

Report on the activities of the Supervisory Board of XTPL S.A. for the financial year of 2019

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1. General Information

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

XTPL S.A. was established through a transformation of XTPL sp. z o.o., a limited liability company with its registered office in Wrocław, under Resolution No. 1 of the Extraordinary General Meeting of Shareholders of XTPL sp. z o.o. of 25 April 2016. The transformation was registered by the District Court for Wrocław Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, on 1 June 2016. XTPL S.A. was entered in the National Court Register under number KRS 0000619674, while XTPL sp. o.o. was entered under number KRS 0000565209.

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

2. Composition of the Supervisory Board

As at 31 December 2019, the composition of the Supervisory Board of XTPL S.A. was as follows:

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

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

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

In the financial year of 2019, no changes took place in the composition of the Supervisory Board. Following the resignation of Sebastian Młodziński submitted on 9 January 2020, the Extraordinary General Meeting of Shareholders of XTPL S.A. of 9 January 2020, appointed Herbert Wirth to the Supervisory Board by resolution No. 03/01/2020.

3. Meetings of the Supervisory Board

In 2019, the Supervisory Board of XTPL S.A. held 7 meetings (some of which were held using means of direct remote communication):

- 1) On 11 January 2019, when the following business was transacted:
 - i) Adopting a resolution on the consolidated text of the Articles of Association.
 - ii) Adopting a resolution concerning an opinion on the document entitled “Policy of remuneration of members of governing bodies and key managers”.
 - iii) Adopting a resolution on introduction of the “Rules for preventing conflicts of interest in XTPL S.A.”

- iv) Adopting a resolution on changes to the resolution on the consent to take up shares in a subsidiary.
 - v) Management Board's presentation of information on standards used in the United States regarding design of option-based incentive schemes and discussion on the future shape of the incentive scheme for members of the Company's Management Board, employees and collaborators.
- 2) 18 March 2019, during which a resolution was adopted concerning an opinion on draft resolutions of the General Meeting.
- 3) 24–30 April 2019, during which the following business was transacted:
- i) Discussing the 2018 annual report.
 - ii) Adopting a resolution on evaluation and opinion on the financial statements of XTPL S.A. for 2018 and the Management Board's report on the activities of XTPL S.A. for 2018 and on other statements.
- 4) On 21 May 2019, during which the following business was transacted:
- i) Discussing the financial statements of XTPL S.A. for the financial year of 2018.
 - ii) Discussing the Management Board's report on the activities of XTPL S.A. and discussing the work of the Management Board of XTPL S.A. in the financial year 2018.
 - iii) Discussing the Management Board's proposal on covering of the loss incurred in the financial year of 2018.
 - iv) Presenting the Audit Committee's report for 2018.
 - v) Adopting a resolution regarding assessment of the financial statements of XTPL S.A. for the financial year of 2018 and presenting a recommendation to the Annual General Shareholders Meeting of XTPL S.A.
 - vi) Adopting a resolution on assessment of the Management Board's report on the activities of XTPL S.A. for the financial year of 2018 and presenting a recommendation to the Annual General Shareholders Meeting of XTPL S.A.
 - vii) Adopting a resolution on assessment of the Management Board's proposal on covering of the loss incurred by XTPL S.A. in the financial year of 2018 and presenting a recommendation to the Annual General Meeting of Shareholders of XTPL S.A.
 - viii) Adopting resolutions on proposals to the Annual General Meeting of Shareholders of XTPL S.A. on granting discharge to the Members of the Management Board for performance of their duties.
 - ix) Adopting a resolution on the report on the activities of the Supervisory Board of XTPL S.A. for the financial year of 2018.
 - x) Adopting a resolution approving a resolution of the Management Board of XTPL S.A. on the granting of rights to purchase shares (settlement of the incentive scheme for 2018).
 - xi) Adopting a resolution on the granting of rights to the Members of the Management Board of XTPL S.A. to purchase shares, and determining the lock-up period – settlement of the incentive scheme for 2018.
 - xii) Adopting a resolution approving the incentive scheme's terms and conditions.
- 5) On 26 June 2019, during which the following business was transacted:
- i) Discussing an increase in the share capital of XTPL S.A. within the authorized capital, excluding the entire pre-emptive rights of the existing shareholders.
 - ii) Adopting a resolution on the consent to an increase in the share capital of XTPL S.A. within the authorized capital, excluding the entire pre-emptive rights of the existing shareholders.

