CONSOLIDATED QUARTERLY REPORT

FOR THE THIRD QUARTER OF 2019

XTPL S.A.

Wroclaw, 26 November 2019

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

shaping global nanofuture

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Financial highlights

1 Selected unconsolidated figures

Figures in PLN thousand	1 January-30 September 2019		1 January-30 September 2018	
	PLN	EUR	PLN	EUR
Net revenue from sales	1,593	370	1,703	400
Profit (loss) on sales	-4,476	-1,039	-662	-156
Profit (loss) before tax	-18,467	-4,286	-4,714	-1,108
Profit (loss) after tax	-18,501	-4,294	-4,693	-1,103
Depreciation/amortization	438	102	349	82
Net cash flows from operating activities	-7,306	-1,696	-4,534	-1,066
Net cash flows from investing activities	-2,072	-481	-1,753	-412
Net cash flows from financing activities	10,108	2,346	4,396	1,034
Figures in PLN thousand	30 September 2019		31 December 2018	
Owner’s equity	11,630	2,659	8,937	2,079
Short-term liabilities	905	207	1,031	240
Long-term liabilities	0	0	1	0
Cash and cash equivalents	6,266	1,433	5,537	1,288
Short-term receivables	823	188	486	113
Long-term receivables	2,245	513	233	54

2 Selected consolidated figures

Figures in PLN thousand	1 January-30 September 2019		1 January - 30 September 2019*	
	PLN	EUR	PLN	EUR
Net revenue from sales	1,593	370	1,703	400
Profit (loss) on sales	-4,476	-1,039	-662	-156
Profit (loss) before tax	-19,829	-4,602	-4,714	-1,108
Profit (loss) after tax	-19,466	-4,518	-4,693	-1,103
Depreciation/amortization	438	102	349	82
Net cash flows from operating activities	-9,059	-2,103	-4,534	-1,066
Net cash flows from investing activities	-261	-61	-1,753	-412
Net cash flows from financing activities	10,108	2,346	4,396	1,034
Figures in PLN thousand	30 September 2019		31 December 2018*	
Owner's equity	9,700	2,218	8,937	2,079
Short-term liabilities	933	213	1,031	240
Long-term liabilities	0	0	1	0
Cash and cash equivalents	6,324	1,446	5,537	1,288
Short-term receivables	823	188	486	113
Long-term receivables	267	61	233	54

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

Management Board's Report

3 Management Board's Report

3.1 Key information about the Issuer

Business name:	XTPL Spółka Akcyjna
Registered Office:	Wrocław
Address:	Stabłowicka 147, 54-066 Wrocław
KRS:	0000619674
NIP:	9512394886
REGON:	361898062
Registry Court:	District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register
Share capital:	PLN 190,422.20, fully paid up
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.

Management Board:
As of 30 September 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 30 September 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

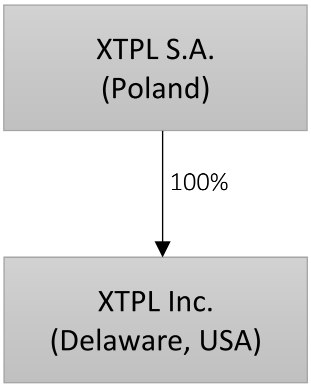
Audit Committee:
As of 30 September 2019 and as of the date of the report, the Audit Committee performed its duties in the following composition:

• Wiesław Rozłucki - Chairman of the Audit Committee - independent AC member
• Sebastian Młodziński
• Piotr Lembas - independent AC member

3.2 XTPL Group

3.2.1 Group structure

Structure of XTPL Group as at 30 September 2019 and as at the date of publication of the report:



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.

No changes occurred in the organization of the corporate group since the previous financial report.

3.2.2 Branches

Not applicable. Neither the parent company nor its subsidiary have any branches.

3.2.3 Non-arms length transactions with related entities

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

3.2.4 Proceedings before courts and other bodies

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

3.2.5 Guarantees given

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

3.2.6 Events occurring after the balance sheet date

3.2.6.1 Admission of series S shares to trading:

On 14 October 2019, by Resolution 1080/2019, the Management Board of the Warsaw Stock Exchange decided:

- to admit to trading on the parallel market organized by the WSE ("Parallel Market") the total of 78,000 series S ordinary bearer shares;
- to introduce to trading on the Parallel Marked 78,000 series S ordinary bearer shares as of 16 October 2019;

3.2.6.2 Starting cooperation with BOE:

On 12 November 2019, the Company signed a Technology Evaluation Agreement with Hefei BOE Joint Technology Co. Ltd, a China-based subsidiary of the Chinese company BOE, one of the world's largest display makers. The purpose of the agreement is to confirm parameters of the technology developed and commercialized by the Issuer and to assess the possibility of implementing the technology in the partner's production processes. The XTPL nanoprinting technology offered to the partner will be dedicated to creating new generation displays.
Each party will be responsible for their respective costs, i.e. the Issuer - for the cost of printing on the partner's substrates, while the partner - for the cost of preparing and sending the substrates, the cost of advanced analyses of the prints and evaluation of technological tests, as well as the cost of reference visits to the Issuer's headquarters.

Once all BOE technology specification requirements have been met, the next stage of the commercialization process will commence. The purpose of the next phase will be to adapt the technology to the specific requirements of the partner's production process. At the same time, BOE has declared that if the project is successful, the next step will be to start negotiations on the main business assumptions of a commercial cooperation.

3.2.6.3 Signing the Memorandum of Understanding with HPK:

21 November 2019 the Issuer signed a Memorandum of Understanding with HPK Inc. based in South Korea, one of the main suppliers of devices for repairing open defects in displays for the Korean company LG. The MoU sets out the main business goals of the parties related to a potential commercial contract. In addition, the parties' intention expressed in the document is to start cooperation, with the engagement of both parties, to sign a license agreement on the solution for repairing open defects in displays.

The document signed with the Korean partner is the result of the Company's consistent activities as it progresses through the multi-stage commercialization process. The MoU marks the beginning of the design-in stage which aims to adapt the technology to the specific requirements of the partner's production process, and to start the process of negotiating business terms of a future contract.

3.3 <u>Description of operations and basic products</u>

XTPL operates in the nanotechnology segment. XTPL develops and commercializes its globally innovative platform technology of ultra-precise printing of nanomaterials, protected by an international patent application. The XTPL method has a chance to be groundbreaking. This is because of a combination of several features: it is an additive method, which ensures significant time and material savings and allows the advantages of printing - such as scalability, cost effectiveness, simplicity and speed - to be used in the production of advanced devices thanks to unprecedented precision and without a need to use electric field.

Due to its platform character, this solution will find application in the broadly understood printed electronics industry.

At present, the Company is focusing on commercialization of its technology in two application fields. The first one is flat panel displays - here XTPL in the first place intends to offer the “open defect repair” technology for repairing conductive structures, whose defects are responsible for “dead pixels” occurring already at the production stage, especially in high resolution matrixes. Next, the Company plans to provide this industry with solutions that will help achieve a significant increase in the resolution of a new class of displays, also on flexible substrates.

The second potential application field for XTPL is the market of smart glass, i.e. glass that changes its transparency under the influence of electric voltage. For this sector XTPL intends to develop a solution that will significantly shorten the time of conversion from transparent to opaque and vice versa, which will significantly improve the usability of such products and may also usher the industry into new, not yet supported market segments.

In the long run, XTPL intends to develop its solution for subsequent market segments. The Company's technology may be implemented in the semiconductor industry as a sought-after alternative for photolithography and, for example, facilitate the fabrication of innovative anti-counterfeiting solutions, advanced PCBs, functional and effective biosensors and high-performance photovoltaic panels.

