761
Total costs by type, including:	**2,843**	**1,646**	**11,622**
Items reported as research and development costs	1,197	705	3,076
Items reported as general and administrative expenses	1,646	941	6,435
Change in finished goods	-	-	5
Cost of producing services for internal needs of the entity	-	-	2,106

13.5.2 Note 2. Fair value of the individual classes financial assets and liabilities

	Category as per IFRS 9	Book value		Fair value	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
Financial assets					
Trade receivables	WwgZK	47	0	47	0
Other receivables	WwgZK	600	310	600	310
Cash and cash equivalents	WwWGpWF	1,948	4,780	1,948	4,780
Loans granted	WwgZK	1,494	154	1,494	154
Total		**4,089**	**5,244**	**4,089**	**5,244**
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	-	-	-	-
Finance lease liabilities	PZFwgZK	19	44	19	44
Trade liabilities	PZFwgZK	484	322	484	322
Other liabilities	PZFwgZK	671	535	671	535
Total		**1,174**	**901**	**1,174**	**901**

Fair value of financial instruments that the Company held as at 31 March 2019 and 31 March 2018 was not materially different from the values presented in the financial statements for the individual years. This is because:

– with regard to short-term instruments, the potential effect of discount is not material;

– the instruments relate to the transactions concluded on market terms.

As at 31 March 2019, the Company did not have any financial instruments measured at fair value.

13.5.3 Note 3. Explanations to the statement of cash flows

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

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

	figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
PBT presented in the statement of comprehensive income		-2,650	-841
PBT presented in the statement of cash flows		-2,650	-841

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Realized interest on financing activities	-1	1
Realized interest on investing activities	51	-31
Unrealized interest on financing activities	-12	6
Total interest and dividends:	**38**	**-24**

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Change in the balance of trade receivables	163	-8
Other receivables	227	-18
Total change in the balance of receivables	**390**	**-26**

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Change in the balance of trade liabilities	-352	11
Other liabilities	31	25
Total change in the balance of liabilities:	**-321**	**36**

Cash and cash equivalents at the end of the period	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Statement of cash flows	-	6,189
Statement of financial position	-	6,210

Inflow from grants	figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
– to operations		215	780
– to assets		-	-
Total inflows from grants		**215**	**780**

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

13.5.4 Note 4. Related party transactions

Q1 2019	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	-	60
Loans granted		-	-	-	1,237
Financial expenses – interest on loans		-	-	-	-

Q1 2018	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	30	6
Loans received		-	-	-	200
Financial expenses – interest on loans		-	-	-	5

** 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. At the end of the reporting period, i.e. 31 March 2019, the Company did not create any allowances for doubtful receivables from related parties. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

The amount of loans granted results from a master loan agreement signed with XTPL Inc. (borrower), under which two tranches were drawn by 31 March 2019 for a total amount of USD 322.5 thousand.

13.5.5 Note 5. Date of approval of the financial statements for publication

This financial report for the period from 1 January 2019 to 31 March 2019 was approved for publication by the Company's Management Board on 22 May 2019.

14 Condensed consolidated financial statements

14.1 Consolidated statement of financial position

ASSETS	NOTE	31.03.2019 PLN'000	31.03.2018 PLN'000
Non-current assets		**3,784**	**2,076**
Property, plant and equipment	8	690	647
Intangible fixed assets	1	2,805	1,240
Deferred tax assets	16	52	35
Long-term receivables	23	238	154
Current assets	13	**2,817**	**5,200**
Trade receivables		47	88
Other receivables		600	310
Cash and cash equivalents		2,085	4,780
Other assets		85	22
Total assets		**6,601**	**7,276**

EQUITY AND LIABILITIES	NOTE	31.03.2019 PLN'000	31.03.2018 PLN'000
Total equity		**5,101**	**6,376**
Share capital		178	170
Supplementary capital		16,341	11,393
FX differences arising on translation		- 10	-
Retained profit (loss carried forward)		- 8,068	- 4,346
Profit (loss) after tax		- 3,341	- 841
Provisions	6	**225**	**-**
Deferred income tax – provision		1	-
Other provisions		224	-
Non-current liabilities		**-**	**19**
Long-term financial liabilities	13	-	19
Short term liabilities		**1,275**	**881**
Trade liabilities		585	322
Short-term financial liabilities	13	19	25
Other liabilities		671	534
Total equity and liabilities		**6,601**	**7,276**