- 6) On 16 July 2019, during which the following business was transacted:
 - i) Discussing the submitted bids and results of the tender procedure.
 - ii) Discussing the Audit Committee's recommendation re selection of the audit firm which the Audit Committee plans to entrust with the statutory audit/ limited reviews of financial statements.
 - iii) Adopting a resolution on the selection of an audit firm that will carry out statutory audits and interim reviews of XTPL's financial statements for two years.

- 7) 19 December 2019, during which a resolution was adopted on the introduction of procedure for periodic assessment of transactions with related parties.

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

4. Audit Committee

a. Key information about the Audit Committee

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

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

The Audit Committee consists of three members. As of 31 December 2019, the Audit Committee performed its duties in the following composition:

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

As at the date of the report, the Audit Committee performed its duties in the following composition:

- Wiesław Rozłucki – Chairman of the Audit Committee
- Herbert Wirth – Member of the Audit Committee
- Piotr Lembas – Member of the Audit Committee.

As at 31 December 2019 and as at the date of the report, the Audit Committee's members who meet the independence criteria (as defined in the Act on Statutory Auditors) are: Wiesław Rozłucki and Piotr Lembas.

Furthermore, as at the date of the report, the Audit Committee's member who meets the independence criteria (as defined in the Act on Statutory Auditors) is also Herbert Wirth.

As at 31 December 2019, the Audit Committee member who has knowledge and skills relating to the Company's industry (within the meaning of the Act on Statutory Auditors) is Sebastian Młodziński. Sebastian Młodziński gained his knowledge and skills in the Company's industry in 2015–2017 when he was the President of the Company's Management Board.

As at the date of the report, the Audit Committee member who has knowledge and skills relating to the Company's industry (within the meaning of the Act on Statutory Auditors) is Herbert Wirth. Herbert Wirth gained knowledge and skills in the Company's industry, i.e. knowledge of the materials technology industry (Master of Science, PhD, AGH University of Science and Technology in Kraków and current professor at the Wrocław University of Technology) and in the business administration industry (completed postgraduate studies in project management at George Washington University, School of Business and Public Management). Further to this, he has skills relating to the technology sector as well as international trade and management of global corporations (e.g. acquired while serving as the CEO of KGHM). In addition, he has experience in research and development – he held managerial functions at Cuprum sp. z o.o. (R&D Center) and served as Head of Development and Project Management at KGHM). Herbert Wirth also holds a number of certificates and qualifications related to quality management, including quality auditor No. 2 5 / DA/PC01-BLXV-6/2000, issued by the Polish Center for Testing and Certification (PCBC) and EOQ Quality Auditor certificate No. PCBC01A-313, issued by European Organization for Quality.

As at 31 December 2019 and as at the date of the report, the Audit Committee member who has knowledge and skills of accounting (within the meaning of the Act on Statutory Auditors) is Piotr Lembas. Piotr Lembas has a degree in Finance and Accounting, the Faculty of Management, Computer Science and Finance of the University of Economics in Wrocław; he also holds a master's degree in Master Studies in Finance – CFA affiliate program and a Chartered Financial Analyst (CFA) licence (no. 200403). In addition, for nearly two years (2013–2015), he worked with EY Corporate Finance as a senior consultant, and in 2015–2017 worked in the financial department of the Adiuvio Investments S.A. Group (a public company), where he supported the financial director in the preparation of financial statements for the purpose of fulfilment of the obligations of WSE listed entities.