3.4 Business model

XTPL has developed an advanced technology for ultra-precise printing of nanomaterials. It develops and commercializes the technology in a way dedicated to a specific application field, using one of two models:

a. Licensing - the Company develops a technological solution dedicated to a particular application field, which is licensed to a partner who, on its basis, builds devices that allow the technology to be used in industry; in this case, the Company generates revenue from license fees based on the sale of devices in which the developed technology was implemented;

b. Strategic partnership - the Company develops a technological solution dedicated to a particular application field and commercializes it in cooperation with a strategic partner with whom a joint venture agreement is signed; commercialization tasks are divided between the partners in accordance with their competencies and potential. In this case, the Company participates in profits achieved through the joint venture;

The choice of the optimal business model depends on the specific application field where the Company offers its solution.

3.5 Target markets

XTPL intends to commercialize its technology in many segments of the broadly understood printed electronics market. According to IDTechEx, the value of the global market of printed, flexible and organic electronics was USD 31.7 billion in 2018. In 2029, the market is forecast to grow to USD 77.3 billion, with a CAGR at 8.4% in 2018-2029

The Company has chosen two application fields for commercialization at the current stage of development, and focuses its efforts around these fields:

Display sector (repairing broken metallic connections in thin-film transistors area - open defect repair):

Defects in conductive structures (broken metallic connections) are a serious challenge for manufacturers from many industries. The defects are one of the reasons for dead pixels occurring, especially in high resolution matrixes. The technologies for repairing these structure available in the market today have serious limitations, are complicated and expensive. The XTPL nanoprinting technology will enable open defect repair already at the production stage, reducing costs, ensuring precision and speed that none of the existing methods can offer.

Smart glass sector:

Smart glass is designed in such as way as to change transparency to change the level of external illumination. The technology developed by the XTPL allows ultra-thin, invisible to human eye, structures with high conductivity parameters to be precisely printed on glass. The main benefit expected after implementation of XTPL technology in the production process for this sector is faster conversion of glass from transparent to opaque and vice versa, which will significantly improve the usability of this type of products and will open the door for manufacturers from this sector to new, previously not supported market segments (e.g. automotive).

An important element that fosters development of the electronics market is the growing number of new applications of printed, flexible and organic electronics in various fields. Ultimately, the Company will seek to ensure that its technology can be used in many existing areas of the printed electronics industry and - thanks to the unprecedented precision of printing - will lead to the emergence of new areas within this sector. The Company wishes to develop its technology in such a way that it can be used to manufacture complex and complicated devices with cheap and scalable printing methods.

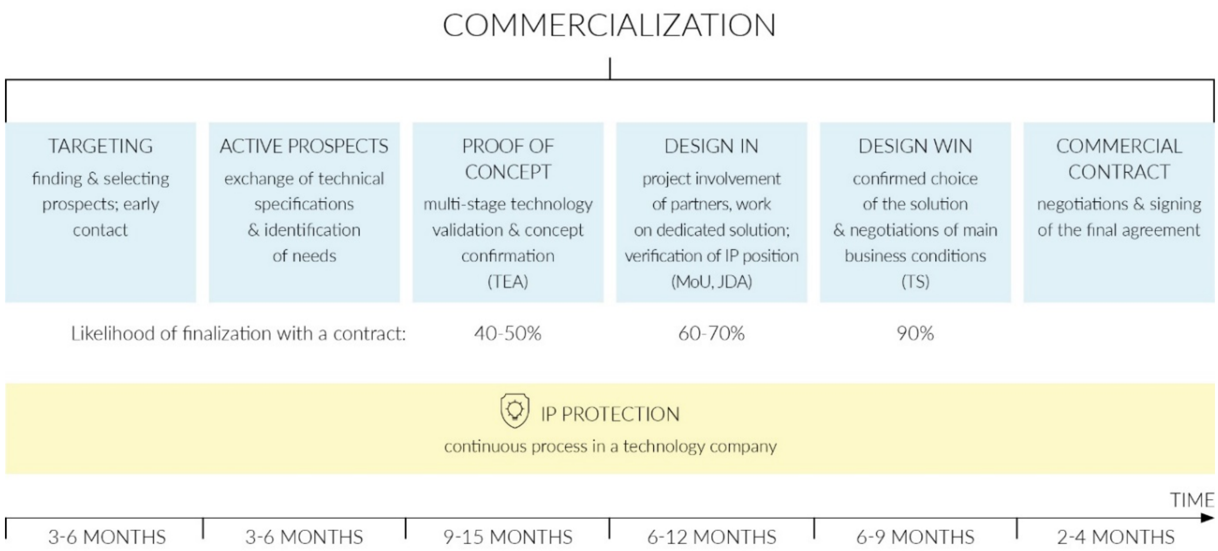
Subsequent, already identified and pre-verified application areas include:

- display market (in addition to the above-mentioned use for open defect repair, the next step is to provide the industry with solutions that will improve output parameters of a new class of high resolution displays, even on flexible substrates);
- semi-conductors market
- PCB (printed circuit boards) market
- security printing market
- biosensors market
- photovoltaic cells market

All the Company’s R&D work takes place in Poland. Commercialization will be primarily focused on markets of North America (mainly the United States) and Asia (China, Korea, Taiwan, Japan) and Israel.

3.6 Phases of the technology commercialization process

The process of commercialization of the Issuer's technology in any particular application field consists of five main stages, each taking from a few to more than ten months. The lead time largely depends on how fast the Company's partners - potential clients - can act.



Before entering the commercialization stage, the Company developed its base technology. Due to the platform character of the technology, the next step, concurrent with the first commercialization phases, was to begin work to adapt the technology to the requirements of selected application fields. The actual process associated with the implementation of a dedicated solution in a specific market consists of going through consecutive, increasingly advanced stages. With regard to a particular application field, all or only some of them may take place. Described below is a model process.

The first step is "targeting", i.e. defining and selecting sales prospects. In next phase, carried out with selected partners, the Company exchanges technical assumptions and identifies specific needs of the potential client - this is the "active prospecting" phase. This phase is followed by a "proof of concept", which is oftentimes divided into several stages. Here, the Company gradually discovers the potential client's technological information. In this phase, during numerous tests, the Company confirms the declared parameters of its technology, while validating the capabilities of the solutions offered. The first formal document might appear here - the TEA (Technology Evaluation Agreement), an agreement providing for testing and optimization of the technology in accordance with the partner's specification. Once all the requirements of such a specification have been fulfilled, the partners decide whether or not to enter the "design-in" phase, which aims to adapt the technology to the specific requirements of the client's production process. At this stage, the likelihood of contract-based commercialization increases significantly to 60-70%. It is also the time of verification of the Company's IP position and engaging partners in the design process, usually embodied by the MoU (Memorandum of Understanding). The document expresses the parties' intention to work together to achieve the agreed commercial purpose - an effective and scalable implementation of the Company's solution for use in the partner's devices or on its production line. The MoU is often treated as an invitation to negotiate. At this stage, in the case of some partners a decision is made to sign a JDA (Joint Development Agreement). Such a model usually means co-financing the technology development and the first revenues for the company which supplies the technology. Execution of the final contract is often preceded by the “design win” stage, which confirms the choice of the solution and marks the start of negotiations around the term-sheet containing the main business parameters. Both before and during the commercialization stage, the key IP is secured, which protects the Company and its solutions, as well as ensures appropriate negotiating position before a cooperation agreement is signed.

3.7 Material achievements or failures

3.7.1 Summary of activities related to the commercialization of the technology developed:

a. open defect repair in the display sector:

On the basis of in-depth analyzes and market reports drawn up by independent institutions researching the display market, the Company has identified six entities which are noted as leaders in this sector, namely: LG, Charm Engineering, V-Technology, Orbotech, HPK and Han’s Laser. At the time of publication of the report, XTPL is in talks (at various levels of progress) with five of them. Steps have also been taken to start talks with the last firm from the above group.