14.2 Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	NOTE	1.01.2019 – 31.03.2019 PLN`000	1.01.2018 – 31.03.2018 PLN`000
Continued operations			
Revenue from sales	2	215	780
Revenue from research and development services			
Revenue from the sale of products			
Revenue from grants		215	780
Cost of sales	3	1,197	705
Research and development expenses		1,197	705
Cost of finished goods sold			
Gross profit (loss)		-983	75
General and administrative expenses	3	2,336	941
Other operating income		1	3
Other operating costs		9	
Operating profit (loss)		-3,326	-863
Financial revenues		10	25
Financial expenses		6	3
Profit/ loss before tax		-3,322	-841
Income tax		1	
Deferred income tax		18	
Net profit (loss) on continued operations		-3,341	-841
Discontinued operations		-	-
Net profit (loss) on discontinued operations			
Net profit (loss) on continued and discontinued operations		-3,341	-841
Other comprehensive income		-	-
Total comprehensive income		-3,341	-841
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-1.87	-0.48
Diluted		-1.87	-0.48
On continued and discontinued operations			
Ordinary		-1.87	-0.48
Diluted		-1.87	-0.48

14.3 Consolidated statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Supplementary capital	FX differences arising on translation	Retained profit (loss carried forward)	Total
As at 1 January 2019	178	16,341	0	-7,581	8,938
Comprehensive income:	0	0	-10	-3,828	-3,837
Profit (loss) after tax	0	0	0	-2,650	-2,650
Profit (loss) after tax of the subsidiary	0	0	0	-691	-691
Other comprehensive income	0	0	-10	-487	-496
Transactions with owners:	0	0	0	0	0
Issue of shares	0	0	0	0	0
Distribution of profit	0	0	0	0	0
As at 31 March 2019	178	16,341	-10	-11,409	5,100
As at 1 January 2018	170	11,393	0	-4,346	7,216
Comprehensive income:	0	0	0	-841	-841
Profit (loss) after tax	0	0	0	-841	-841
Other comprehensive income	0	0	0	0	0
Transactions with owners:	0	0	0	0	0
Issue of shares	0	0	0	0	0
Distribution of profit	0	0	0	0	0
As at 31 March 2018	170	11,393	0	-5,188	6,375

14.4 Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS	NOTE	01.01.2019 – 31.03.2019 PLN'000	01.01.2018 – 31.03.2018 PLN'000
Cash flows from operating activities			
Profit (loss) before tax		-3,341	-841
Total adjustments:		-66	-10
Depreciation/amortization		179	116
FX gains (losses)		-10	-
Interest and profit distributions (dividends)		-9	-24
Profit (loss) on investing activities		-	-3
Change in the balance of provisions		-70	-
Change in the balance of inventories		-	-88
Change in the balance of receivables		-161	-26
Change in short-term liabilities, except bank and other loans		541	36
Change in prepayments/accruals		-50	-21
Income tax paid		-	-
Other adjustments		-487	-
Total cash flows from operating activities	14	-3,407	-851
Cash flows from investing activities			
Inflows		5	34
Disposal of tangible and intangible assets		0	3
Interest on financial assets		5	31
Outflows		44	657
Acquisition of tangible and intangible fixed assets		44	457
Acquisition of financial assets		-	143
Other investment outflows		-	57
Total cash flows from investing activities	14	-39	-623
Cash flows from financing activities			
Inflows		-	-
Outflows		7	7
Finance lease payments		6	6
Interest		0	1
Total cash flows from financing activities	14	-7	-7
Total cash flows from investing activities		-3,452	-1,481
Change in cash and cash equivalents:		-3,453	-1,481
– change in cash due to FX differences		-	-
Cash and cash equivalents at the beginning of the period		5,536	6,189
Cash and cash equivalents at the end of the period, including:		2,083	4,708
– restricted cash		-	-

14.5 Notes

14.5.1 Note 1. Intangible fixed assets

OTHER INTANGIBLE ASSETS	figures in PLN thousand	31.03.2019	31.03.2018	31.12.2018
Acquired concessions, patents, licenses and similar rights		2	13	2
Intellectual property rights		257	502	334
In-process development expenditure		2,546	725	2,536
Total		**2,805**	**1,240**	**2,872**

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

As at 31 March 2019, the Group did not have any agreements whereby it would be required to purchase any intangible assets.