After 31 December 2019, a change took place in the composition of the Audit Committee, i.e. on 9 January 2020, Sebastian Młodziński resigned as a Member of the Supervisory Board, and thus as a Member of the Audit Committee. On 9 January 2020, Herbert Wirth was appointed to the Supervisory Board. On 5 February 2020, the Supervisory Board also appointed him Member of the Audit Committee.

b. Audit Committee's activity in the reporting period

In the reporting period, the Audit Committee performed primarily the tasks specified in Article 130(1) of the Act on Statutory Auditors. The Audit Committee carried out its tasks in particular based on the formally adopted Meetings Calendar and the general program for 2019.

In its day-to-day operations, the Audit Committee carried out assessment of risks relating to the processes and areas subject to its oversight. The recommendations and guidelines formulated by the Audit Committee were followed by the Company. In particular, the Committee pursued its activities as part of regular and working meetings during which the Committee analysed the documents, reports and studies presented to it, as well as consulted and determined activities with the Company's internal financial and legal services.

The Audit Committee actively participated in the work related to the audit of the financial statements for the financial year 2018, remaining in constant contact with the auditor, tracking the progress of the audit work and discussing the audit findings. The Audit Committee discussed the additional report prepared for the Audit Committee by the statutory auditor, focusing on the nature, frequency and scope of the auditor's contacts with the Audit Committee or an Audit Committee's representative. The discussion also related to the methodology used and the quantitative materiality level used to perform the statutory audit.

As part of the tasks related to monitoring the financial reporting process, the Audit Committee analyzed the financial statements of XTPL S.A. for the financial year 2018 in terms of substance and form. As a result, the

Committee recommended to the Supervisory Board a positive assessment of the financial statements of XTPL S.A. for 2018 as being consistent with the books of account, evidence and facts.

In addition, the Audit Committee actively participated in the process to select an audit firm to provide the Company with statutory audit services. In this regard, the Committee in particular examined the bids submitted by audit firms as part of the selection procedure, and on that basis drew up a recommendation for the Supervisory Board of XTPL S.A. regarding selection of the audit firm which the Audit Committee proposes to entrust with the statutory audit/ limited reviews of financial statements.

The Audit Committee also got acquainted with the Management Board's information on the protection of the Company's know-how and intellectual property, a matter of vital importance from the Company's point of view.

The Audit Committee analysed and assessed internal control system functioning in the Company. The Audit Committee recommended the Company's Management Board to create a separate internal control function in the Company in 2020, considering at least one of two models: a separate position (part-time role possible) or outsourcing.

In the financial year 2019, the Audit Committee held its first meeting on 9 May 2019. At that meeting, the Committee adopted a framework calendar of the Audit Committee meetings and a general work program for 2019, and assessed the principles of internal control and risk management in the Company's financial reporting process. The Committee passed a resolution on adoption of the report on the activities of the XTPL Audit Committee for the period from 5 June 2018 to 31 December 2018.

In addition, the Audit Committee held its meetings using means of direct remote communication:

- a) On 24 April 2019, the cooperation to-date with the auditor in relation to the audit of financial statements was summarized;
- b) On 30 April 2019, a discussion was held about the financial statements of XTPL S.A. and the Management Board's report on XTPL S.A. for the financial year 2018, as well as an additional report for the Audit Committee, submitted by the Auditor. Resolutions were also passed on adoption of the "Information for the Supervisory Board of XTPL S.A. about audit results, and explaining how the audit has contributed to the reliability of financial reporting, and what role the Audit Committee has played in the audit process", as well as a recommendation for the Supervisory Board of XTPL S.A. regarding the assessment of the Management Board's report on the XTPL S.A. activities for 2018.
- c) On 12 July 2019, a discussion was held about the auditor selection procedure, and a recommendation was adopted for the Supervisory Board regarding selection of the audit firm which the Audit Committee plans to entrust with the statutory audit/ limited reviews of financial statements.
- d) On 20 September 2019, a draft semi-annual report was presented to the Committee, and a discussion was held about the progress of the auditor's review of the report.
- e) On 30 September 2019, the Management Board presented selected information relating to the financial statements for the first half of 2019 and the main points contained in the independent auditor's report on the review of the interim condensed consolidated and stand-alone financial statements, and the Company's Management Board provided an update on internal audit in the Company, an update on risk monitoring and management and an update on internal control;
- f) On 19 December 2019, the Company's Management Board presented selected information regarding the financial statements for the third quarter of 2019 and information on intellectual property protection; in addition, the Committee assessed the effectiveness of risk management in the Company and the correctness of communication to shareholders; a debate was also held about the assessment and guidelines for internal control as well as an assessment of the need to establish an Internal Audit department at the Company.

