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CONSOLIDATED FINANCIAL STATEMENTS



FOR THE PERIOD FROM 01-01-2020
TO 31-12-2020

CAPITAL GROUP XTPL S.A.

Wrocław, 27 April 2021

XTPL Spółka Akcyjna, a joint stock company having its registered office at ul. Stabłowicka 147, 54-066 Wrocław, entered in the business register of the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register under KRS No. 0000619674 ("**XTPL**", "**XTPL S.A.**", "**Company**", "**Entity**", "**Parent Company**", "**Issuer**"), NIP: 9512394886, REGON: 361898062.

As at 31 December 2020 ("**Balance Sheet Date**"), the share capital of XTPL S.A. amounted to PLN 202,922.20 and consisted of 2,029,222 shares with a nominal value of PLN 0.10 each ("**Shares**").

This document relates to XTPL Group ("**Group**", "**XTPL Group**"), and contains the Group's consolidated financial statements ("**Report**").

The Group includes the parent company and a subsidiary (XTPL Inc. with its registered office in the USA) and TPL Sp. z o.o. fully controlled by XTPL S.A. ("**Subsidiary**", "**Subsidiary Undertaking**").

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date ("**Report Date**") is 27 April 2020. As at the Report Date, the share capital of XTPL S.A. amounted to PLN 202,922.20 and consisted of 2,029,222 shares with a nominal value of PLN 0.10 each ("**Shares**").

In this Report, the consolidated financial statements mean the consolidated financial statements (including the Company and the Subsidiary) for the 12 months from 1 January to 31 December 2020 (the "**Reporting Period**") prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

"**Regulation on current and financial reports**" – the Finance Minister's Regulation of 29 March 2018 on current and periodic reports released by the issuers of securities and the conditions for equivalent treatment of the information required by the laws of non-member states.

"**Accounting Act**" – the Accounting Act of 29 September 1994.

Due to the fact that the activities of XTPL S.A. have a dominant impact on the Group's operations, the information presented in the Management Report (contained in a separate document) relates to both to XTPL S.A. and XTPL Group, unless indicated otherwise.

Unless stated otherwise, the financial data are presented in thousands.

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Selected consolidated figures and key information about the Issuer

1 Selected consolidated figures

Figures in PLN thousand	1 January–31 December 2020		1 January–31 December 2019	
	PLN	EUR	PLN	EUR
Net revenue from sales	2,294	513	2,063	480
Profit (loss) on sales	-534	-119	-5,253	-1,221
Profit (loss) before tax	-8,079	-1,806	-24,125	-5,608
Profit (loss) after tax	-8,579	-1,917	-24,198	-5,532
Depreciation/amortization	401	90	590	137
Net cash flows from operating activities	-5,765	-1,288	-10,617	-2,468
Net cash flows from investing activities	-817	-183	-276	-64
Net cash flows from financing activities	12,848	2,872	9,564	2,223
Figures in PLN thousand	31 December 2020		31 December 2019	
Owner's equity	10,386	2,251	6,907	1,622
Short-term liabilities	1,443	313	1,931	453
Long-term liabilities	3,198	693	-	-
Cash and cash equivalents	10,478	2,271	4,206	988
Short-term receivables	530	115	935	220
Long-term receivables	33	7	272	64

2 Key information about the Issuer

<u>Business name:</u>	XTPL Spółka Akcyjna
<u>Registered Office:</u>	Wrocław
<u>Address:</u>	Stabłowicka 147, 54-066 Wrocław
<u>KRS:</u>	0000619674
<u>NIP:</u>	9512394886
<u>REGON:</u>	361898062
<u>Registry Court:</u>	District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register
<u>Share capital:</u>	PLN 202,922.20 paid in full
<u>Phone number:</u>	+48 71 707 22 04
<u>Website:</u>	www.xtpl.com
<u>Email:</u>	investors@xtpl.com

The Parent 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 Group uses IASs/ IFRSs.

The presented consolidated financial statements cover the period from 1 January to 31 December 2020.

Management Board

As at the Balance Sheet Date and the Report Date, the Management Board of the Parent Company performed its duties in the following composition:

- Filip Granek – Management Board President
- Jacek Olszański, Management Board Member.

On 27 February 2020, Maciej Adamczyk resigned from the Management Board effective from 27 February 2020.

On 30 June 2020, the XTPL Supervisory Board appointed the Management Board of a new term. In addition to Filip Granek, who was entrusted with the function of Management Board President (CEO), Jacek Olszański was appointed to the role of Management Board Member.

Supervisory Board

As at the Balance Sheet Date, the Supervisory Board performed its duties in the following composition:

- Wiesław Rozłucki, PhD – Chairman of the Supervisory Board – an independent SB member
- Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
- Andrzej Domański – Deputy Chairman of the Supervisory Board
- Beata Turlejska-Zduńczyk - an independent SB member
- Prof. Herbert Wirth – an independent SB member
- Piotr Lembas – an independent SB member

On 9 January 2020, Sebastian Młodziński resigned from the Supervisory Board, and the Issuer's Extraordinary General Meeting appointed Prof. Herbert Wirth to serve as a member of the Supervisory Board.

On 30 June 2020, the Annual General Meeting was held. Among other things, it appointed the Supervisory Board for a new term. Beata Turlejska became a new member of the Supervisory Board. She is a Managing Partner of the Leonarto Fund and is responsible for managing the fund's investment portfolio (the fund invests in technology companies).

On 5 November 2020, Andrzej Domański was appointed to the Supervisory Board by the Extraordinary General Meeting. Andrzej Domański holds the CFA designation and has many years of managerial experience.

As at the Report Date, the Supervisory Board performed its duties in the following composition:

- Wiesław Rozłucki, PhD – Chairman of the Supervisory Board – an independent SB member
- Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
- Andrzej Domański – Deputy Chairman of the Supervisory Board
- Beata Turlejska-Zduńczyk - an independent SB member
- Prof. Herbert Wirth – an independent SB member
- Piotr Lembas – an independent SB member

Audit Committee

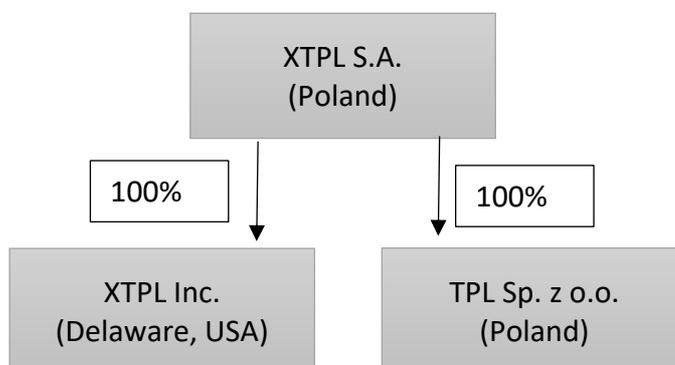
On 5 November 2020, Andrzej Domański was appointed to the Audit Committee by the Supervisory Board.

As at the Balance Sheet Date and the Report Date, the Audit Committee performed its duties in the following composition:

- Wiesław Rozłucki – Chairman of the Audit Committee – independent AC member
- Herbert Wirth – independent AC member
- Piotr Lembas – independent AC member
- Andrzej Domański – independent AC Member

Structure of XTPL Group as at the Balance Sheet Date and the Report Date:

:



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Annual consolidated financial statements

3 Annual consolidated financial statements

3.1 Period covered by the financial statements

These financial statements cover the period of 12 months ended 31 December 2020 and the data as of that date.

3.2 Comparable data

The statement of comprehensive income, the statement of cash flows and the statement of changes in equity cover the data for the 12 months ended 31 December 2020 as well as comparative data for the period of 12 months ended 31 December 2019. The statement of financial position covers the data presented as at 31 December 2020, and comparative data as at 31 December 2019.

3.3 Identification of consolidated financial statements

These are consolidated financial statements. As at 31 December 2020, the Parent Company had two subsidiaries.

3.4 Notes

Notes are an integral part of these financial statements.

3.5 Foreign currency transactions

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

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

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

At the end of each reporting period:

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

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;

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

5.5.1 FX rates

The following exchange rates were adopted for the purpose of preparing the financial statements:

	2020 January–December		2019 January–December	
	EUR	USD	EUR	USD
exchange rates used in the financial statements				
for balance sheet items	4.6148	3.7584	4.2585	3.7977
for profit or loss and cash flow items	4.4742	3.9045	4.3018	3.8440

3.6 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) approved by the EU. Taking into account the ongoing IFRS implementation process in the EU, as regards the Company’s operations there is no difference between the already implemented IFRS and the IFRS approved by the EU for the financial year ended 31 December 2019. IAS and IFRS include the standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (IFRIC).