Most of the entities that the Company is currently interacting with regarding implementation of its open defect repair technology in the FPD (flat panel display) sector have approached XTPL on their own initiative. To implement subsequent advanced phases as part of the commercialization process, the Company has chosen partners with a strong position in the FPD market and those who, in the Issuer’s opinion, might be able to achieve the highest potential benefits by implementing the XTPL technology. For example, the Company has identified that for some partners implementation of an effective open defect repair method will trigger an increase in sales of other related business lines on the back of a more versatile offering and the possibility to develop complementary services. The increased share in selected market sectors achieved by these partners by using the XTPL technology will also affect the value of recurring future revenues for the Company. Therefore, such a selection of partners not only ensures the highest probability of sales being finalized, but also promises optimum financial parameters for a future cooperation.

Most of the Company's potential clients prefer the licensing model of cooperation: they are interested in buying a license to use the technology developed by XTPL and deploying it for use in the devices they manufacture for the FPD sector. The licensing model has also been assessed as optimal from the Issuer's point of view due to:

- more favorable relationship between the expected cost to the potential effects in the form of scalable revenues;
- shorter time needed to introduce the open defect repair technology in the display production sector;

The licensing model will allow the licensee's potential to be used for testing the solution efficiently in several or more than ten cycles under near-production or production conditions. In this model, the licensee is responsible for development of a logistics chain, significant development of distribution channels and establishing and financing an area directly responsible for customer service (including a function dealing with individual implementations and after-sales support). For this reason, on 21 August 2019, the Management Board decided to accept technology licensing as a commercialization model in the application area of displays for use in open defect repair.

The licensing model is characterized by two types of payments to the licensor:

- initial license grant fee - this is a one-off payment made after signing the agreement; it is usually divided into tranches (an initial payment and payments related to the achievement of milestones and transfer of knowledge related to the licensed technology); their payment is usually effected within 6-9 months of signing the license agreement; in the case of licensing technology for open defect repair in the display application area;

- royalties - these are regular (quarterly or annual) payments depending on the volume of sales of devices based on the licensed technology (they are usually calculated on the basis of a percentage of the licensee's (client's) income from the sale of solutions based on the licensed technology or a specified amount for each device sold). Usually, royalties start to be charged within 12-18 months from the date of the license agreement (the time needed for the licensee to implement the technology in its product development process) and their value will be linked to the sales growth achieved by the licensee.

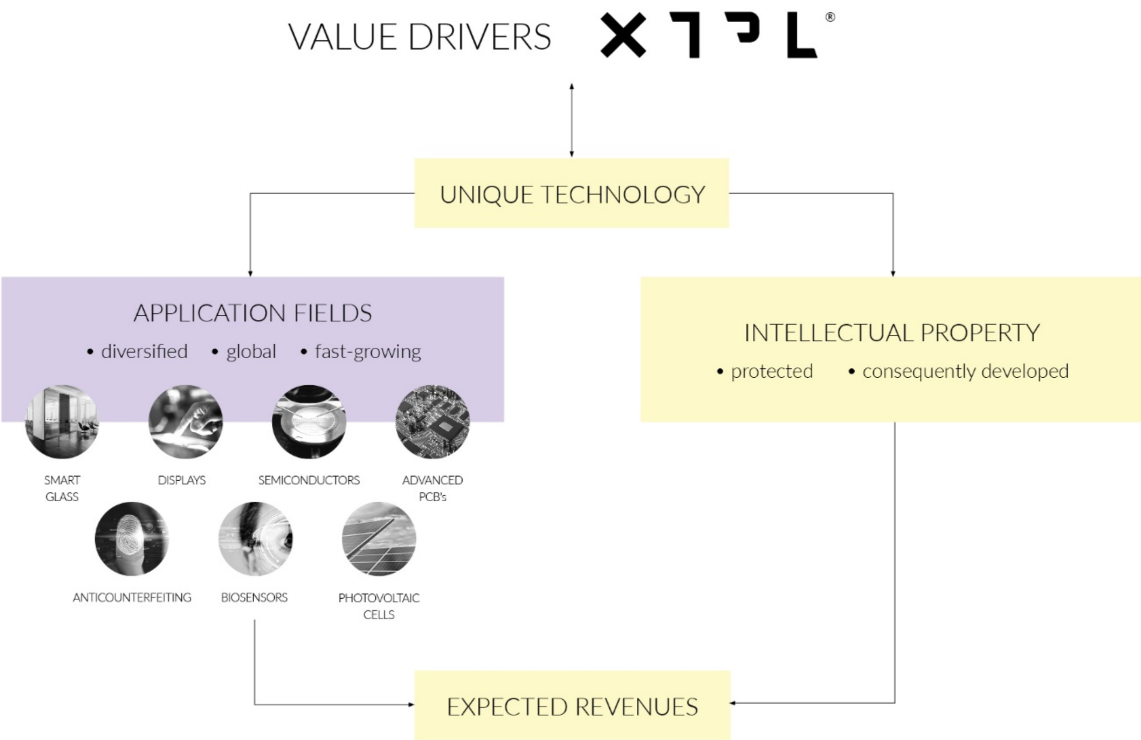
The group of entities that the Issuer is talking to in the context of commercialization in the area of open defect repair includes, *inter alia*, the Chinese manufacturer Hans's Laser (the Company announced the start of this process back in 2018). As further entities have emerged which are interested in purchasing the XTPL technology for this sector, and which in addition prefer the licensing model, being more favorable for the Company, in the recent months the Management Board decided to slow down the talks with the Chinese partner, with the intention to choose the best offer. The Chinese partner will also be offered the license purchase option.

b. Smart glass sector

In Q3 2019, the Issuer started the third phase of the proof-of-concept project for a leading US manufacturer from the smart glass industry. The Company's potential partner offers glass with an electrochromatic (EC) coating. The partner's technology was designed to let natural light into buildings, while reflecting visible light and infrared radiation when dimmed. The main benefit expected after potential implementation of XTPL technology in the partner's production process is faster conversion of glass from light to dark and vice versa, which in the partner's opinion will significantly improve the usability of the its products, and may usher it to new, previously not supported market segments. The main purpose of the current testing phase is to check new formulations of XTPL inks resistant to, e.g. high temperatures occurring both in the partner's manufacturing process and during operation of the final product. In the coming weeks, structures based on the new ink will be printed on special substrates supplied by the partner and sent to its manufacturing plant, where they will undergo advanced post-processing, unique to the partner's technological process. If further assumptions are met and if the ongoing tests confirm effectiveness of XTPL technology, the two firms might jointly develop production solutions based on the know-how and intellectual property of XTPL under, e.g. a Joint Development Agreement (JDA), as part of which the partner will finance the work conducted by XTPL. Two models are considered by the Issuer as the final form of commercialization: licensing the use of the Company's technology in the partner's products and a strategic partnership.

3.7.2 Intellectual property

Early in September 2019, the Company announced its plans for a significant increase in the patent cloud. The Management Board has declared that by the end of 2020 it intends to prepare and submit 26 new patent applications. As at the date of publication of the report, XTPL has a total of 10 patent applications. For companies like the Issuer, intellectual property is a product and a competitive advantage, while the size of the patent cloud has a major impact on their value.



Development and protection of the patent family is of utmost importance for XTPL, as it is on secured, unique intellectual property that international technology companies build their value and strong business position in the commercialization process.

The potential of intellectual property is primarily determined by the level of revenue estimated on its basis, expected after the implementation of the company's solutions on the market in individual application fields. This value is also influenced by: the size and expected growth of target markets, the number and diversification of application fields as well as the value proposition for each of those markets.