c. Assessment of the Audit Committee's work

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

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

Having familiarized itself with the Company's development plans, the Supervisory Board assesses the Company's position as appropriate in the light of the current stage of development, noting that in 2020, the Company will face two major challenges that have a significant impact on implementation of its long-term business plans, namely: execution of the further commercial contracts and securing stable financing.

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

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

Taking into account the Company's internal regulations (including the information circulation policy, the policy on preventing conflicts of interest, the remuneration policy and whistleblowing rules. The Supervisory Board is of the opinion that in 2019 the Company had compliance and internal control systems in place that were appropriate to the nature and size of its business. However, the Supervisory Board notes that as the Company's business will grow in size, the internal control systems will have to be upgraded and an internal audit unit will have to be established. The Supervisory Board will monitor the situation on an ongoing basis in this regard, formulating relevant recommendations for the Management Board as and when appropriate.

In addition, the Supervisory Board notes that the Company has internal rules for the circulation of inside/sensitive information at XTPL S.A. The Supervisory Board has no objections regarding these rules.

In addition, the Company has a policy of remuneration for management board members and key managers of XTPL S.A. At present, a new remuneration policy is being drafted in accordance with the provisions of the Act on Public Offering.

Furthermore, the Supervisory Board passed a resolution regarding adoption of the rules for preventing conflicts of interest in XTPL S.A.

The Supervisory also Board became acquainted with the whistleblowing rules.

Due to the size of the Company, no separate internal audit unit was established in 2019. Internal audit tasks were divided and allocated to the persons involved in the process of documents circulation and approval. In addition, in 2019 the Company had a Legal Department and a Finance Department (continuing their operations at present), which support internal control processes.

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

The Supervisory Board adopted the corporate governance principles described in the “Best Practice for GPW Listed Companies” (in the scope relating to the Supervisory Board).

In the financial year of 2019, XTPL S.A. was a public company listed on the regulated (parallel) market operated by the Warsaw Stock Exchange.

In the opinion of the Supervisory Board, in 2019 the Company complied with the rules set out in the Best Practice for GPW Listed Companies in the scope declared by the Company.

Further to this, XTPL S.A. provided current and financial information in the scope determined by relevant domestic laws (Finance Minister’s on current and financial reports).

The reports were issued through the ESPI system.

In the opinion of the Supervisory Board, in 2019 the Company complied with the legal provisions relating to current and financial information.

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

In the opinion of the Supervisory Board, in 2019 the Company complied with the Act on Public Offering and the MAR in relation to current and inside information.

The above assessment was based on current and financial reports published in the financial year of 2019 (including Q1, H1, Q3 2019 and 2018 reports).

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

Not applicable.

8. Current activities of the Supervisory Board

In 2019, the Supervisory Board of XTPL S.A. acted in accordance with the Articles of Association of XTPL S.A. and applicable laws – including, in particular, the Act of 15 September 2000 – Commercial Companies Code. When taking its decisions, the Supervisory Board was guided by the legitimate interest of XTPL S.A. and the interests of its shareholders. In 2019, members of the Supervisory Board were in constant contact with members of the Company’s Management Board, supervising and engaging in consultations on individual areas of the Company’s operations.