5.6.1 New and amended IFRSs

The following amendments to existing standards and interpretations published by the International Accounting Standards Board (IASB) and approved for application in the EU for the first time enter into force in the Company’s 2020 financial statements:

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of material – approved by the EU on 29 November 2019 (effective for annual periods commencing on or after 1 January 2020).

Amendments to IFRS 3 Business Combination – definition of a business – approved by the EU of 21 April 2020 (applicable to the business combinations in the case of which the date of acquisition falls at the beginning of the first annual period commencing on or after 1 January 2020, and in relation to the acquisition of assets after the beginning of the above annual period or later).

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure – Interest Rate Benchmark Reform – approved by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020).

Amendments to IFRS 16 “Leases” - Covid-19 rent concessions (approved in the EU on 9 October 2020 and effective from 1 June 2020 for the financial year commencing on 1 January 2020 or later).

Amendments to References to the Conceptual Framework – approved by the EU on 29 November 2019 (effective for the annual periods commencing on or after 1 January 2020).

The foregoing amendments to the existing standards did not have any material impact on the Group’s 2020 financial statements.

5.6.2 New standards and interpretations that have been published but have not been adopted for application yet

IFRS in the form approved by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to standards, which as at 31 December 2020 were not yet approved for use in the EU (the following effective dates apply to the full version of the standards):

IFRS 14 “Regulatory Deferral Accounts” (applicable to the annual periods commencing on or after 1 January 2016). The European Commission has decided not to propose for endorsement the interim standard for application across the EU pending publication of the full version of IFRS 14.

IFRS 17 “Insurance Contracts” (effective for annual periods – Classification of Liabilities as Current or Non-current – applicable to annual reporting periods beginning on or after 1 January 2023).

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use, effective for the annual periods commencing on or after 1 January 2022.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – onerous contracts – fulfillment costs, effective for annual periods commencing on or after 1 January 2022.

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework, together with amendments to IFRS 3, effective for annual periods commencing on or after 1 January 2022.

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of the amendments has been deferred pending finalisation of the project on equity accounting);

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure, IFRS 4 Insurance Contracts, and IFRS 16 Leases – Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2021).

Changes to different standards: Improvements to IFRS (2018–2020 cycle) – made as part of the procedure of making annual amendments to IFRS (IFRS 1, IFRS 9, IFRS 16, IAS 41) designed mainly to address inconsistencies and clarify the terminology (amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods commencing on or after 1 January 2022. Amendments to IFRS 16 concern only an illustrative example, so no effective date was provided). According to the estimates of the Group, the foregoing new standards, interpretations and amendments to the existing standards would not have any material impact on the financial statements if they had been applied by the Group as at the balance sheet date. Still, the area of accounting for hedges of assets and liabilities portfolio remains unregulated and any rules in this regard have not been approved for application in the EU. According to the estimates of the Group, application of such hedge accounting for assets and liabilities portfolios in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” would not have any material impact on the financial statements if it had been applied as at the balance sheet date.

As at the date of approval of these financial statements, the amendments to IFRS 4 Insurance Contracts entitled “Extension of the Temporary Exemption from Applying IFRS 9” were by the International Accounting Standards Board (IASB) and adopted by the European Union on 16 December 2020, and enter into force at a later date (the date of expiry of the temporary exemption from IFRS 9 was extended from 1 January 2021 for annual periods beginning on or after 1 January 2023).

3.7 Going concern

These financial statements have been prepared on the assumption that the Group will continue in operation for at least 12 months after the balance sheet date. When assessing the Group's ability to continue as a going concern, the Parent Company's Management Board takes into account the current cash, commercialization progress and sales plans, ongoing projects co-funded by the European Union and possible plans to obtain further funding (in the form of share issues). In view of the above, the Management Board of XTPL S.A. estimates that the Group, depending on the degree of delivery of its actions planned, has ensured funds continuation of its operations over the next 18–24 months.

3.8 Approval of the financial statements

This financial report for the period from 1 January 2019 to 31 December 2019 was approved for publication by the XTPL Management Board on 27 April 2020.

3.9 Annual consolidated statement of financial position

ASSETS	NOTE	31.12.2020	31.12.2019
Non-current assets		3,891	3,639
Property, plant and equipment	4,5,6,7,8,9	988	646
Intangible fixed assets	1,2,3	2,870	2,721
Long-term receivables	13	33	272
Current assets		11,136	5,199
Inventories		90	-
Trade receivables	18	-	-
Other receivables	19	526	935
Cash and cash equivalents	20	10,478	4,206
Other assets		38	58
Total assets		15,027	8,838

EQUITY AND LIABILITIES	NOTE	31.12.2020	31.12.2019
Total equity		10,386	6,907
Share capital	22	203	190
Supplementary capital		16,311	18,726
Own shares (-)		-8	-
Reserve capital		1,901	12,150
FX differences arising on translation		48	10
Retained profit (loss carried forward)		510	-372
Profit (loss) after tax		-8,579	-23,797
Non-current liabilities		3,198	-
Long-term financial liabilities	29	3,198	-
Short term liabilities		1,443	1,931
Trade liabilities	25	404	1,048
Short-term financial liabilities	29	315	1
Other liabilities	26	724	882
Total equity and liabilities		15,027	8,838

3.10 Annual consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	NOTE	1.01.2020 12.12.2020	1.01.2019 12.12.2019
Continued operations			
Sales	39	2,294	2,063
Revenue from the sale of services	41	34	-
Revenue from the sale of products	41	30	-
Revenue from grants	39	2,230	2,063
Cost of sales	42	2,828	7,316
Research and development expenses		2,828	7,316
Cost of finished goods sold		-	-
Gross profit (loss)		-534	-5,253
General and administrative expenses	42	7,687	18,834
Other operating income	46	199	5
Other operating costs	47	11	10
Write-off of goodwill		496	-
Operating profit (loss)		-8,529	-24,091
Financial revenues	48	21	70
Financial expenses	49	71	104
Profit/ loss before tax		-8,579	-24,125
Income tax	16, 28	-	73
Net profit (loss) on continued operations		-8,579	-24,198
Discontinued operations		-	-
Net profit (loss) on discontinued operations		-	-
Net profit (loss) on continued and discontinued operations		-8,579	-24,198
Profit (loss) of non-controlling interests		-	-401
Profit (loss) attributable to shareholders of the parent		-8,579	-23,797
Other comprehensive income		38	10
Items that can be transferred to profit or loss in subsequent reporting periods		38	10
FX differences arising on conversion of foreign affiliates		38	10
Items that will not be transferred to profit or loss in subsequent periods		-	-
Total comprehensive income		-8,541	-24,188
Total comprehensive income attributable to non-controlling shareholders		-	-401
Total comprehensive income attributable to the parent company		-8,541	-23,787
Net profit (loss) per share (in PLN)			
On continued operations			

Ordinary		-4.21	-12.49
Diluted		-4.11	-12.49
On continued and discontinued operations			
Ordinary		-4.21	-12.49
Diluted		-4.11	-12.49
number of shares to calculate ordinary profit (loss) per share		2,029,222	1,904,222
number of shares to calculate diluted profit (loss) per share*		2,077,870	1,904,222

* numer of shares including the conversion of convertible bonds into shares

3.11 Annual consolidated statement of changes in equity

STATEMENT OF CHANGES								
IN EQUITY	Share capital	Supplementary capital	Own shares	Reserve capital	FX differences arising on translation	Retained profit (loss carried forward)	Non-controlling interests	Total
As at 1 January 2020	190	18,726	-	12,150	10	-24,169	-	6,907
Comprehensive income:	-	-	-	-	38	-8,579	-	-8,541
Profit (loss) after tax	-	-	-	-	-	-8,579	-	-8,579
Other comprehensive income	-	-	-	-	38	-	-	38
Transactions with owners:	13	-2,415	-8	-10,249	-	24,678	-	12,019
Issue of shares	13	9,237	-	-	-	-	-	9,250
Incentive scheme	-	-	-	2,345	-	-	-	2,345
Distribution of profit	-	-11,652	-	-13,026	-	24,678	-	-
The value of the conversion rights under the convertible bond	-	-	-	432	-	-	-	432
Taking control over a subsidiary	-	-	-8	-	-	-	-	-8
As at 31 December 2020	203	16,311	-8	1,901	48	-8,070	-	10,386
As at 1 January 2019	178	16,340	-	-	-	-7,581	-	8,937
Comprehensive income:	-	-	-	-	10	-23,797	-401	-24,188
Profit (loss) after tax	-	-	-	-	-	-23,797	-401	-24,198
Other comprehensive income	-	-	-	-	10	-	-	10
Transactions with owners:	12	2,386	-	12,150	-	7,209	401	22,158
Issue of shares	12	9,595	-	-	-	-	-	9,607
Incentive scheme	-	-	-	13,026	-	-	-	13,026
Distribution of profit	-	-7,209	-	-	-	7,209	-	-
As at 31 December 2019	190	18,726	-	12,150	10	-24,169	-	6,907