Given the platform character of the XTPL technology, which enables its effective implementation in many application fields, the potential inherent in the intellectual property owned by the Company is significant. From the point of view of a future license, the most important patent applications which the Issuer has submitted so far are related to the solutions for use in open defect repair dedicated to the display market.

This is important as the XTPL solution is gaining major interest from this sector, where it is often the scope and level of protection of intellectual property that determine the firm’s market position.

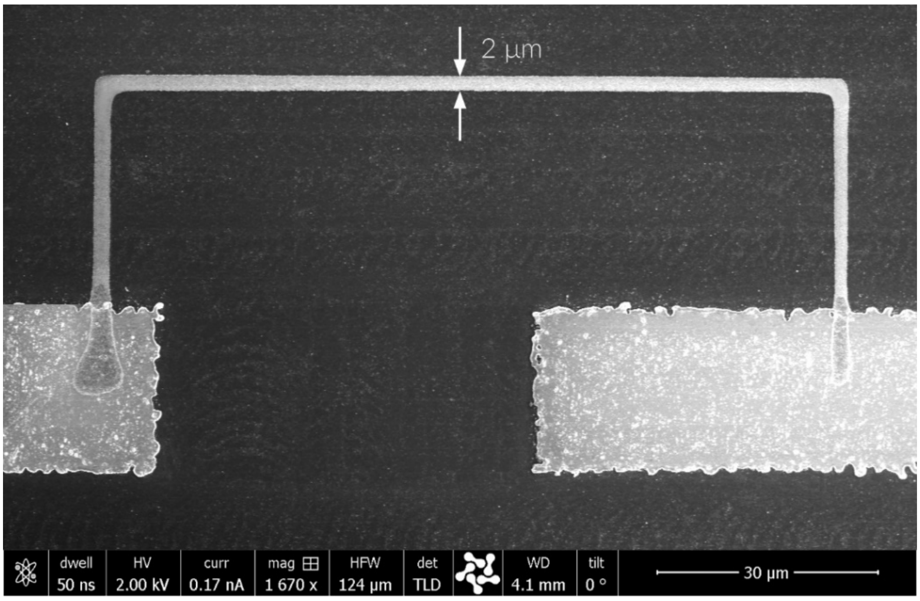
A high level of intellectual property protection will guarantee safe commercialization and appropriate negotiating position for the Company before the first commercial contracts are signed with selected partners.

3.7.3 Progress in research and development

One of the application areas for the XTPL technology is repair of conductive structures damaged during the manufacture of displays, defects responsible for e.g. “dead pixels”.

Rejects in the production of displays can reach up to 50% (if defects occur), especially where a new generation of displays enters production.

In the case of displays, the cost of semi-finished products is 50-70% of the cost of the final product, so manufacturers cannot afford to give up repairing defects. To be able to implement this process efficiently, taking into account the progressing miniaturization and a simultaneous increase in the resolution of next-generation displays, manufacturers expect this repair method to offer a significantly higher precision. What the market needs in the coming years (for the new generation displays to be put in production) is conductive structures with a width below 3 µm (micrometers). In this area, the Company is implementing an additional R&D project, attaining impressive results. - the photo below shows conductive detour printed using the XTPL method with a width of 2 µm.



This is a major technological achievement as obtaining parameters that meet the requirements of not only the current but also future generations of displays will improve the Issuer’s negotiating position and will contribute to the increase in the value of the license agreement.

3.7.4 Completed subscription for series S shares

In July 2019, the Company completed subscription of its series S shares. The share issue generated proceeds of PLN 10.14 million for the Issuer, and provided for a specified range of shares to be taken up through a private placement. Investors acquired more than 78,000 new shares, i.e. the maximum pool from the range of 68-78 thousand shares included in this share capital increase within the authorized capital. The issue price of one series S share was PLN 130 per share. The final range of the shares issued was wider than the Company originally expected. The newly issued shares constitute less than 5% of the increased share capital of the Company. XTPL uses proceeds to promote its further development and activities, especially in terms of commercialization in the Southeast Asian market, and to consistently strengthen its patent cloud. Amendments to the Articles of Association of XTPL S.A. with respect to the share capital in connection with the issue of series S shares were registered on 29 August 2019. The shares were introduced to training on 16 October 2019.

3.8 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 contracts for technology licensing in the display application field for use in open defect repair;
- Successful finalization of the proof-of-concept project for a US manufacturer from the smart glass industry;
- Signing the first commercial Joint Development Agreements (JDAs) for the selected application field;
- Ability to protect and safeguard intellectual and industrial property, including the number and scope of submitted patent applications;
- Taking a decision to start work on a new application field.
- Favourable trends in the electronics industry.

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

No extraordinary factors or events having a significant impact on the condensed financial statements occurred in the reporting period.

3.10 Achievement of financial forecasts

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

3.11 Explanation of seasonality or business cycles

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

3.12 Acquisition of own shares

Not applicable. None in the reporting period.

3.13 Financial instruments

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

3.14 Industrial property

As at the date of publication of the report, the Issuer has trademarks registered with the Patent Office of the Republic of Poland and the European Union Intellectual Property Office. In addition, an application for the registration of trademarks was submitted in China. As at the date of publication of the report, the Company registered 10 patent applications, including 3 in the third quarter of 2019 As at the date of publication of the report, the Company has one patent granted.

3.15 Other information

As at 30 September 2019, the Company employed 37 people.

Shareholding structure

4 Shareholding structure

The shareholding structure as at 30 September 2019 - i.e. the date of publication of the H1 2019, was as follows (shareholders holding at least 5% of the total number of votes at the General Meeting):

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek	303,288	15.93%	303,288	15.93%
2.	Sebastian Młodziński	299,852	15.75%	299,852	15.75%
3.	Pankiewicz sp.k. (previously Leonarto sp. z o.o.)*	229,015	12.03%	229,015	12.03%
4.	Heidelberger Beteiligungsholding AG	192,371	10.10%	192,371	10.10%
5.	TPL Sp. z o.o. **	182,622	9.59%	182,622	9.59%
6.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	127,000	6.67%	127,000	6.67%
7.	Leonarto Funds SCSp*	69,000	3.62%	69,000	3.62%
8.	Konrad Pankiewicz*	2,573	0.14%	2,573	0.14%
9.	Others	498,501	26.18%	498,501	26.18%
	TOTAL	**1,904,222**	**100.00%**	**1,904,222**	**100.00%**

* Konrad Pankiewicz, Member of the Supervisory Board of XTPL S.A. is the general partner of Pankiewicz sp.k. and an entity controlled by Leonarto Funds SCSp (through Leonarto Management S.a.r.l). Together with the entities controlled by him, Konrad Pankiewicz holds 300,588 shares of XTPL S.A. constituting 15.79% of the share capital of XTPL S.A.

** TPL Sp. z o.o. holds series L and P shares issued for the purpose of the incentive scheme. 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%).

On 2 October 2019 (ESPI Current Report No. 41/2019), the Issuer received a notification under Article 19 MAR from a person closely connected with the Management Board Member, i.e. TPL sp. z o.o., saying that the latter sold its 45,029 shares of the Issuer as part of the incentive scheme for the employees and collaborators of XTPL S.A.

On 3 October 2019 (ESPI Current Report No. 42/2019), the Issuer received a notification under Article 19 MAR from the Deputy Chairman of the Supervisory Board Bartosz Wojciechowski, saying that he had acquired 20 shares of the Issuer.

On 7 October 2019 (ESPI Current Report No. 43/2019), the Issuer received a notification under Article 19 MAR from a Member of the Supervisory Board Konrad Pankiewicz, saying that he had acquired 370 shares of the Issuer.