14.5.2 Note 2. Net revenue from sales

NET REVENUE FROM SALES	figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018	1.01.2018 - 31.12.2018
Revenue from research and development services		-	-	-
Revenue from the sale of products		-	-	-
Revenue from grants		215	780	2,267
Total net revenue from sales		**215**	**780**	**2,267**

14.5.3 Note 3. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018	1.01.2018 - 31.12.2018
Depreciation/ amortization, including		179	116	559
– depreciation of tangible assets		102	59	347
– amortization of intangible assets		77	57	212
Use of raw materials and consumables		178	116	1,439
External services		1,560	654	4,283
Cost of employee benefits		1,304	690	4,500
Taxes and charges		75	16	80
Other costs by type		238	53	761
Total costs by type, including:		**3,533**	**1,646**	**11,622**
Items reported as research and development costs		1,197	705	3,076
Items reported as general and administrative expenses		1,646	941	6,435
Change in finished goods		-	-	5
Cost of producing services for internal needs of the entity		-	-	2,106

14.5.4 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.

14.5.5 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 allowances for financial assets, tangible assets, intangible assets or other assets were created or reversed.

14.5.6 Note 6. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018	1.01.2018 - 31.12.2018
Balance at the beginning of the period		**292**	**110**	**110**
increased/ created		140	46	714
used/ released		208	-	532
Balance at the end of the period		**224**	**156**	**292**

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

14.5.7 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.

14.5.8 Note 8. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS	figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
XTPL printers		206	47
Computer sets		4	14
Server with software		-	30
Office equipment		54	3
Total significant acquisitions		**264**	**94**

14.5.9 Note 9. Significant liabilities on account of purchase of tangible assets

In the reporting period, neither the Group nor the Company incurred any significant liabilities on account of purchase of tangible assets.

14.5.10 Note 10. Correction of errors from previous periods

In the first quarter of 2019, no corrections were made on account of errors from previous periods.

14.5.11 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.

14.5.12 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.

14.5.13 Note 13. Fair value of the individual classes financial assets and liabilities

	Category as per IFRS 9	Book value		Fair value	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
Financial assets					
Trade receivables	WwgZK	47	0	47	0
Other receivables	WwgZK	600	310	600	310
Cash and cash equivalents	WwWGpWF	2,085	4,780	2,085	4,780
Total		**2,731**	**5,090**	**2,731**	**5,090**
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	-	-	-	-
Finance lease liabilities	PZFwgZK	19	44	19	44
Trade liabilities	PZFwgZK	585	322	585	322
Other liabilities	PZFwgZK	671	535	671	535
Total		**1,275**	**901**	**1,275**	**901**

	Category as per IFRS 9	Book value		Fair value	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets					
Trade receivables	WwgZK	8	8	8	8
Other receivables	WwgZK	478	272	478	272
Cash and cash equivalents	WwWGpWF	5,537	6,210	5,537	6,210
Total		**6,023**	**6,490**	**6,023**	**6,490**
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	-	-	-	-
Finance lease liabilities	PZFwgZK	26	50	26	50
Trade liabilities	PZFwgZK	366	310	366	310
Other liabilities	PZFwgZK	639	485	639	485
Total		**1,031**	**845**	**1,031**	**845**

Fair value of financial instruments that the Group held as at 31 March 2019 and 31 March 2018 was not materially different from the values presented in the financial statements for the individual years. This is because:

– with regard to short-term instruments, the potential effect of discount is not material;

– the instruments relate to the transactions concluded on market terms.

As at 31 March 2019, the Group did not have any financial instruments measured at fair value.

As at 31 March 2019 and 31 March 2018, the Group had no financial instruments in a currency other than the functional currency of more than PLN 1,000.