In 2019, the Supervisory Board of XTPL S.A. exercised constant supervision over XTPL S.A. in all areas of activity carried on by XTPL S.A. The activities described above included, inter alia, analysis and assessment of current financial results and the annual financial statements, analysis of information received from the Management Board regarding the activities of XTPL S.A. and meetings of the Supervisory Board and the Management Board to discuss the position of XTPL S.A. including implementation of information obligations imposed on XTPL S.A. as a public company in 2019.

9. Assessment of work of the Supervisory Board

In the opinion of the Supervisory Board of XTPL S.A., all its members have demonstrated due care in the performance of their duties, using their knowledge and experience in the process. The Supervisory Board of XTPL S.A. requests that discharge be granted to all its members for performance of their duties in 2019.

10. Result of assessment of the stand-alone financial statements of XTPL S.A. for the financial year of 2019

The Supervisory Board of XTPL S.A. has established that the stand-alone financial statements for the financial year of 2019 meet the applicable legal requirements and does not raise reservations about their contents. The Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. approve the stand-alone financial statements of XTPL S.A. for the financial year of 2019.

The Supervisory Board has established that the stand-alone financial statements:

- give a true and fair picture of the Company's assets and financial position as well as its financial result and cash flows, in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting policy;
- are in substance and form consistent with the laws applicable to the Company and the Company's Articles of Association;
- were duly prepared based on properly maintained books of account, in accordance with Chapter 2 of the Accounting Act of 29 September 1994.

11. Result of assessment of the consolidated financial statements of XTPL S.A. for the financial year of 2019

The Supervisory Board of XTPL S.A. has established that the consolidated financial statements for the financial year of 2019 meet the applicable legal requirements and does not raise reservations about their contents. The Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. approve the consolidated financial statements of XTPL S.A. for the financial year of 2019.

The Supervisory Board has established that the consolidated financial statements:

- give a true and fair picture of the Company's assets and financial position as well as its financial result and cash flows, in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting policy;
- are in substance and form consistent with the laws applicable to the Company and the Company's Articles of Association;
- were duly prepared based on properly maintained books of account, in accordance with Chapter 2 of the Accounting Act of 29 September 1994.

12. Result of assessment of the Management Board's report on XTPL S.A. and XTPL Group activities for the financial year of 2019

The Supervisory Board of XTPL S.A. has established that the Management Board's report on XTPL S.A. and the XTPL Group activities for the financial year of 2019 meets the applicable legal requirements and does not raise reservations about its contents. The Supervisory Board recommends that the Annual General Meeting

of Shareholders of XTPL S.A. approve the Management Board's report on XTPL S.A. and the XTPL Group activities for the financial year of 2019.

13. Result of assessment of the Management Board's proposal regarding the covering of the loss of XTPL S.A. for the financial year of 2019

The Supervisory Board of XTPL S.A. has expressed its positive opinion about the proposal of the Management Board of XTPL S.A. to cover the net loss of XTPL S.A. for the financial year of 2019 in the amount of PLN 24,678 thousand (twenty four million six hundred and seventy eight thousand PLN) as follows:

- a. The amount of PLN 13,026 thousand (thirteen million twenty six thousand PLN) to be covered from the reserve capital of XTPL S.A.
- b. The amount of PLN 11,652 thousand (eleven million six hundred and fifty two thousand PLN) to be covered from the supplementary capital of XTPL S.A.

Considering the proposal as justified, the Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. adopt a resolution to cover the net loss of XTPL S.A. for the financial year of 2018 as follows:

- a. the amount of PLN 13,026 thousand (thirteen million twenty six thousand PLN) to be covered from the reserve capital of XTPL S.A.
- b. the amount of PLN 11,652 thousand (eleven million six hundred and fifty two thousand PLN) to be covered from the supplementary capital of XTPL S.A.

(Wiesław Rozłucki)

(Bartosz Wojciechowski)

(Piotr Lembas)

Herbert Wirth:

(Konrad Pankiewicz)