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	*15.93%*	303,288	*15.93%*
2.	Sebastian Młodziński	299,852	*15.75%*	299,852	*15.75%*
3.	Leonarto VC spółka z ograniczoną odpowiedzialnością sp.k. (previously Leonarto sp. z o.o.)*	229,015	*12.03%*	229,015	*12.03%*
4.	Heidelberger Beteiligungsholding AG	192,371	*10.10%*	192,371	*10.10%*
5.	TPL Sp. z o.o. **	137,593	*7.23%*	137,593	*7.23%*
6.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	127,000	*6.67%*	127,000	*6.67%*
7.	Leonarto Funds SCSp*	69,000	*3.62%*	69,000	*3.62%*
8.	Konrad Pankiewicz*	2,943	*0.15%*	2,943	*0.15%*
9.	Others	543,160	*28.52%*	543,160	*28.52%*
	TOTAL	**1,904,222**	**100.00%**	**1,904,222**	**100.00%**

* Konrad Pankiewicz, Member of the Supervisory Board, is the only shareholder of general partner of Leonarto VC spółka z ograniczoną odpowiedzialnością sp.k. and he controls Leonarto Funds SCSp (though Leonarto Management S.a r.l). Konrad Pankiewicz together with his subsidiaries own 300 958 shares of XTPL S.A. which equals 15,80% of the total number of votes in XTPL S.A.

** TPL Sp. z o.o. holds series L and P shares issued for the purpose of the incentive scheme. 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%).

5 Shares held by members of management and supervisory bodies

Ref.	Name	Role	Status as at 30 September 2019	Status as at report date
1.	Filip Granek	CEO	303,288	303,288
2.	Maciej Adamczyk	Management Board Member	6,283	6,283
3.	Wiesław Rozłucki	Chairman of the Supervisory Board	0	0
4.	Bartosz Wojciechowski	Deputy Chairman of the Supervisory Board	250	270
5.	Sebastian Młodziński	Supervisory Board Member	299,852	299,852
6.	Konrad Pankiewicz	Supervisory Board Member	2,573	2,943
7.	Piotr Lembas	Supervisory Board Member	0	0

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shaping global nanofuture

Condensed unconsolidated financial statements

6 Condensed unconsolidated financial statements

6.1 Condensed unconsolidated statement of financial position

ASSETS	NOTE	30.09.2019 PLN'000	31.12.2018 PLN'000
Non-current assets		**5,767**	**3,931**
Property, plant and equipment	8	720	757
Intangible fixed assets	1	2,768	2,872
Deferred tax assets	16, 31	34	69
Long-term receivables	5a	2,245	233
Current assets		**7,116**	**6,038**
Trade receivables		-	8
Other receivables		822	478
Cash and cash equivalents		6,266	5,537
Other assets		27	15
Total assets		**12,883**	**9,969**

EQUITY AND LIABILITIES	NOTE	30.09.2019 PLN'000	31.12.2018 PLN'000
Total equity		**11,630**	**8,937**
Share capital		190	178
Supplementary capital		18,726	16,340
Reserve capital		11,587	-
Retained profit (loss carried forward)		-372	-372
Profit (loss) after tax		-18,501	-7,209
Non-current liabilities		**-**	**1**
Long-term financial liabilities		-	1
Short term liabilities		**1,253**	**1,031**
Trade liabilities		381	366
Short-term financial liabilities		7	25
Other liabilities		865	640
Total equity and liabilities		**12,883**	**9,969**

6.2 Condensed unconsolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	NOTE	1.01.2019 - 30.09.2019 PLN`000	1.01.2018 - 30.09.2018 PLN`000
Continued operations			
Sales	**2**	**1,593**	**1,703**
Revenue from research and development services		-	-
Revenue from the sale of products		-	-
Revenue from grants		1,593	1,703
Cost of sales	**1a**	**6,069**	**2,365**
Research and development expenses		6,069	2,365
Cost of finished goods sold		-	-
Gross profit (loss)		**-4,476**	**-662**
General and administrative expenses	1a	13,960	4,058
Other operating income		4	3
Other operating costs		179	6
Operating profit (loss)		**-18,611**	**-4,723**
Financial revenues		202	47
Financial expenses		58	39
Profit/ loss before tax		**-18,467**	**-4,714**
Income tax	16, 31	34	-21
Net profit (loss) on continued operations		**-18,501**	**-4,693**
Discontinued operations		-	-
Net profit (loss) on discontinued operations		-	-
Net profit (loss) on continued and discontinued operations		**-18,501**	**-4,693**
Other comprehensive income		-	-
Total comprehensive income		**-18,501**	**-4,693**
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-9.72	-2.77
Diluted		-9.72	-2.77
On continued and discontinued operations			
Ordinary		-9.72	-2.77
Diluted		-9.72	-2.77
number of shares		1,904,222	1,742,220

6.3 Condensed unconsolidated statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Supplementary capital	Reserve capital	Retained profit (loss carried forward)	Total
As at 1 January 2019	**178**	**16,340**	**-**	**-7,581**	**8,937**
Comprehensive income:	**-**	**-**	**-**	**-18,501**	**-18,501**
Profit (loss) after tax	-	-	-	-18,501	-18,501
Other comprehensive income	-	-	-	-	-
Transactions with owners:	**12**	**2,386**	**11,587**	**7,209**	**21,194**
Issue of shares	12	9,595	-	-	9,607
Incentive scheme	-	-	11,587	-	11,587
Distribution of profit	-	-7,209	-	7,209	-
As at 30 September 2019	**190**	**18,726**	**11,587**	**-18,873**	**11,630**
As at 1 January 2018	**170**	**11,381**	**-**	**-4,334**	**7,217**
Comprehensive income:	-	**-11**		**-4,682**	**-4,693**
Profit (loss) after tax	-	-		-4,693	-4,693
Other comprehensive income	-	-11	-	11	-
Transactions with owners:	**5**	**4,413**		**-**	**4,418**
Issue of shares	5	4,413		-	4,418
Distribution of profit	-	-3,962		3,962	-
As at 30 September 2018	**174**	**11,844**		**-5,077**	**6,941**

6.4 Condensed unconsolidated statement of cash flows

STATEMENT OF CASH FLOWS	1.01.2019 - 30.09.2019 PLN'000	1.01.2018 - 30.09.2018 PLN'000
Cash flows from operating activities		
Profit (loss) before tax	**-18,467**	**-4,693**
Total adjustments:	**11,698**	**159**
Depreciation/amortization	438	349
FX gains (losses)	-78	-
Interest and profit distributions (dividends)	-120	-43
Profit (loss) on investing activities	-	-3
Change in the balance of provisions	55	3
Change in the balance of inventories	-	-
Change in the balance of receivables	-356	-577
Change in short-term liabilities, except bank and other loans	184	468
Change in prepayments/accruals	-12	-38
Income tax paid	-	-
Other adjustments	11,587	-
Total cash flows from operating activities	**-6,769**	**-4,534**
Cash flows from investing activities		
Inflows	**36**	**57**
Disposal of tangible and intangible assets	-	3
Interest on financial assets	36	54
Outflows	**2,108**	**1,810**
Acquisition of tangible and intangible fixed assets	297	1,610
Acquisition of financial assets	1,811	143
Long-term loans granted	-	-
Other investment outflows	-	57
Total cash flows from investing activities	**-2,072**	**-1,753**
Cash flows from financing activities		
Inflows	**11,107**	**4,418**
Contributions to capital	9,607	4,418
Bank and other loans	1,500	-
Other financial inflows	-	-
Outflows	**1,536**	**22**
Acquisition of own shares	-	-
Payment of dividend	-	-
Repayment of bank and other loans	1,500	-
Finance lease payments	18	18
Interest	18	4
Total cash flows from financing activities	**9,571**	**4,396**
Total cash flows from investing activities	**730**	**-1,891**
Change in cash and cash equivalents:	**729**	**-1,912**
- change in cash due to FX differences	2	-
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:	**6,267**	**4,298**
- restricted cash	-	-

6.5 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.