14.5.14 Note 14. Explanations to the statement of cash flows

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

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

	figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
PBT presented in the statement of comprehensive income		-3,341	-841
PBT presented in the statement of cash flows		-3,341	-841

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Realized interest on financing activities	-5	1
Realized interest on investing activities	1	-31
Unrealized interest on financing activities	-5	6
Total interest and dividends:	**-9**	**-24**

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Change in the balance of trade receivables	-161	-8
Other receivables	0	-18
Total change in the balance of receivables	**-161**	**-26**

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Change in the balance of trade liabilities	541	11
Other liabilities	0	25
Total change in the balance of liabilities:	**541**	**36**

Cash and cash equivalents at the end of the period	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Statement of cash flows	2,083	4,708
Statement of financial position	2,085	4,718

Inflow from grants

	figures in PLN thousand	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
– to operations		215	780
– to assets		-	-
Total inflows from grants		**215**	**780**

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

14.5.15 Note 15. Related party transactions

Q1 2019	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	-	60
Loans granted		-	-	-	-
Financial expenses – interest on loans		-	-	-	-

Q1 2018	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	30	6
Loans received		-	-	-	200
Financial expenses – interest on loans		-	-	-	5

** 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. No late interest is charged 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. At the end of the reporting period, i.e. 31 March 2019, the Group did not create any allowances for doubtful receivables from related parties. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

14.5.16 Note 16. Deferred tax assets

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income for	Statement of financial position as at		Impact on the statement of comprehensive income for
	31.03.2019	31.03.2018	1.01.2019-31.03.2019	31.12.2018	31.12.2017	1.01.2018-31.12.2018
In respect of:						
Interest on loans and deposits	1	2	-3	4	4	-
Total deferred tax liability	1	2	-3	4	4	-
Set-off with deferred tax assets	-1	-2	3	-4	-4	-
Net deferred tax liability	-	-	-	-	-	-

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income	Statement of financial position as at		Impact on the statement of comprehensive income
	31.03.2019	31.03.2018	1.01.2019-31.03.2019	31.12.2018	31.12.2017	1.01.2018-31.12.2018
Due to differences between the tax value and the carrying amount:						
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	9	18	-8	17	18	1
Accruals for unused annual leaves	27	18	-7	34	18	-16
Provision for the cost external services	16	3	-6	22	3	-19
Total deferred tax assets	**52**	**39**	**-21**	**73**	**39**	**-34**
Set-off with a deferred tax liability	1	4	-3	4	4	-
Net deferred tax assets	**51**	**35**	**-18**	**69**	**35**	**-34**

14.5.17 Note 17. Objectives and rules of financial risk management

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

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

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

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

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

MARKET RISK

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

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

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

PRICE RISK

In the period from January to March 2019, the Group did not invest in any debt instruments and, therefore, is not exposed to any price risk.

CURRENCY RISK

The Group is exposed to currency risk in respect of the transactions it concludes. Such risk arises when the 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 Group used no loans in the period from January to March 2019.

LIQUIDITY RISK

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

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

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

CREDIT RISK

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

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

14.5.18 Note 18. Material settlements on account of court cases

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

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

In the first quarter of 2019, no significant changes were identified in the economic position or operating conditions which would have a material impact on the fair value of the Group's financial assets and liabilities.

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

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

All the Group's contingent liabilities originated before 31 December 2018.

The change in the value of contingent liabilities in relation to the last reporting period ended 31 December 2018 amounts to PLN 215 thousand. It is caused by the payment of the next two tranches of subsidies totalling PLN 215 thousand.

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.

CONTINGENT LIABILITIES	31.03.2019	31.12.2018
Promissory notes	4,309	4,094
Total contingent liabilities	4,309	4,094

14.5.21 Note 21. Incentive scheme

In the period from 1 January 2019 to 31 March 2019 and until the date of approval of the report for publication, the Group did not grant share options.

14.5.22 Note 22. Information about seasonality of business and cycles

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

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

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

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

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

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

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

14.5.26 Note 26. Operating segments

In the period covered by this interim report, no operating segments have been identified in accordance with IFRS 8. The Group'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.

From the date of its formation to the date of the report, the Company did not generate any operating revenues, and its only revenues were grant payments. For this reason, the Company does not specify separate operating segments.

XTPL is a technology company which is only entering the stage of commercialization of the outcome of its research and development activity designed to develop the groundbreaking manufacturing technology of ultra-precise printing of a wide range of nanomaterials.