3.12 Annual consolidated statement of cash flows

	1.01.2020	1.01.2019
	-	-
	31.12.2020	31.12.2019
CONSOLIDATED STATEMENT OF CASH FLOWS		
Cash flows from operating activities		
Profit (loss) before tax	-8,579	-24,125
Total adjustments:	2,887	13,507
Depreciation/amortization	401	590
Write-off of goodwill	496	-
FX gains (losses)	36	10
Interest and profit distributions (dividends)	10	-52
Profit (loss) on investing activities	-1	-
Change in the balance of provisions	16	10
Change in the balance of inventories	-90	-
Change in the balance of receivables	402	-468
Change in short-term liabilities, except bank and other loans	-822	914
Change in prepayments/accruals	21	-47
Income tax paid	-	-
Other adjustments	2,345	12,550
Total cash flows from operating activities	-5,765	-10,617
Cash flows from investing activities		
Inflows	75	52
Disposal of tangible and intangible assets	1	-
Repayment of long-term loans granted	50	-
Interest on financial assets	4	52
Other Investment inflows	19	-
Outflows	892	328
Acquisition of tangible and intangible fixed assets	892	328
Acquisition of financial assets	-	-
Long-term loans granted	-	-
Other investment outflows	-	-
Total cash flows from investing activities	-817	-276
Cash flows from financing activities		
Inflows	12,850	11,107
Contributions to capital	9,250	9,607
Bank and other loans	-	1,500
Other financial inflows	3,600	-
Outflows	2	1,543
Acquisition of own shares	-	-
Payment of dividend	-	-
Repayment of bank and other loans	-	1,500
Finance lease payments	1	25
Interest	1	18
Total cash flows from financing activities	12,848	9,564
Total cash flows from investing activities	6,270	-1,329
Change in cash and cash equivalents:	6,272	-1,331
– change in cash due to FX differences	-2	-2
Cash and cash equivalents at the beginning of the period	4,207	5,536
Cash and cash equivalents at the end of the period, including:	10,477	4,207

– restricted cash	-	-
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3.13 Notes

Note 1 Intangible fixed assets

OTHER INTANGIBLE ASSETS	31.12.2020	31.12.2019
Acquired concessions, patents, licenses and similar rights	8	23
Intellectual property rights	-	108
In-process development expenditure	2,862	2,590
Total (net)	2,870	2,721
Previous write-off	1,163	1,040
Total (gross)	4,033	3,761

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 3 December 2020, the Group did not have any agreements whereby it would be required to purchase any intangible assets. In 2020 and 2019, no impairment charges were posted for intangible assets.

	31.12.2020	31.12.2019
In-process development expenditure, including		
salaries	1,187	1,187
external services	731	731
raw materials	807	589
Other	137	83
Impairment allowances on capitalized expenditure	-	-
Total	2,862	2,590

In-process development are described in Note 15 of this report.

Note 2. Change in other intangible assets by type

As at 31.12.2020

CHANGE IN OTHER INTANGIBLE ASSETS BY TYPE	Acquired concessions, patents, licenses and similar rights	Intellectual property rights	Total other intangible assets
(except intangible assets under development)			
Gross value of intangible assets at the beginning of the period	76	1,095	1,171
Increases	-	-	-
Acquisition	-	-	-
Decreases	-	-	-
Gross value of intangible assets at the end of the period	76	1,095	1,171
Accumulated amortization at the beginning of the period	54	987	1,041
amortization for the period	15	108	123
Increases	-	-	-

decreases	-	-	-
Cumulated amortization at the end of the period	69	1,095	1,163
impairment allowances at the beginning of the period	-	-	-
impairment allowances at the end of the period	-	-	-
Net value of other intangible assets at the end of the period	8	-	8

As at 31.12.2019

CHANGE IN OTHER INTANGIBLE ASSETS BY TYPE	Acquired concessions, patents, licenses and similar rights	Intellectual property rights	Total other intangible assets
(except intangible assets under development)			
Gross value of intangible assets at the beginning of the period	46	1,095	1,141
Increases	30	-	30
Acquisition	30	-	30
Decreases	-	-	-
Gross value of intangible assets at the end of the period	76	1,095	1,171
Accumulated amortization at the beginning of the period	44	761	805
amortization for the period	10	226	236
Increases	-	-	-
decreases	-	-	-
Cumulated amortization at the end of the period	54	987	1,040
impairment allowances at the beginning of the period	-	-	-
impairment allowances at the end of the period	-	-	-
Net value of other intangible assets at the end of the period	23	108	131

Note 3. Amortization of intangible assets

Amortization of intangible assets is included in the following items as part of the statement of comprehensive income.

ITEM IN THE STATEMENT OF COMPREHENSIVE INCOME	Year ended 31.12.2020	Year ended 31.12.2019
Research and development expenses	16	37
Cost of finished goods sold	-	-
General and administrative expenses	107	199
Total	123	236

Note 4. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT	31.12.2020	31.12.2019
Tangible assets, including:	256	646

land	-	-
buildings and structures	-	-
technical equipment and machines	256	387
vehicles	-	1
other tangible assets	-	258
Tangible assets under construction	564	-
Property, plant and equipment	988	646

Note 5. Tangible assets on balance sheet – ownership structure

TANGIBLE ASSETS ON BALANCE SHEET (OWNERSHIP STRUCTURE)	31.12.2020	31.12.2019
Own	988	645
used based on any rental, lease or a similar contract, including:	-	1
finance lease	-	1
Total tangible assets on the balance sheet	988	646

Note 6. Changes in fixed assets by type

As at 31.12.2020

CHANGES IN FIXED ASSETS BY TYPE	technical equipment and machines	vehicles	other assets	fixed	Total tangible assets
(except for fixed assets under construction)					
Gross value of at the beginning of the period	1,080	91	516		1,687
Increases	110	-	-		110
acquisition	110	-	-		110
Decreases	-	-	-		-
Gross value at the end of the period	1,190	91	516		1,797
Accumulated depreciation at the beginning of the period	692	90	258		1,041
Increases	241	1	90		332
amortization for the current period	241	1	90		332
decreases	-	-	-		-
Accumulated depreciation at the end of the period	933	91	348		1,373
impairment allowances at the beginning of the period	-	-	-		-
impairment allowances at the end of the period	-	-	-		-
Net value of fixed assets at the end of the period	256	-	168		424

As at 31.12.2019

CHANGES IN FIXED ASSETS BY TYPE	technical equipment and machines	vehicles	other assets	fixed	Total tangible assets
(except for fixed assets under construction)					
Gross value of at the beginning of the period	828	91	247		1,166
Increases	251	-	269		520
acquisition	251	-	269		520
Decreases	-	-	-		-

Gross value at the end of the period	1,080	91	516	1,687
Accumulated depreciation at the beginning of the period	414	65	152	632
Increases	279	25	106	409
amortization for the current period	279	25	106	409
decreases	-	-	-	-
Accumulated depreciation at the end of the period	692	90	258	1,041
impairment allowances at the beginning of the period	-	-	-	-
impairment allowances at the end of the period	-	-	-	-
Net value of fixed assets at the end of the period	387	1	258	646

Note 7. Depreciation of tangible assets

Depreciation of fixed assets is reported in the following items of the statement of comprehensive income.

ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME	Year ended 31.12.2020	Year ended 31.12.2019
Research and development expenses	271	297
Cost of finished goods sold	-	-
General and administrative expenses	7	57
Total	278	354

Note 8. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
XTPL printers	92	273
Computer sets	18	26
Server with software	-	-
Pressure control system and other	-	17
Anti-vibration system and laminar chamber	-	140
Office equipment	-	64
Total significant acquisitions	110	520

As a result of expenditures a laboratory printed was created, which is a demonstrator of technology offered by Group.

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

In the Reporting Period, the Group did not incur any significant liabilities on account of purchase of tangible assets. As at the Balance Sheet Date, the Group did not have any agreements whereby it would be required to purchase any fixed assets.