6.5.1 Note 1a. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Depreciation/ amortization, including		479	358
- depreciation of tangible assets		304	198
- amortization of intangible assets		176	159
Use of raw materials and consumables		800	937
External services		2,662	2,776
Cost of employee benefits		15,549	3,021
Taxes and charges		120	59
Other costs by type		460	476
Value of goods and materials sold		-	-
Total costs by type, including:		**20,070**	**7,627**
Items reported as research and development costs		6,069	2,365
- including the costs of the incentive scheme		*2,268*	-
Items reported as cost of finished goods sold		-	-
Items reported as general and administrative expenses		13,960	4,058
- including the costs of the incentive scheme		*9,319*	-
Change in finished goods		-	-
Cost of producing services for internal needs of the entity		41	1,204

Recognition of the costs of the incentive scheme for employees and collaborators in the total amount of PLN 11,587 thousand PLN 2,268 thousand recognized in the cost of research & development, and PLN 9,319 thousand in general and administrative expenses) has no impact on the Company's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

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

	Category as per IFRS 9	Book value		Fair value	
		30 September 2019	31 December 2018	30 September 2019	31 December 2018
Financial assets					
Loans granted	WwgZK	2,192	-	2,192	-
Trade receivables	WwgZK	-	8	-	8
Other receivables	WwgZK	822	478	822	478
Cash and cash equivalents	WwWGpWF	6,266	5,537	6,266	5,537
Total		**9,280**	**6,023**	**9,280**	**6,023**
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	-		-	
Finance lease liabilities	PZFwgZK	7	26	7	26
Trade liabilities	PZFwgZK	381	366	381	366
Other liabilities	PZFwgZK	865	639	865	639
Total		**1,253**	**1,031**	**1,253**	**1,031**

Abbreviations used:

WwgZK - Measured at amortized cost

PZFwgZK - Other liabilities measured at amortised cost

WwWGpWF - Financial assets/ liabilities measured at fair value through profit or loss

Fair value of financial instruments that the Company held as at 30 September 2019 and 31 September 2018 was not materially different from the values presented in the financial statements. This is because:

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

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

As at 30 September 2019, the Company did not have any financial instruments measured at fair value.

6.5.3 Note 3a. Explanations to the statement of cash flows

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

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Realized interest on financing activities	18	4
Realized interest on investing activities	-36	-54
Unrealized interest on financing activities	-102	7
Total interest and dividends:	**-120**	**-43**

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Change in the balance of trade receivables	7	-391
Other receivables	-363	-186
Total change in the balance of receivables	**-356**	**-577**

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Change in the balance of trade liabilities	14	595
Other liabilities	170	-127
Total change in the balance of liabilities:	**184**	**468**

Cash and cash equivalents at the end of the period	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Statement of cash flows	6,266	4,298
Statement of financial position	6,266	4,298

The amount of PLN 11,587 thousand recognized in the cash flow statement under the heading “Other adjustments” in cash flows from operating activities is related to the settlement of the incentive scheme for employees and collaborators of the company.

6.5.4 Note 4a. Related party transactions

3 QUARTERS OF 2019	figures in PLN thousand	to subsidiaries	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	-	-	14
Loans granted		1,792	-	-	-	-
Financial expenses - interest on loans		-	-	-	-	88
3 QUARTERS OF 2018	**figures in PLN thousand**	**to subsidiaries**	**to associates**	**to joint ventures**	**key management personnel***	**other related entities ****
Purchase of services		-	-	-	78	54
Loans received		-	-	-	-	200
Financial expenses - interest on loans		-	-	-	-	14

** 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. 30 September 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 four tranches were drawn by 30 September 2019 for a total amount of USD 476.5 thousand.

6.5.5 Note 5a. Long-term receivables

Long-term receivables	figures in PLN thousand	30.09.2019	31.12.2018
Loans granted		2,192	219
Security deposits		33	14
Shares		20	-
Total long-term receivables		**2,245**	**233**

6.5.6 Note 6a. Date of approval of the financial statements for publication

This financial information for the period from 1 January 2019 to 30 September 2019 was approved for publication by the Company's Management Board on 26 November 2019.

Condensed consolidated financial statements

7 Condensed consolidated financial statements

7.1 Condensed consolidated statement of financial position

ASSETS	NOTE	30.09.2019 PLN'000	31.12.2018 PLN'000
Non-current assets		**3,789**	**3,931**
Property, plant and equipment	8	720	757
Intangible fixed assets	1	2,768	2,872
Deferred tax assets	16, 31	34	69
Long-term receivables	32	267	233
Current assets		**7,191**	**6,038**
Trade receivables		-	8
Other receivables		823	478
Cash and cash equivalents		6,324	5,537
Other assets		44	15
Total assets		**10,980**	**9,969**

EQUITY AND LIABILITIES	NOTE	30.09.2019 PLN'000	31.12.2018 PLN'000
Total equity		**9,700**	**8,937**
Share capital		190	178
Supplementary capital		18,726	16,340
Reserve capital		10,711	-
FX differences arising on translation		-89	-
Retained profit (loss carried forward)		-372	-372
Profit (loss) after tax		-19,466	-7,209
Non-controlling interests		-	-
Non-current liabilities		**-**	**1**
Long-term financial liabilities		-	1
Short term liabilities		**1,280**	**1,031**
Trade liabilities		408	366
Short-term financial liabilities		7	25
Other liabilities		865	640
Total equity and liabilities		**10,980**	**9,969**

7.2 Condensed consolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	NOTE	1.01.2019 - 30.09.2019 PLN`000	1.01.2018 - 30.09.2018 PLN`000
Continued operations			
Sales	**2**	**1,593**	**1,703**
Revenue from research and development services		-	-
Revenue from the sale of products		-	-
Revenue from grants		1,593	1,703
Cost of sales	**3**	**6,069**	**2,365**
Research and development expenses		6,069	2,365
Cost of finished goods sold		-	-
Gross profit (loss)		**-4,476**	**-662**
General and administrative expenses	3	15,237	4,058
Other operating income		4	3
Other operating costs		179	6
Operating profit (loss)		**-19,888**	**-4,723**
Financial revenues		117	47
Financial expenses		58	39
Profit/ loss before tax		**-19,829**	**-4,714**
Income tax	16, 31	38	-21
Profit (loss) attributable to minority interests		-401	-
Net profit (loss) on continued operations		**-19,466**	**-4,693**
Discontinued operations		-	-
Net profit (loss) on discontinued operations		-	-
Net profit (loss) on continued and discontinued operations		**-19,466**	**-4,693**
Profit (loss) of non-controlling interests		- 401	-
Profit (loss) attributable to shareholders of the parent		-19,065	-4,693
Other comprehensive income			
Items that can be transferred to profit or loss in subsequent reporting periods		**-89**	**-**
FX differences arising on conversion of foreign affiliates		-89	-
Items that will not be transferred to profit or loss in subsequent reporting periods		-	-
Total comprehensive income		**-19,555**	**-4,693**
Total comprehensive income attributable to non-controlling shareholders		-401	-
Total comprehensive income attributable to the parent company		-19,154	-4,693
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-10.22	-2.77
Diluted		-10.22	-2.77
On continued and discontinued operations			
Ordinary		-10.22	-2.77
Diluted		-10.22	-2.77
number of shares		1,904,222	1,742,220