14.5.27 Note 27. 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.

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

14.5.28 Note 28. 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.

14.5.29 Note 29. Effect of application of new accounting standards and changes in accounting policy

The first reporting period in which the Group prepared its financial statements in accordance with IFRS was from 1 January 2018 to 31 December 2018 (unconsolidated financial statements of the Parent Company).

The Company adopted IFRSs as of 1 January 2017 and at this date prepared its opening balance following transformation of the closing balance as at 31 December 2016. XTPL S.A. drew up the financial statements using the provisions of each respective applicable IFRS to the extent it was able to elect to do so as at 31 December 2018.
To take into account any identified differences between the Polish Accounting Standards ("PASs") and IFRSs, as of the date of transition to IFRSs, the Group made a PLN 12 thousand adjustment to its equity and deferred tax asset.

At present, the new IFRS regulations have no effect in the Group's financial statements. Since their publication in the annual report for the period from 1 January 2018 to 31 December 2018, the Company's accounting policies have not changed.

14.5.30 Note 30. Date of approval of the financial statements for publication

This financial report for the period from 1 January 2019 to 31 March 2019 was approved for publication by the Company's Management Board on 22 May 2019.

14.5.31 Note 31. Events after the balance sheet date that have not been reflected in the interim financial statements

On 24 April 2019, the Extraordinary General Meeting of Shareholders adopted a resolution on repealing the previous incentive scheme (adopted on 29 November 2017) and authorizing the Supervisory Board – in relation to the Management Board members, and the Management Board – with respect to other scheme participants, to settle the scheme for 2018 and establish the rules for concluding agreements with scheme participants limiting the transferability of shares. The previous scheme will be settled in 2019.
On 24 April 2019, the Extraordinary General Meeting of Shareholders adopted a resolution on creating a new incentive scheme (based on shares and subscription warrants, and consequently the issuance of new series P shares, conditional capital increase and the issuance of new series R shares and the issuance of series A subscription warrants).

On 24 April 2019, the Extraordinary General Meeting of Shareholders adopted a resolution to increase the Group's share capital by PLN 4,260.20 (four thousand two hundred and sixty zlotys and 20/100) to PLN 182,622.20 (one hundred and eighty two thousand six hundred and twenty two zlotys and 20/100) through the issue of 42,602 (forty two thousand six hundred and two) series P ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each. As of the date of publication of the report, the change had not been registered by the registry court.

The EGM also adopted resolutions to conditionally increase the Company's share capital by no more than PLN 18,262.20 (eighteen thousand two hundred and sixty two zlotys and 20/100) through the issue of no more than 182,622 (one hundred and eighty two thousand six hundred and twenty two) series R ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each and to issue no more than 182,622 (one hundred and eighty two thousand six hundred and twenty two) registered series A subscription warrants – provided that the conditional increase in the Company's share capital, approved by resolution No. 06/04/2019 of the Extraordinary General Meeting of 24 April 2019, is registered by the competent registry court. The subscription price for one series R share (as a result of exercising the rights from subscription warrants) will amount to PLN 165.84. As of the date of publication of the report, the changes had not been registered by the registry court yet.

15 Additional information

15.1 General information and basis of preparation

The financial statements of XTPL Group (unconsolidated and consolidated financial statements) cover the period of three months ended 31 March 2019, and the comparative data for the period of three months ended 31 March 2018. They were prepared using the historical cost convention.

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

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

The financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Company's financial statements for the year ended 31 December 2018.

The financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting and in accordance with the Finance Minister's Ordinance of 29 March 2018 on current and financial information provided by issuers of securities (...).

15.2 Currency of the financial statements

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

15.3 Exchange rates used in the financial statements

	2019		2018	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for the balance sheet items	4.3013	3.8365	4.2085	3.4139
for profit or loss items and cash flows	4.2978	3.7830	4.1784	3.3882

16 Uniform description of significant accounting policies and changes in IASs

16.1 Intangible fixed assets

Intangible assets are recognized if:

a. the intangible asset is identifiable
b. the intangible asset 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.