Note 10. Investment properties

As at the Balance Sheet Date, no investment properties were included in the Group's statement of financial position.

Note 11. Changes in the classification of financial assets as a result of a change in the purpose or use of these assets

In the Reporting Period, no changes were made in the classification of financial assets.

Note 12. Transfers between individual fair value hierarchy levels in respect of financial instruments

In the Reporting Period, no transfers took place between individual fair value hierarchy levels in respect of financial instruments.

Note 13. Long-term receivables

Long-term receivables	31.12.2020	31.12.2019
Loans granted	-	239
Security deposits	33	33
Total long-term receivables	33	272

Note 14. Capital expenditure

CAPITAL EXPENDITURE INCURRED	1.01.2020 31.12.2020	- 1.01.2019 31.12.2019
<i>– including on environmental protection</i>		
Expenditures on fixed assets under construction	836	55
Tangible assets purchased	110	520
Intangible assets purchased	-	30
Investments in properties	-	-
Total investments in non-financial fixed assets	946	605
Loans granted	476	1,985
Acquisition of treasury bills	-	-
Acquisition of shares	-	19
Total investments in financial fixed assets	476	2,004
Total capital expenditure	1,422	2,609

Note 15. Impairment allowance on financial assets, tangible assets, intangible assets or other assets and reversal of the impairment allowance

Intangible fixed assets – development.

As on ... the Company signed an agreement for delivery of a laboratory printer for the University of Stuttgart, xxxx, the Company's Management Board decided to close, as of 31 December 2020, the development related to the preparation of the laboratory printer for commercialization was finalized. At the same time, due to the fact that is the first transaction, as required by IAS 36, the Parent Company's Management Board carried out an impairment test for the Company's assets: development expenditure, by comparing their carrying amount with the recoverable amount. As part of the procedure, the management tested all the previous assumptions underlying the decisions to recognize the development expenditure as an asset. The probability and value of future economic benefits were verified. The test was based on a 5-year forecast,

with discount rate of 16.71%. The discount rate includes a risk-free rate based on 10Y treasury bonds, a market risk premium based on A. Damodaran's calculations, 1Y WIBOR + commercial banks' margin, and a beta calculated on the basis of the Parent Company's quotations. The discount rate also takes into account the specific risk of the Group and the premium for the type of assets. The Group did not include the residual value in the test model.

When calculating sales forecasts, account was taken of the fact that the main application field for commercialization based on completed development was the display market (the ODR segment). Three revenue streams were identified: the sale of demonstration printers, sale of printer consumables and services, and license fees.

The test results showed that the recoverable amount of intangible assets exceeds their carrying amount, so there is no need to post any impairment allowances for those assets.

The table below presents the sensitivity of the model to the change in the discount rate.

zmiana WACC						
15,21%	15,71%	16,21%	16,71%	17,21%	17,71%	18,21%
9 866	9 603	9 345	9 095	8 851	8 613	8 381

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		Statement of financial position as at		Impact on the statement of comprehensive income	
	31.12.2020	31.12.2019	01.01.2020 - 31.12.2020	-	31.12.2019	31.12.2018	01.01.2019 - 31.12.2019	-
Due to differences between the tax value and the carrying amount:								
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	-	14	-14	-	14	17	-3	-
Accruals for unused annual leaves	10	10	-	-	10	34	-24	-
Provision for the cost external services	-	-	-	-	-	22	-22	-
Total deferred tax assets	10	24	-14	-	24	73	-49	-
Set-off with a deferred tax liability	10	24	-14	-	24	4	20	-
Net deferred tax assets	-	-	-	-	-	69	-69	-

No deferred tax assets were created under the above heading due to uncertainty as to the possibility of using this asset in future periods.

Note 17. Impairment allowance on inventories to their net recoverable amount and reversal of the allowance

In the Reporting Period, no impairment allowance on inventories was created or reversed.

Note 18. Trade receivables

TRADE RECEIVABLES	31.12.2020	31.12.2019
Trade receivables, including:	4	-
Up-to-date	4	-
Overdue	-	-
- up to 180 days	-	-
- up to a year	-	-
- over a year	-	-
including claimed in court	-	-
Total gross trade receivables	4	-
Impairment allowances on receivables	-	-
Total net trade receivables	4	-
– from related parties	-	-

Note 19. Other receivables

OTHER RECEIVABLES	31.12.2020	31.12.2019
Other receivables, including:		
Statutory receivables (except income tax)	209	238
Other receivables (including security deposits, advances for fixed assets, inventories, deliveries)	317	696
including claimed in court	-	-
Total gross other receivables	526	934
Impairment allowances on receivables	-	-
Total net other receivables	526	934
– from related parties	-	-

Note 20. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	31.12.2020	31.12.2019
Cash, including:	10,478	4,206

– cash on hand	-	-
– cash in bank	10,478	4,206
Other cash (short term deposits)	-	-
Other cash assets	-	-
Total cash and other cash assets	10,478	4,206

Note 21. Cash in VAT account

As at the Balance Sheet Date, the Group did not have any cash in its VAT account.

Note 22. Assets held for sale

In the current and comparable periods, the Company did not recognize any held-for-sale assets or assets related to discontinued operations.

Note 23. Share capital

CHANGE IN SHARE CAPITAL	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Balance at the beginning of the period	190	178
Increases	13	12
Decreases	-	-
Balance at the end of the period	203	190

On 8 June 2020, based on the resolution of the Company's EGM, the Parent Company's share capital was increased by issuing 125,000 series T shares with a nominal value of PLN 0.10 and a total nominal value of PLN 12,500.00.

Note 24. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Balance at the beginning of the period	302	292
increased/ created	749	956
utilisation	63	374
release	670	572
Balance at the end of the period	318	302

The change in provisions presented in the table above relates to provisions created for unused annual leave by employees of the Group and provisions for business travel expenses. The above provisions are presented in the statement of financial position under other liabilities.

Note 25. Long-term financial liabilities

Long-term financial liabilities	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Bonds	3,198	-
Other financial liabilities	-	-
Balance at the end of the period	3,198	-

Bonds	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Nominal value	3,600	-
Interest accrued	30	-
Discount in respect of fair value measurement	-432	-
Balance at the end of the period	3,198	-

In accordance with Resolution No. 04/06/2020 of the Extraordinary General Meeting of XTPL S.A. of 8 June 2020 on the issue of bonds convertible into series U shares, and a conditional share capital increase by issuing series U shares, depriving shareholders of all their preemptive rights to the convertible bonds and series U shares, on 30 July 2020 the Management Board of XTPL S.A. adopted a resolution on the allocation of 48,648 series A registered bonds convertible into the Company's series U shares with a nominal value of PLN 74 per bond, and a total nominal value of PLN 3,599,952. The bonds were issued at an issue price equal to their nominal value. The bonds are to be redeemed on 30 July 2022. They have a fixed rate of interest of 2% per annum, calculated on their nominal value as of the allocation date (excluding that date) until the redemption date or an early redemption date (including that date). The interest will be paid on one of those dates. The bonds will be converted into the Issuer's series U shares in such a way that there will be one series U share allocated to each bond, and the conversion price will be equal to the nominal value of one bond. The Bondholder has the right to demand conversion of the Bonds into the series U shares no earlier than 1 (one) month before the redemption date and no later than 11 (eleven) working days before the redemption date. The Issuer is not entitled to redeem all or a part of the Bonds before the redemption date. The Bonds will not be listed on a regulated market or in an alternative trading system.

The Bonds are unsecured. The Bonds were offered under Article 33(1) of the Bonds Act of 15 January 2015, as amended, and Article 1(4)(a) and (b) of Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, by making a Bond purchase proposal to maximum 149 investors selected by the Company's Management Board, without preparing a prospectus or an information memorandum.

In accordance with IAS 32 Financial Instruments: Presentation, as at 30 July 2020, the complex financial instrument was subject to measurement. At the initial recognition, the value of the complex financial instrument was assigned to equity and to liabilities.

Upon initial recognition, the fair value of the liability component is the present value of the future contractual cash flows, discounted at the interest rate used by the market at that time for instruments with similar credit characteristics, cash flows and the same terms, but without the conversion option.

As at the measurement date, the Group was unable to identify any bonds with those parameters on the CATALYST market, issued by an entity with capital/ debt characteristics similar tho those of XTPL S.A.