7.3 Condensed consolidated statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Supplementary capital	Reserve capital	FX differences arising on translation	Retained profit (loss carried forward)	Non-controlling interests	Total
As at 1 January 2019	**178**	**16,340**	**-**	**-**	**-7,581**	**-**	**8,937**
Comprehensive income:	**-**	**-**	**-**	**-89**	**-19,466**	-401	**-19,956**
Profit (loss) after tax	-	-	-	-89	-19,466	-401	**-19,956**
Other comprehensive income	-	-	-	-	-	-	**-**
Transactions with owners:	**12**	**2,386**	**10,711**	**-**	**7,209**	401	**20,719**
Issue of shares	12	9,595	-	-	-	-	9,607
Incentive scheme	-	-	11,587	-	-	-	**11,587**
Non-controlling interests arising after taking control of XTPL Inc.	-	-	-	-	-	-475	**-475**
Acquisition of shares of XTPL Inc. without changing the level of control	-	-	-876	-	-	876	-
Distribution of profit	-	-7,209	-	-	7,209	-	-
As at 30 September 2019	**190**	**18,726**	**10,711**	**-89**	**-19,838**	-	**9,700**
As at 1 January 2018	**170**	**11,381**	**-**	**-**	**-4,334**	-	**7,217**
Comprehensive income:	-	-	-	-	**-2,547**	-	**-2,547**
Profit (loss) after tax	-	-	-	-	-2,547	-	-2,547
Other comprehensive income	-	-	-	-	-	-	-
Transactions with owners:	**-**	**-3,939**	**-**	**-**	**3,939**	-	**-**
Issue of shares	-	-	-	-	-	-	-
Distribution of profit	-	-3,939	-	-	3,939	-	-
As at 30 September 2018	**170**	**7,442**	**-**	**-**	**-2,942**	-	**4,670**

7.4 Condensed consolidated statement of cash flows

STATEMENT OF CASH FLOWS	1.01.2019 - 30.09.2019 PLN'000	1.01.2018 - 30.09.2018 PLN'000
Cash flows from operating activities		
Profit (loss) before tax	**-19,828**	**-4,693**
Total adjustments:	**11,307**	**159**
Depreciation/amortization	438	349
FX gains (losses)	-89	-
Interest and profit distributions (dividends)	-31	-43
Profit (loss) on investing activities	-	-3
Change in the balance of provisions	55	3
Change in the balance of inventories	-	-
Change in the balance of receivables	-356	-577
Change in short-term liabilities, except bank and other loans	211	468
Change in prepayments/accruals	-32	-38
Income tax paid	-	-
Other adjustments	11,111	-
Total cash flows from operating activities	**-8,522**	**-4,534**
Cash flows from investing activities		
Inflows	**36**	**57**
Disposal of tangible and intangible assets	-	3
Interest on financial assets	36	54
Outflows	**297**	**1,810**
Acquisition of tangible and intangible fixed assets	297	1,610
Acquisition of financial assets	-	-
Long-term loans granted	-	143
Other investment outflows	-	57
Total cash flows from investing activities	**-261**	**-1,753**
Cash flows from financing activities		
Inflows	**11,107**	**4,418**
Contributions to capital	9,607	4,418
Bank and other loans	1,500	-
Other financial inflows	-	-
Outflows	**1,536**	**22**
Acquisition of own shares	-	-
Payment of dividend	-	-
Repayment of bank and other loans	1,500	-
Finance lease payments	18	18
Interest	18	4
Total cash flows from financing activities	**9,571**	**4,396**
Total cash flows from investing activities	**789**	**-1,891**
Change in cash and cash equivalents:	**787**	**-1,912**
- change in cash due to FX differences	2	-
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:	**6,325**	**4,298**
- restricted cash	-	-

7.5 Notes

7.5.1 Note 1 Intangible fixed assets

OTHER INTANGIBLE ASSETS figures in PLN thousand	30.09.2019	31.12.2018
Acquired concessions, patents, licenses and similar rights	29	2
Intellectual property rights	162	334
In-process development expenditure	2,577	2,536
Total	**2,768**	**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 30 September 2019, the Group did not have any agreements whereby it would be required to purchase any intangible assets.

7.5.2 Note 2. Net revenue from sales

NET REVENUE FROM SALES	figures in PLN thousand	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Revenue from research and development services		-	-
Revenue from the sale of products		-	-
Revenue from grants		1,593	1,256
Total net revenue from sales		**1,593**	**1,256**

7.5.3 Note 3. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Depreciation/ amortization, including		479	358
- depreciation of tangible assets		304	198
- amortization of intangible assets		176	159
Use of raw materials and consumables		800	937
External services		3,830	2,776
Cost of employee benefits		15,549	3,021
Taxes and charges		120	59
Other costs by type		568	476
Value of goods and materials sold		-	-
Total costs by type, including:		**21,346**	**7,627**
Items reported as research and development costs		6,069	2,365
- including the costs of the incentive scheme		*2,268*	-
Items reported as cost of finished goods sold		-	-
Items reported as general and administrative expenses		15,236	4,058
- including the costs of the incentive scheme		*9,319*	-
Change in finished goods		-	-

Cost of producing services for internal needs of the entity	41	1,204

Recognition of the costs of the incentive scheme for employees and collaborators in the total amount of PLN 11,587 thousand (PLN 2,268 thousand recognized in the cost of research & development, and PLN 9,319 thousand in general and administrative expenses) has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

7.5.4 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.

7.5.5 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.

7.5.6 Note 6. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	figures in PLN thousand	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Balance at the beginning of the period		**292**	**110**
increased/ created		654	476
used/ released		599	314
Balance at the end of the period		**347**	**273**

Either in the reporting period or in prior years, the Group did not create any provisions for restructuring costs.

7.5.7 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.

7.5.8 Note 8. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS	figures in PLN thousand	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
XTPL printers		273	47
Computer sets		13	35
Server with software		-	30
Anti-vibration system and laminar chamber		140	-
Office equipment		64	3
Total significant acquisitions		**490**	**115**

7.5.9 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.

7.5.10 Note 10. Correction of errors from previous periods

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

7.5.11 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.

7.5.12 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.

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

	Category as per IFRS 9	Book value		Fair value	
		30 September 2019	31 December 2018	30 September 2019	31 December 2018
Financial assets					
Loans granted	WwgZK	234	219	234	219
Trade receivables	WwgZK	-	8	-	8
Other receivables	WwgZK	823	478	823	478
Cash and cash equivalents	WwWGpWF	6,324	5,537	6,324	5,537
Total		**7,381**	**6,242**	**7,381**	**6,242**
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	-	-	-	-
Finance lease liabilities	PZFwgZK	7	26	7	26
Trade liabilities	PZFwgZK	408	366	408	366
Other liabilities	PZFwgZK	865	639	865	639
Total		**1,280**	**1,031**	**1,280**	**1,031**

Abbreviations used:
WwgZK - Measured at amortized cost
PZFwgZK - Other liabilities measured at amortised cost
WwWGpWF - Financial assets/ liabilities measured at fair value through profit or loss

Fair value of financial instruments that the Group held as at 30 June 2019 and 31 December 2018 was not materially different from the values presented in the financial statements for the respective years:
- with regard to short-term instruments, the potential effect of the discount is not material;
- the instruments relate to the transactions concluded on market terms.

As at 30 September 2019, the Group did not have any financial instruments measured at fair value.