The spending on intangible assets in the Company is divided into three stages:

1. spending related to the innovative and planned search for solutions, undertaken with the intention of acquiring and absorbing new scientific and technical knowledge; such spending in treated as research costs and are recognized in the profit or loss of the period;
2. The expenses related to the use of research results in business activities that meet the definition of IAS 38, until receipt of the first revenue from the sale or rental of a fixed asset or other benefits resulting from the use of an asset by the Company, are reported under the heading “intangible assets – in-process development expenditure”;
3. The expenses related to the use of research results in business activities that meet the definition of IAS 38, until receipt of the first revenue from the sale or rental of a fixed asset or other benefits resulting from the use of an asset by the Company, are transferred to “intangible assets – costs of completed development” and are amortized.

An intangible asset is recognized 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.

Before starting the second stage of work on intangible assets, the Company’s Management Board 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.

All research completed in the financial year is analysed on an ongoing basis in terms of commercialization potential. If the result of the assessment is positive, i.e. there are indications the intangible assets will help the Company obtain future economic benefits that can be assigned to the given assets component, while meeting the remaining conditions indicated below, the Management Board decides to start development.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognized 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 recognized 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 amortized as amortization 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 amortized on a straight-line basis over the anticipated period of their economic life. Amortization of intangible assets is recognized 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.

16.2 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 the 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 recognized 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 recognized 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.

16.3 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.

16.4 Financial instruments

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

- measured at amortized 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 amortized 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 amortized cost using the effective interest rate. After initial recognition, trade receivables are measured at amortized 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 amortized 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 amortized cost
Trade and other receivables	Loans and receivables	Measured at amortized cost
Cash and cash equivalents	Loans and receivables	Measured at amortized cost

16.4.1 Impairment of financial assets

Interest carried at amortized 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:

16.4.1.1 Loans granted and receivables from related parties

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 recognized.

Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognized.

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.

16.4.1.2 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 recognized 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.

16.4.1.3 Cash

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 31 December 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.

16.5 Leases

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 recognized 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 recognized 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 in place, 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.

16.6 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;

Foreign exchange gains and losses arising from: – settlement of transactions in a foreign currency;

other than derivatives expressed in foreign currencies are recognized in profit or loss.

16.7 Prepayments and accruals

The entity recognizes 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 recognizes unearned revenues if they relate to future reporting periods.

Unearned revenues are measured at nominal value.

16.8 Equity

The Company's equity is divided into:

- Registered (share) capital – recognized 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).

16.9 Provisions

Provisions are recognized 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.

16.10 Bank loans and other loans received

At initial recognition, bank loans are recognized 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 (amortized cost), using the effective interest rate.

16.11 Borrowing costs

Borrowing costs are recognized 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 to finance 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.

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.

16.12 Current and deferred tax

Income tax recognized 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 realized 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 recognized 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 recognized in the full amount. The liability is not discounted.

A deferred tax asset is recognized 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 recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference or tax loss can be utilized.

Deferred tax assets and liabilities are recognized regardless of when they are to be utilized.

Deferred tax assets and deferred tax liabilities are not recognized 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 recognized for temporary differences resulting from the initial recognition of goodwill.

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

– arises from transactions or events which are directly recognized in other comprehensive income – in which case the deferred tax is also recognized 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.

16.13 Revenue recognition

The Company applies IFRS 15 “Revenue from Contracts with Customers” as of 1 January 2018, using the modified retrospective approach, without adjusting the comparative data.

The Company applies the principles of IFRS 15 taking into account the 5-step revenue recognition model. The Company recognizes 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 recognized 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.

16.13.1 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 recognized 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 recognized only to the extent of the expenses incurred that are recoverable.

16.13.2 Revenue from the sale of goods and materials

The Company recognizes 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 recognized at the fair value of the consideration received or receivable.

16.13.3 Interest

Interest income is recognized 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 recognized at the original effective interest rate.

16.14 Grants

Non-cash grants are recognized 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 under “Revenue from grants”.

A government grant is not recognized 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 recognized in profit or loss on a systematic basis over the periods in which the entity recognizes 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 recognized as income of the period in which it becomes receivable as the above fact has been disclosed.

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

Inflows and expenses related to received grants are presented in the statement of cash flows (under cash flows from operating activities).