Due to the lack of reference to the measurement, an alternative approach was used, based on the Black-Scholes option valuation model taking into account the valuation as at the date of initial recognition, i.e. 30 July 2020

Note 26. Trade liabilities

SHORT-TERM TRADE LIABILITIES	31.12.2020	31.12.2019
due to related parties	-	-
due to other entities	404	1,048
Total short term trade liabilities	404	1,048

Note 27. Other short-term liabilities

OTHER SHORT-TERM LIABILITIES	31.12.2020	31.12.2019
Short term liabilities:		
statutory obligations, except income tax	203	307
employee benefits	333	387
purchase of non-financial (investment) fixed assets	-	22
in respect of business travel costs	164	165
Other	24	-
Total other short-term liabilities, excluding provisions	724	882

Note 28. Obligations in respect of staff benefits

OBLIGATIONS IN RESPECT OF EMPLOYEE BENEFITS	31.12.2020	31.12.2019
Short term liabilities:		
remuneration	179	250
payments for unused annual leave	154	137
Other	-	-
Total:	333	387

Note 29. Deferred tax liability

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income		Statement of financial position as at		Impact on the statement of comprehensive income	
	31.12.2020	31.12.2019	01.01.2020 31.12.2020	-	31.12.2019	31.12.2018	01.01.2019 31.12.2019	-
In respect of:								
Interest on loans and deposits	10	46	-36		24	4		20
Total deferred tax liability	10	46	-36		24	4		20
Set-off with deferred tax assets	-10	-46	36		-24	-4		-20
Net deferred tax liability	-	-	-		-	-		-

Note 30. Finance lease obligations

FINANCE LEASE OBLIGATIONS (for the lessee)	Minimum lease payments		Current value of minimum lease payments	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Finance lease obligations, payable:				
Up to one year	-	1	-	1
up to 1 month	-	1	-	1
1 to 3 months	-	-	-	-
3 to 6 months	-	-	-	-
6 to 12 months	-	-	-	-
1 to 5 years inclusive	-	-	-	-
Above 5 years	-	-	-	-
Total:	-	1	-	1
Less: costs to be incurred in subsequent periods	-	-	-	-
Current value of minimum lease payments	-	1	-	1
Long term lease obligations (payable over more than 12 months)	-	-	-	-
Short-term lease obligations (payable up to 12 months)	-	-	-	-

Note 31. 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

None in the Reporting Period.

Note 32. Information on redemption and repayment of debt and equity securities

In the Reporting Period, no events took place in connection with redemption or repayment of debt or equity securities.

Note 33. Dividend paid or declared, in total and per share, with a division into ordinary and preference shares

In the Reporting Period, the Group did not pay or declare any dividends.

Note 34. Fair value of the individual classes financial assets and liabilities

Category as per IFRS 9	Book value		Fair value		
	30 December 2020	30 December 2019	30 December 2020	30 December 2019	
Financial assets					
Loans granted	WwgZK	-	239	-	239

Trade receivables	WwgZK	4	-	4	-
Other receivables	WwgZK	527	935	527	935
Cash and cash equivalents	WwWGpWF	10,325	4,206	10,325	4,206
Total		10,856	5,380	10,856	5,380
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	-	-	-	-
Bond liabilities	WwWGpWF	3,630	-	3,198	-
Finance lease liabilities	PZFwgZK	-	1	-	1
Trade liabilities	PZFwgZK	401	1,048	401	1,048
Other liabilities	PZFwgZK	724	882	724	882
Total		4,639	1,931	4,639	1,931

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

Except for the item Bond liabilities, the fair value of financial instruments that the Company held as at the Balance Sheet Date and 31 December 2020 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.

Bond liabilities were subjected to valuation due to the fact that they represent complex financial instruments, as series A registered bonds are convertible into series U shares of the Parent Company. At the initial recognition, the value of the complex financial instrument was assigned to equity and to liabilities.

Note 35. Capital management

The key goal of the Group's capital management is to maintain safe capital ratios to facilitate the Group's operations and increase its value.

CAPITAL MANAGEMENT	31.12.2020	31.12.2019
Interest bearing borrowings	320	-
Bonds issued	3,199	-
Trade and other liabilities	1,128	1,931
Less cash and cash equivalents	-10,478	-4,206
Net debt	-5,831	-2,275
Equity	10,386	6,907
Equity and net debt	4,555	4,632
Leverage	-128%	-49%

Note 36. Description of the post-employment benefit plan

The Group does not operate any post-employment benefit plans within the meaning of IAS 19.

Note 37. Proposed profit distributions (loss cover) for the financial year

The Parent Company's Management Board proposes to cover the reporting period's loss of PLN 8,579 thousand from the supplementary capital. The remaining uncovered portion of the loss for the financial year exceeding the value of supplementary capital will be covered by future years' profits.

Note 38. Explanations to the statement of cash flows

	figures in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
PBT presented in the statement of comprehensive income		-8,579	-24,125
PBT presented in the statement of cash flows		-8,579	-24,125
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS			
Realized interest on financing activities		1	18
Realized interest on investing activities		-5	-52
Unrealized interest on financing activities		40	-18
Unrealized interest on investing activities		-	-
Total interest and dividends:		36	-52
CHANGE IN THE BALANCE OF RECEIVABLES			
Change in the balance of trade receivables		-3	7
Other receivables		405	-475
Total change in the balance of receivables		402	-468
CHANGE IN THE BALANCE OF LIABILITIES			
Change in the balance of trade liabilities		-645	682
Other liabilities		-177	232
Total change in the balance of liabilities:		-822	914
Cash and cash equivalents at the end of the period		01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019

Statement of cash flows	10,477	4,207
Statement of financial position	10,478	4,206

The amount of PLN 2,345 thousand presented in the 2020 statement of cash flows as “other adjustments” refers to the cost of remuneration included in the statement of comprehensive income in respect of the valuation of the incentive scheme.

Note 38. Related party transactions

YTD 2020 QUARTERS	figures in PLN thousand	to	to	to key	to other related
		associates	joint ventures	management personnel*	entities **
Purchase of services		-	-	-	124
Loans granted		-	-	-	-
Financial expenses – interest on loans		-	-	-	16

YTD 2019 QUARTERS	figures in PLN thousand	to	to	to key	to other related
		associates	joint ventures	management personnel*	entities **
Purchase of services		-	-	-	24
Loans received		-	-	-	-
Financial expenses – interest on loans		-	-	-	20

* 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 Group entities do 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.

Note 39. Net revenue from sales

NET REVENUE FROM SALES	01.01.2019 -	01.01.2019 -
	31.12.2019	31.12.2019

Revenue from research and development services	34	-
Revenue from the sale of products	30	-
Revenue from grants	2,230	2,063
Total net revenue from sales	2,294	2,063

Note 40. Information about seasonality of business and cycles

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

Note 41. Operating segments

The entity's reporting segments are based on product groups.

As at the Reporting Date, the Group distinguished two product groups:

- silver-based conductive nanoinks;
- research services related to printing on client-supplied substrates in the manner specified by the client, in order to demonstrate the suitability of the XTPL Group's technology to solve technological production problems (Proof of Concept).

SALES REVENUE BY SEGMENTS	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Nanoinks	30	-
Research and development services	34	-
TOTAL	64	-

Note 42. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Depreciation/ amortization, including		673	645
– depreciation of tangible assets		332	409
– amortization of intangible assets		123	236
Use of raw materials and consumables		673	1,011
External services		3,683	5,273
Cost of employee benefits		5,676	18,463
Taxes and charges		55	149
Other costs by type		161	664
Value of goods and materials sold		-	-
Total costs by type, including:		10,921	26,205
Items reported as research and development costs		2,828	7,316
Items reported as cost of finished goods sold			

Items reported as general and administrative expenses	7,821	18,834
Change in finished goods		
Cost of producing services for internal needs of the entity	272	55

Recognition of costs related to the valuation of the incentive scheme in the total amount of PLN 2,345 thousand (PLN 395 thousand recognized in the cost of research & development, and PLN 1,950 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 Group'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).

Note 43. Employment

As at the Balance Sheet Date: 22 people

At the end of 2019: 32 people

Note 44. Cost of employee benefits

COST OF EMPLOYEE BENEFITS	1.01.2020 - 31.12.2020	1.01.2019 - 31.12.2019
Salaries under employment contracts	2,178	3,941
Salaries under civil law contracts/ contracts for specific work	643	617
Social security and other benefits	510	878
Costs of the incentive scheme	2,345	13,026
Total	5,676	18,462

Note 45. Incentive scheme

In the reporting period, in the statement of comprehensive income the Group 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 2019. 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 2,345 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 2,345 thousand 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).