7.5.14 Note 14. Explanations to the statement of cash flows

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Realized interest on financing activities	18	4
Realized interest on investing activities	-36	-54
Unrealized interest on financing activities	-13	7
Total interest and dividends:	**-31**	**-43**

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Change in the balance of trade receivables	7	-391
Other receivables	-363	-186
Total change in the balance of receivables	**-356**	**-577**

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Change in the balance of trade liabilities	42	595
Other liabilities	169	-127
Total change in the balance of liabilities:	**211**	**468**

Cash and cash equivalents at the end of the period	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Statement of cash flows	6,325	4,298
Statement of financial position	6,325	4,298

7.5.15 Note 15. Related party transactions

3 QUARTERS OF 2019	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	-	14
Loans granted		-	-	-	-
Financial expenses - interest on loans		-	-	-	15

3 QUARTERS OF 2018	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	78	54

Loans received	-	-	-	200
Financial expenses - interest on loans	-	-	-	14

** 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. 30 September 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.

7.5.16 Note 16. Deferred tax assets

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.09.2019	31.12.2018	01.01.2019 - 30.09.2019
Due to differences between the tax value and the carrying amount:			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	33	17	16
Accruals for unused annual leaves	33	34	-1
Provision for the cost external services	14	22	-8
Total deferred tax assets	**80**	**73**	**7**
Set-off with a deferred tax liability	46	4	42
Net deferred tax assets	**34**	**69**	**-35**

7.5.17 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 June 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.

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.

7.5.18 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 report no material settlements were made on account of court cases.

7.5.19 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 third 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.

7.5.20 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 31 December 2018 amounts to PLN 1,592 thousand. It is caused by the payment of the next two tranches of subsidies totalling PLN 1,592 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	30.09.2019	30.06.2019	31.12.2018
Promissory notes	5,686	5,686	4,094
Total contingent liabilities	5,686	5,686	4,094

7.5.21 Note 21. Incentive scheme

In the reporting period, in the statement of comprehensive income the Company recognized the cost the incentive scheme for employees and collaborators based on the Company's shares, in the portion relating to the period ended 31 December 2018. The date of recognition of costs was the moment when the persons covered by the scheme were offered the purchase of the shares. The cost of the scheme (fair value of the shares issued) was estimated at PLN 11,587 thousand and was fully taken to the profit or loss of the current period.
Recognition of the scheme's costs of PLN 11,587 thousand has no impact on the Company's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

7.5.22 Note 22. Information about seasonality of business and cycles

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

7.5.23 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.

7.5.24 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. The series S shares were issued in June 2019 (ESPI Current Reports No. 26/2019 and 27/2019). Subscription of series S shares ended in July 2019 (ESPI Current Report 31/2019). The series S shares were registered with the National Court Register in August 2019 (ESPI Current Report No. 39/2019).

7.5.25 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.

7.5.26 Note 25. 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 manufacturing technology of ultra-precise printing of a wide range of nanomaterials.

7.5.27 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.

7.5.28 Note 27. Information on default on any bank and other loans or a breach of material provisions of bank and other loan agreements where no remedial actions have been taken before the end of the reporting period

No such events occurred in the reporting period.

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

The new accounting standards were described in detail in the half-yearly report for the first half of 2019 (published on 30 September 2019), and include:

Standards which came into force as of 1 January 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendment to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
- Amendment to IAS 28 Investments in Associates and Joint Ventures Long-term interests in associates and joint ventures
- Amendment to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
- Annual improvements process for 2015-2017
- Amendments to IAS 19 Employee Benefits

Standards and interpretations that have not become effective yet

- IFRS 17 Insurance Contracts
- 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.
- Amendments to References to the Conceptual Framework in IFRS
- Amendments to IFRS 3 Business Combinations: Definition of a Business
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

Standards and interpretations that have become effective, but have not been approved for use by the EU

- IFRS 14 Regulatory Deferral Accounts

7.5.30 Note 30. Deferred tax liability

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.09.2019	31.12.2018	01.01.2019 - 30.09.2019
In respect of:			
Interest on loans and deposits	46	3	43
Total deferred tax liability	46	3	43
Set-off with deferred tax assets	-46	-3	43
Net deferred tax liability	-	-	-

7.5.31 Note 31. Long-term receivables

Long-term receivables	figures in PLN thousand	30.09.2019	31.12.2018
Loans granted		234	219
Security deposits		33	14
Total long-term receivables		**267**	**233**

7.5.32 Note 32. Short-term financing

On 17 May 2019, the Company signed an agreement with a natural person for a short-term credit line of up to PLN 1,500 thousand, which was to ensure bridging financing in the event of delays in the payment of funds from grants and the series S share issue. As at the balance sheet date, the loan balance was nil.

7.5.33 Note 33. Settlement of the purchase of XTPL INC.

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. The purchase of shares was covered with a cash contribution. XTPL INC. is consolidated using the line-by-line method.

The purpose of acquisition of the shares was to step up development of the Company's structures and operations in the United States.

The Company acquired the shares of XTPL Inc. on 31 January 2019, however, in the Issuer's opinion, control was acquired on 1 January 2019 in connection with the company formation process which lasted until the share acquisition date.

For this reason, the subsidiary's data have been consolidated since 1 January.

As at the date of acquisition of control, the net assets of XTPL INC. were fully assigned to non-controlling shareholders. As at the date of acquisition of shares of XTPL INC. by XTPL S.A., the Company settled the acquisition in correspondence with the Group's equity due to the lack of changes in the level of control over XTPL INC.

As at the date of acquisition of control, the company's financial data were as presented in the table below:

ASSETS Book value	01.01.2019	ASSETS Fair value	01.01.2019
-	-	-	-
TOTAL ASSETS	-	TOTAL ASSETS	-
EQUITY AND LIABILITIES book value	01.01.2019	EQUITY AND LIABILITIES fair value	01.01.2019
Trade liabilities	475	Trade liabilities	475
TOTAL EQUITY AND LIABILITIES	-	TOTAL EQUITY AND LIABILITIES	-
Payment made on the date of taking control			-
Contingent liabilities			-
Net assets of the company			-475

7.5.34 Note 34. Events after the balance sheet date that have not been reflected in the interim financial statements

After the balance sheet date no significant extraordinary events took place that could have an impact on the financial statements.

7.5.35 Note 35. Date of approval of the financial statements for publication

This financial information for the period from 1 January 2019 to 30 September 2019 was approved for publication by the Company's Management Board on 26 November 2019.

Additional information and approval for publication

8 Additional information

8.1 General information and basis of preparation

The financial statements of XTPL Group (unconsolidated and consolidated financial statements) cover the period of nine months ended 30 September 2019, and the comparative data for the period of nine months ended 30 September 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.

Given the Company's market development stage (the Company yet generate revenues from the sale of products and services, and its activity is financed from equity and subsidies), the ability to continue operations depends to a large extent on the ability to raise further financing, primarily through the issue of shares to finance subsequent stages of commercialization of the technology developed by the Company.

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 and the Company's financial statements for the first half of 2019 ended 30 June 2019.

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 (...).

8.2 Currency of the financial statements

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

8.3 Exchange rates used in the financial statements

	2019 - January - September		2018 - January - September/ December 2018	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for the balance sheet items	4.3736	4.0000	4.3000	3.7597
for profit or loss items and cash flows	4.3086	3.8426	4.2535	3.5688

8.4 Description of significant accounting principles

For the purpose of preparing the interim condensed financial statements, the same accounting principles have been used as in the last half-yearly financial statements prepared as at 30 June 2019 (report for H1 2019 of 30 September 2019). Compared to the principles used for preparing the annual financial statements for 2018, which began on 1 January 2018. The Group applied the new standard IFRS 16 Leases as of 1 January 2019.

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9 Approval for publication

This quarterly report for the third quarter of 2019 ended on 30 September 2019 was approved for publication by the Company's Management Board on 26 November 2019.

Signatures of all Management Board members:

Prezes Zarządu Filip Granek	Członek Zarządu Maciej Adamczyk

Person responsible for maintaining books of account

Chief Accountant
Katarzyna Kulik

Wroclaw, 26 November 2019