The benefit of a government loan at a below-market rate of interest is treated as a government grant, which is recognized and measured in accordance with IFRS 9 "Financial Instruments", i.e. at the amount of the difference between the initial carrying amount of the loan determined in accordance with IFRS 9 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.

16.15 Contingent assets and liabilities

A contingent liability is defined as:

a) 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 recognized 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.

16.16 Incentive scheme

On 24 April 2019, the Company's Extraordinary General Meeting of Shareholders adopted resolutions revoking the previous incentive scheme (adopted in 2017) and on creating a new incentive scheme (based on shares and subscription warrants, and consequently the issuance of new series P shares, conditional capital increase and the issuance of new series R shares and the issuance of series A subscription warrants).

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.

IFRS 2 requires that the Company should recognize 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 recognized 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 recognized in the financial statements in accordance with IFRS 2.

16.17 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/ amortization rates.

16.17.1 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.

16.17.2 Useful lives of tangible assets

Each year, the Company's Management Board verifies the residual value, depreciation method and useful lives of the fixed assets which are 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.

16.17.3 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 realized 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.

16.17.4 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 recognized 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 each balance sheet date, the Company assesses whether there are any indications that any of its may be impaired. If this is the case, the Company estimates the recoverable amount of the asset.

Whether or not there are any indications of impairment, each year the Company performs annual impairment tests for its intangible assets with an indefinite useful life or an intangible asset which is not yet available for use, by comparing its carrying amount with its recoverable amount. This test may be carried out at any time during the year, provided that each year it takes place at the same date. Different intangible assets may be tested for impairment at various dates. If an intangible asset was initially recognized during the current year, the asset is tested for impairment before the year-end.

16.18 New and amended IFRSs

Since 1 January 2019, the Company has the bound by the following new and amended standards and interpretations:

- *IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation.*

The amendments to IFRS 9 allow entities to measure individual financial assets with prepayment features with negative compensation at amortized cost or fair value through other comprehensive income, if a specific condition is met – instead of measuring them through profit or loss. These amendments clarify that a financial instrument may meet the SPPI test also when in the case of prepayment, the compensation could be paid by either the lender or the borrower to the other party, sometimes referred to as a symmetric (two-sided) prepayment option.

- *IFRS 16 Leases (published on 13 January 2016) – applicable to the reporting periods commencing on or after 1 January 2019.*

The new requirements eliminate the concept of operating lease, and thus the off-balance sheet recognition of assets held under operating lease contracts. The standard introduces a single lease concept. All assets and related obligations

to pay rentals will have to be recognized in the balance sheet. This will change the basis for calculating commonly used financial ratios, including the debt ratio and EBITDA.
The Company currently has one lease agreement in place, which is presented as a financial lease and, in the context of the new provisions of IFRS 16 Leases, its presentation will not change.

16.19 New standards and interpretations that have been published but have not been approved by the EU

The following standards and interpretations have been issued by the International Accounting Standards Board, but have not been approved by the EU yet:

- IFRS 17 Insurance Contracts (published on 18 May 2017) – not adopted by the EU by the date of approval of these financial statements – effective for periods beginning on or after 1 January 2021.
- Amendments to References to the Conceptual Framework in IFRS/IASs (29 March 2018) – effective for reporting periods commencing on or after 1 January 2020.
- Amendments to IFRS 3 Business Combinations (published on 22 October 2018) – applicable to reporting periods commencing on or after 1 January 2020.
- Amendments to IAS 1 and IAS 8 – definition of "material" (of 31 October 2018) – effective for reporting periods commencing on or after 1 January 2020.
- IFRS 14 "Regulatory Deferral Accounts" (applicable to the annual periods commencing on or after 1 January 2016). The European Commission has decided not to propose for endorsement the interim standard for application across the EU pending publication of the full version of IFRS 14.
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of the amendments has been deferred pending finalisation of the project on equity accounting);

The effective dates are the dates arising from the standards published by the International Financial Reporting Board. The effective dates of the standards in the European Union may differ from the effective dates arising from the standards and are announced upon the adoption of the standards by the European Union.

17 Approval for publication

This quarterly report for the first quarter of 2019 ended on 31 March 2019 was approved for publication by the Management Board on 22 May 2019.

Signatures of all Management Board members

CEO - Filip Granek

COO - Maciej Adamczyk