The table below presents the Group's result with and without the effect of the incentive scheme valuation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	WITHOUT THE INCENTIVE SCHEME	WITH THE INCENTIVE SCHEME
	PLN`000	PLN`000
Continued operations		
Sales	2,294	2,294
Revenue from the sale of services	34	34
Revenue from the sale of products	30	30
Revenue from grants	2,230	2,230
Cost of sales	2,433	2,828
Research and development expenses	2,433	2,828
Cost of finished goods sold	-	-
Gross profit (loss)	-139	-534
General and administrative expenses	5,737	7,687
Other operating income	199	199
Other operating costs	11	11
Write-off of goodwill	496	496
Operating profit (loss)	-6,184	-8,529
Financial revenues	21	21
Financial expenses	71	71
Profit/ loss before tax	-6,234	-8,579
Income tax	-	-
Net profit (loss) on continued operations	-6,234	-8,579

Note 46. Other operating income

OTHER OPERATING INCOME	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Gain on disposal of non-financial fixed assets	2	-
Provision released	-	-
Reversal of impairment allowances on assets	-	-
Other income:	197	5
damages and penalties received	-	-
COVID-19 financial shield	175	-
reimbursement of court costs	-	-
Other	22	5
Total other operating income	199	5

Note 47. Other operating costs

OTHER OPERATING COSTS	1.01.2020– 31.12.2020	1.01.2019– 31.12.2019
Loss on disposal of non-financial fixed assets	-	-
Provision released	-	5
Creation of impairment allowances on assets	-	-
Other costs:	11	5
penalties, fines, damages	-	-
Donations	-	-
Other	11	5
Total other operating costs	11	10

Note 48. Financial revenues

FINANCIAL REVENUES	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Interest on bank accounts	5	52
Interest income on loans	16	18
Total net financial revenues	21	70

Note 49. Financial expenses

FINANCIAL EXPENSES	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Financial expenses in respect of finance leases	-	2
Interest expense on bonds	30	-
Other interest expenses	4	2
Interest expense in respect of a loan received	1	16
FX losses	32	83
Total financial expenses	67	104

Note 50. Reconciliation of the effective tax rate

RECONCILIATION OF THE EFFECTIVE TAX RATE	1.01.2020– 31.12.2020	1.01.2019– 31.12.2019
Gross profit/(loss) before tax on continued operations	-8,079	-24,125
Profit/(loss) before tax on discontinued operations	-	-
Profit/(loss) before tax	-8,079	-24,125

Tax at the Polish statutory rate of 19%	-1,535	-4,584
Unrecognized deferred tax assets in respect of tax loss	1,521	1,792
Non-tax deductible costs	566	3,399
Increase in tax costs	-	-
Non-taxable revenues	-492	-534
Tax at the effective tax rate	-	73
Income tax (charge) recognized in the statement of comprehensive income	-	73
Income tax attributable to discontinued operations	-	-

Note 51. Discontinued operations

No discontinued operations occurred either in the current or in the previous reporting period.

Note 52. Types and amounts of changes in estimates presented in prior periods of the present financial year or changes to estimates presented in prior financial years

In the Reporting Period, no changes to estimates were made.

Note 53. Correction of errors from previous periods

In the Reporting Period, no corrections were made on account of errors from previous periods.

Note 54. Tax settlements

Tax payment and other regulated areas of business (including customs or currency-related activities) may be subject to inspection by administrative bodies, which have the right to impose high fines and sanctions. In the absence of well-established legislation, Polish regulations tend to be unclear and inconsistent. There are frequent differences in interpretation of tax regulations both within State administration bodies and between such bodies and corporations, which gives rise to uncertainties and conflicts. As a result, the tax risk in Poland is substantially higher than in the countries with a more mature tax system. Tax payments may be inspected for five years after the year when the tax was paid. As a result of inspections, additional tax may be assessed for the Group in addition to the tax paid before. In the Company's opinion, as at the Balance Sheet Date, appropriate provisions existed for the identified and quantifiable tax risk.

Note 55. Hedge accounting

The Group does not use hedge accounting.

Note 56. 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 Reporting Period, 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

Note 57. 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 Reporting Period no material settlements were made on account of court cases.

Note 58. Information about changes in the economic position and operating conditions which might have a material impact on the fair value of the Company's financial assets and liabilities, whether those assets and liabilities are recognized at fair value or at adjusted purchase price (amortized cost)

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

Note 59. 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 2019 amounts to PLN 2,230 thousand. It is caused by the payment of the next two tranches of subsidies totalling PLN 2,230 thousand. At the Balance Sheet Date and until the date of approval of the 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 financial statements there were no undisclosed liabilities resulting from any agreements of material value.

CONTINGENT LIABILITIES	31.12.2020	31.12.2019
Promissory notes	8,387	6,157
Total contingent liabilities	8,387	6,157

Note 60. 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.

Note 61. Information about the influence of changes in the composition of the Company during the financial year, any business combinations, acquisition or loss of control over subsidiaries, long-term investments, restructures or discontinued businesses.

On 3 November 2020, the Parent Company acquired shares in TPL Sp. z o.o. based in Wrocław. The Issuer acquired a total of 100 shares of TPL, constituting 100% of the share capital of TPL, with a nominal value of PLN 50.00 (fifty) each. The shares were acquired from three shareholders, i.e.:

- 33 shares in the share capital of TPL from Sebastian Młodziński;
- 33 shares in the share capital of TPL from Adriana Pankiewicz;
- 34 shares in the share capital of TPL from Filip Granek.

The shares in the share capital of TPL were acquired without remuneration, but as a donation from each of the TPL shareholders to the Parent Company. Under the agreement with XTPL S.A., TPL acts as the administrator of the employee incentive scheme, which is an important part of managing and motivating the Group's employees and collaborators, contributing to the Group's business development and value generation. The acquisition of 100% of shares of TPL, and thus taking over full control over TPL, eliminates the risks associated with the management of the incentive scheme by a third party whose ownership structure does not reflect the Group's ownership structure.

Note 62. Remuneration, bonuses or benefits for members of the Company's bodies

Management Board of the Parent Company

Name	Role	2020	2019
Filip Granek	CEO	433.5	1,442.9
Maciej Adamczyk	Management Board Member until 27.02.2020	79.1	1,290.8
Jacek Olszański	Management Board member from 30.06.2020	120.5	-

The value of remuneration includes remuneration under an employment contract and benefits from participation in the incentive program, valued according to the exchange rate as at the date of granting the shares.

Detailed information on the conditions and amount of remuneration of the Management Board:

Filip Granek – Management Board President

Receives remuneration based on an employment contract at PLN 30,000 gross monthly. He did not receive any bonus or reward for the Reporting Period. As part of the incentive scheme for 2019, he was granted the right to acquire 1,000 shares of the Issuer.

Maciej Adamczyk – Management Board Member (until 27 February 2020):

He received remuneration on the basis of an employment contract at PLN 20,000 gross monthly and appointment-based of PLN 10,000 gross monthly. He did not receive any bonus or reward for the Reporting Period. In connection with the termination of his role as a Member of the Management Board and termination of his employment, which took place after the Balance Sheet Date, Maciej Adamczyk received payment in lieu of unused vacation.

Jacek Olszański – Management Board Member (from 30 June 2020):

Receives remuneration based on an employment contract at PLN 20,000 gross monthly. He did not receive any bonus or reward for the Reporting Period. As part of the incentive scheme for 2019, he was granted the right to acquire 1,250 shares of the Issuer.

Supervisory Board of the Parent Company:

Name	Role	2020	2019
Wiesław Rozłucki	Chairman of the Supervisory Board	96.0	96.0
Bartosz Wojciechowski	Deputy Chairman of the Supervisory Board	14.0	12.0
Andrzej Domański	Deputy Chairman of the Supervisory Board from 05.11.2020	3.7	-
Piotr Lembas	Supervisory Board Member	12.0	12.0
Sebastian Młodziński	Supervisory Board Member until 09.01.2020	0.3	12.0
Konrad Pankiewicz	Supervisory Board Member until 29.06.2020	6.0	12.0
Herbert Wirth	Supervisory Board Member until 10.01.2020	11.7	-
Beata Turlejska-Zduńczyk	Supervisory Board Member until 30.06.2020	6.0	-

Members of the Supervisory Board receive a fixed monthly remuneration of PLN 1,000 (except for the Chairman, whose monthly remuneration is PLN 8,000 and Deputy Chairmen, whose monthly remuneration is PLN 2,000).

Audit Committee of the Parent Company:

Name	Role	2020	2019
Wiesław Rozłucki	Chairman of the Audit Committee	12.0	8.0
Sebastian Młodziński	Member of the Audit Committee	0.3	8.0
Piotr Lembas	Member of the Audit Committee	12.0	8.0
Herbert Wirth	Member of the Audit Committee	11.0	-
Andrzej Domański	Member of the Audit Committee	1.2	-

Members of the Audit Committee receive a fixed monthly remuneration of 1,000 PLN.

Note 63. Transactions with the audit firm

On 9 August 2019, the Parent Company concluded an agreement on audit of the standalone and consolidated financial statements with 4AUDYT sp. z o.o. with its registered office in Poznań (60-846) at ul. Kochanowskiego 24/1, with share capital of PLN 100,000.00, NIP 7811817052, entered under KRS number 0000304558 in the National Court Register, Register of Entrepreneurs kept by the District Court for Poznań Nowe Miasto i Wilda in Poznań.

4AUDYT sp. z o.o. is an audit firm in accordance with Article 46 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight, and in accordance with Article 57 of this Act is entered on the list of audit firms kept by the Polish Audit Oversight Agency under number 3363.

The auditor was selected by the Supervisory Board by resolution No. 01/07/2019 of the Supervisory Board of XTPL S.A. of 16 July 2019 regarding the selection of an audit firm that will carry out statutory audits and interim reviews of XTPL's financial statements for two years.

The auditor's fee remuneration for auditing the consolidated financial statements of the Group for 2020 was PLN xxxxx. In the previous financial year, the Group's standalone financial statements were also audited by 4AUDYT sp. z o.o. under the agreement of 9 August 2019. The remuneration for the service amounted to PLN xxxx + VAT. During the financial year, 4AUDYT sp. z o.o. reviewed the interim condensed consolidated financial statements of the Group for the period from 1 January 2020 to 30 June 2020. The remuneration of the audit firm in this respect was PLN xxxx. In the previous financial year, the remuneration of 4AUDYT sp.z o.o. for review of the Group's interim condensed consolidated financial statements was PLN xxxx.

During the financial year, the Group did not use any services of the audit firm other than the above audit/ limited review services.

Note 64. Events after the balance sheet date that have not been reflected in the financial statements

Re-selling the nanoink transaction

On February 24, 2021, XTPL S.A. informed (ESPI Current Report No. 2/2021) about the re-ordering of the XTPL nanoink by the same contractor. This is the first re-order of the Company's product by the same entity in the history of the Company.

Agreement with Bandi

On March 25, 2021, XTPL S.A. announced the commencement of cooperation with Bandi Consortia in supporting the commercialization of XTPL technology on the Korean market. The Korean partner will officially represent XTPL and support the introduction of XTPL technology in the industry of FPD (flat panel display) and semiconductor manufacturers on the local market.

Settlement of the incentive program

On March 31, 2021, the Management Board and the Supervisory Board, in accordance with the resolution of the Extraordinary General Meeting of Shareholders of April 24, 2019, granted the Company's employees and associates the right to acquire 12,490 shares and 30,900 subscription warrants. The valuation of the granted financial instruments in 2021 is PLN 846,822.00 and will be included in the financial data for 2021.

Agreement with Yi Xin Technology Co. Limited

On April 15, 2021, XTPL S.A. announced the commencement of cooperation with Yi Xin Technology Co. Ltd. Yi Xin will act as a distributor of XTPL technological solutions on the Chinese market. Yi Xin will also be responsible for the formal introduction of XTPL products to the Chinese market, including obtaining the necessary security certificates and credentials required in trade.

Note 65. Impact of the SARS-CoV-2 pandemic on the Group's operations

It has been more than a year since the coronavirus outbreak began. The Group made preparations for remote work. The XTPL team members are provided with laptops and company phones with internet access. They can use the GSuite applications to smoothly continue work from home. Technological work is continued at the Parent Company's headquarters while maintaining all sanitary requirements announced by state institutions.

All contacts and business meetings with partners are held in the form of teleconferences. The planned actions (e.g. shipping the ink to buyers, and preparation and dispatch of samples under the technology evaluation agreements) are continued and are on track. At the same time, the technology and business departments are intensively working on acquiring new customers. To this end, the Group intends to cooperate with carefully selected distributors in local markets in Asia and the United States.

To sum up, so far the cooperation within the Company and with external partners has been running without any major disruptions. It should be noted that the XTPL business model is not based on operations in the sectors most exposed to the adverse impact of the epidemic and the global crisis. The Group is monitoring the situation on an ongoing basis, remaining in constant contact with its partners.

An outbreak of COVID-19 among XTPL employees remains the most serious risk. In this case, due to the specific nature of the operations of the technological departments, it will be necessary to suspend any work that cannot be performed remotely. Consequently, the Parent Company's Management Board identified employees whose presence is necessary for the performance of laboratory tasks, while the rest were assigned to work from home. Additionally, with peaking infections in Poland, the Company has divided its staff into two teams that do not have direct contact with each other until further notice. This is designed to limit the potential spread of contagions. The Company also maintains the virus testing procedure for each employee returning from business or leisure travel. Until the result is obtained, each tested employee must work from home.

Note 66. Acquisition of own shares

On 4 November 2020, the Issuer acquired all shares in the share capital of TPL sp.z o.o. with its registered office in Wrocław, which as at that date held 85,960 shares of the Issuer (series L and P), with a nominal value of PLN 0.10 each, representing in total approximately 4.24% of the share capital and the total number of votes of the Issuer. Thus, the Issuer indirectly acquired the above XTPL shares. Issuer's acquisition of all shares in the share capital of TPL sp. z o.o. took place in the form of donation (free of charge) by each of the TPL shareholders. Under an agreement with the Issuer, TPL sp. z o.o. acts as the administrator of the Issuer's employee incentive scheme, which is an important part of managing and motivating the Issuer's employees and collaborators, contributing to the Issuer's business development and value generation. As the Issuer, as the sole shareholder, will exercise direct corporate supervision over TPL sp. z o.o., this will increase performance by TPL sp.z o.o. of its tasks as the administrator of the incentive scheme.

From the date of the Issuer's taking control over TPL sp. z o.o. to the end of 2020, TPL sp. z o.o. sold 1,485 shares of the Issuer to the participants of the iXTPL incentive scheme. The selling price was equal to the nominal value of the shares sold, i.e. PLN 0.10 per share. On 31 December 2020, TPL Sp. z o.o. held 84,475 shares of the Issuer with a nominal value of PLN 0.10 each, representing in total approximately 4.16% of the share capital and the total number of votes of the Issuer.

Note 67. Settlement of the acquisition of TPL Sp. z o.o.

On November 3, 2020, the Parent Company acquired shares in TPL sp.z o.o. based in Wrocław. Acquisition by XTPL S.A. shares in the share capital of TPL took place without remuneration, as a donation from each of the partners of TPL to XTPL S.A. On the basis of the contract concluded with XTPL S.A., TPL acts as the administrator of the employee incentive program, which is an important element of the management and motivation of employees and associates of the Company contributing to the development of the enterprise and building the value of the Company. The acquisition of 100% of shares in TPL, and thus taking full control of TPL, eliminates the risks associated with the management of the incentive program by an external entity, the ownership structure of which does not reflect the Company's ownership structure.

As at the date of taking control, the Parent Company recognized goodwill assigned to TPL sp.z o.o. in the consolidated financial statements in the amount of PLN 496 thousand. The recognition of the goodwill resulted from the acquisition of negative net assets of TPL sp.z o.o. By the decision of the Management Board of the Parent Company, the recognized goodwill was written off in the result for 2020.

Settlement of the acquisition of shares in TPL sp.z o.o. was made taking into account the fair value of XTPL shares held by TPL. The fair value of the XTPL shares held by TPL as at the acquisition date was determined not based on the market rate, but based on the maximum nominal price at which the shares held may be sold under the incentive program, i.e. PLN 0.10 per one share.

ASSETS balance sheet	31.12.2020	ASSETS fair value	31.12.2020
-	-	-	-
TOTAL ASSTES	-	TOTAL ASSETS	-
LIABILITIES balance sheet	31.12.2020	LIABILITIES fair value	31.12.2020
Equity	-496	Equity	-496
TOTAL LIABILITIES	-496	TOTAL LIABILITIES	-496
Payment made as at the date of taking control			-
Contingent liabilities			-

Net assets	-496
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Note 68. Loans in the Group

On the Balance Day, the subsidiary TPL Sp. z o.o. disclosed a liability under loans from a natural person in the amount of PLN 320 thousand. The liabilities were repaid in the first quarter of 2021.

3.14 Uniform description of the Group's significant accounting principles

3.14.1 Intangible fixed assets

Intangible assets are recognized if:

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

The identification criteria is met if:

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

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

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

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

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

An intangible asset is recognized if, and only if:

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

Before starting the second stage of work on intangible assets, the Group's Management Board assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best

estimate of the set of economic conditions that will exist over the useful life of the asset, both on the income and cost side, including by estimating availability of the means needed to complete, use and generate benefits from the asset.

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

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

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

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

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

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

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

Intangible assets used by the Company with their useful lives:

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

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

3.14.2 Tangible assets

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

Costs incurred the after the tangible assets had been put in use, such as repair and maintenance costs and running costs are reflected in profit or loss of the reporting period in which they were incurred.

However, if it is possible to demonstrate that the expenditure caused an increase in the expected future economic benefits from ownership of the asset above the originally expected benefits, then the expenditure increases the initial value of such asset (improvement).

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

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

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

Technical equipment and machines: 4 to 15 years

Vehicles: 3 to 10 years

Other tangible assets: 2 to 4 years

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

3.14.3 Tangible assets under construction

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

3.14.4 Financial instruments

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

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

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

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

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

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

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

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

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

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

3.14.5 Impairment of financial assets

Interest carried at amortized cost

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

3.14.5.1 Loans granted and receivables from related parties

The Group performs an individual analysis of all exposures, assigning them to one of three stages:

Stage 1 – where credit risk has not increased significantly since initial recognition and where 12-month expected credit loss (ECL) is recognized.

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

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

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

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

3.14.5.2 Trade receivables

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

3.14.5.3 Cash

The Group estimates allowances based on the likelihood of default determined using external bank ratings.

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

3.14.6 Leases

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

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

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

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

As of 1 January 2019, the Group applied the requirements of the new standard relating to the recognition, measurement and presentation of lease contracts. The new standard was applied in accordance with the transitional provisions contained in IFRS 16.

The Group implemented IFRS 16 using a modified retrospective approach, therefore, comparative data for 2018 were not restated.

As at the date of the report, the Company identified a lease contract for office and laboratory space, and a lease contract for specialized equipment. Due to the commercial terms applicable to these agreements and the practical expedient provided for by the Standard, the Group excluded them from disclosure and continues to measure them as before through profit or loss.

The Company assumes that for contracts concluded for an indefinite period, with a notice period of less than 12 months but not meeting the definition of a lease, the practical expedient under IFRS 16 can be used.

A description of the initial application of IFRS 16 and the detailed accounting principles is presented in point 5.6.2 The effect of applying IFRS 16.

3.14.7 Foreign currency transactions

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

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

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

At the end of each reporting period:

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

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;

– balance sheet valuation of cash assets and liabilities other than derivative instruments expressed in foreign currencies are recognized in profit or loss.

3.14.8 Prepayments and accruals

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

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

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

Unearned revenues are measured at nominal value.

3.14.9 Equity

The Group's equity is divided into:

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

In connection with the issue of shares completed during the financial year, the Group incurred issue costs of PLN 537 thousand. Issue costs were presented in the financial statements as a decrease in the supplementary capital.

3.14.10 Provisions

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

3.14.11 Bank loans and other loans received

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

3.14.12 Borrowing costs

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

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

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

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

3.14.13 Current and deferred tax

Income tax recognized in profit or loss includes current and deferred tax. Current tax is calculated in accordance with the applicable tax law.

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

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

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

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

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

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

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

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

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

3.14.14 Revenue recognition

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

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

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

As at the Balance Sheet Date, the Group did not have any signed commercial contracts that could be the basis for detailed disclosures in accordance with IFRS 15.

3.14.14.1 Revenues from the sale of services (products)

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

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

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

3.14.14.2 Revenue from the sale of goods and materials

The Group recognized revenue from the sale of goods and materials when the following conditions are satisfied:

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

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

3.14.14.3 Interest

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

3.14.15 Grants

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

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

Grants related to income are presented under "Revenue from grants".

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. They are not credited directly to equity. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable as the above fact has been disclosed.

Grants related to income are presented as revenue, separately from the related costs which the grants are intended to compensate.

The grants are recognized as income regardless of whether they were received in the form of cash or as a decrease of liabilities.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, which is recognized and measured in accordance with IFRS 9 “Financial Instruments”, i.e. at the amount of the difference between the initial carrying amount of the loan determined in accordance with IFRS 9 and the inflows received. The grant is accounted for in accordance with IAS 20 “Accounting for government grants and disclosure of government assistance”.

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

3.14.16 Contingent liabilities

A contingent liability is defined as:

- a) a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognized in financial statements because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

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

3.14.17 Incentive scheme

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

The purpose of the incentive scheme is to:

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

IFRS 2 requires that the Group should recognize the related costs and equity increase for such transactions when the employee benefits are received. On the date when the individual tranches under the scheme vest in the eligible persons, the Group will estimate the remuneration costs based on the fair value of the awarded options. The cost determined in this way will be recognized in the statement of comprehensive income for a given period in correspondence with the equity position presented in the statement of financial position throughout the vesting period.

During the financial year, shares were allocated as part of the incentive scheme in force. A detailed description is provided in Note 45 to the financial statements.

3.14.18 Management Board’s estimates

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

3.14.18.1 Accruals for unused annual leaves

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

3.14.18.2 Useful lives of tangible assets

Each year, the Group's Management Board verifies the residual value, depreciation method and useful lives of the fixed assets which are subject to depreciation. As at 31 December 2020, the Management Board is of the opinion that the useful lives of assets applied by the Company for purposes of depreciation reflect the expected period of future economic benefits from these assets.

3.14.18.3 Deferred tax assets and liabilities

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

3.14.18.4 Asset impairment test

In accordance with the requirements of IAS 36, the Group monitors its assets in terms of impairment on an ongoing basis. At the time of a decision to start a new development project, the Group assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset, both on the income and cost side, including by estimating availability of the means needed to complete, use and generate benefits from the asset. Where there is no certainty as to the possibility of obtaining future economic benefits, technical capability or an intention to complete the development or availability of funds to complete the development or a possibility of a reliable estimate of the expenditure incurred, then development costs are recognized in the statement of comprehensive income in the period in which they were incurred (under costs of ordinary activities). At the end of each reporting period, the Group tests all previous assumptions regarding in-process development. Where there are any indications of impairment, the Group will assess the recoverable amount of the assets affected and will post relevant impairment allowances. Impairment tests are carried out to ensure that assets are carried at a value not exceeding their recoverable amount. The recoverable amount is the higher of:

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

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

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

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

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

At the end of the reporting periods presented, in the opinion of the Parent Company's Management Board there were no indications of impairment of tangible or intangible assets. As at the balance sheet date, in accordance with the International Accounting Standard 36 "Impairment of Assets", the Group performed an impairment test for the intangible assets which are not yet available for use. The test results showed that the recoverable amount of intangible assets exceeds their carrying amount, so there is no need to post any impairment allowances for those assets.

Signatures of all Management Board members of the Parent Company

Filip GrANEK
Prezes Zarządu



Jacek Olszański
Członek Zarządu



Person responsible for maintaining books of account

Wrocław, 27 April 2021

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Stabłowicka 147
54-066 Wrocław, Poland
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shaping global nanofuture

Other

4 Management Board's statements

The Management Board of XTPL S.A. declares that to the best of its knowledge the annual standalone financial statements and the comparable data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear view of the assets, financial position and profit or loss of XTPL S.A.

Signatures of all Management Board members

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu



Wrocław, 27 April 2021

5 Management Board's statement on the statutory auditor

The Management Board of XTPL S.A. hereby declares that the audit firm authorized to examine financial statements and entrusted with audit of the annual financial statements was selected in accordance with the applicable law. The audit firm and the statutory auditors performing the review met the conditions for issuing an unbiased and independent report on the review of the interim condensed financial statements, in accordance with the applicable regulations and professional standards.

Signatures of all Management Board members

Filip Graneke
Prezes Zarządu

A handwritten signature in blue ink, appearing to read 'Filip Graneke'.

Jacek Olszański
Członek Zarządu

A handwritten signature in blue ink, appearing to read 'Jacek Olszański'.

Wrocław, 27 April 2021

6 Management Board's opinion

Not applicable. The auditor has not issued any qualified opinion, adverse opinion or a disclaimer of opinion about the interim condensed standalone financial statements.

7 Approval for publication

Annual report for the period from 1 January 2020 to 31 December 2020 was approved for publication by the Company's Management Board on 27 April 2021.

Signatures of all Management Board members

Filip GrANEK
Prezes Zarządu



Jacek Olszański
Członek Zarządu



Wrocław, 27 April 2021