

X T P L[®]

shaping global nanofuture



2020 ANNUAL REPORT

XTPL S.A.

LETTER FROM THE CEO

Ladies and Gentlemen,

I am pleased to present to you the Annual Report of XTPL for 2020, an undoubtedly extraordinary and eventful year. We were confronted with a new situation related to SARS-CoV-2, which admittedly had no significant impact on our operations, but compelled us to adapt our work to the new conditions. At the same time, 2020 brought a number of breakthroughs for XTPL. We have implemented and for the first time commercialized the Delta Printing System printer, and have also started commercialization of our proprietary conductive inks. We continued consistent expansion of patent protection for our intellectual property. In addition, we successfully completed issues of shares and bonds, which secured our foundations and financial liquidity, and enabled our continued strong growth.

In research and development, we continued work on our proprietary UPD technology and its applications in the display, semiconductors and advanced PCBs sectors. With confidence and consistency, last year we achieved further milestones, including in terms of repeatability of printing, a feature that can be used to repair defects in high-resolution displays, as well as in terms of improving the operating parameters of the printing head. While keeping track of market developments, we identify new application areas for the XTPL technology, preparing it for industrial implementations for other partners. Our participation in industry events and conferences is an extremely vital part of this process. In this way, we build not only business relations or knowledge about market needs, but above all we allow the sector – including our potential counterparties – to learn about the capabilities of XTPL solutions. In 2020, we participated in several such events, and made numerous business contacts.

As regards patent protection for our technology, which is XTPL's key asset, last year our IP (Intellectual Property) Team worked with great commitment, filing 10 new patent applications during this period, including for the printing method and formulations of high viscosity inks. As at the date of publication of this Report, we already have more than 20 patent applications to our name. During meetings and in individual correspondence, many of you ask us why we put such a high premium on this area. By analyzing the market and the changes happening in the electronics industry, we can see how fast the revolution is progressing. When talking to our potential partners, we note the enormous potential of our technology, which can be implemented on the market at any moment. We must ensure that we are at the forefront of the sector as pioneers offering the most innovative and competitive technological solutions. The constant expansion of our intellectual property portfolio is aimed at creating significant lasting value of our Company for the years to come. Essentially, this protection increases the Company's credibility with its potential counterparties and is often one of the most important aspects noted during the first contact with us.

In the commercialization area, we have developed a product proposition tailored to client needs and have revamped our sales and marketing functions. These measures helped us build a valuable sales funnel and, as a result, enter into the first contracts. At this point, it is also worth emphasizing that in 2020 XTPL moved to the next stage of development – from R&D focus to the commercialization of technology solutions. The first orders and contracts are a source of pride for us and a testament to the effectiveness of our strategy. Implementation of the commercialization strategy has enabled us, among other things, to sign a lease agreement for the Delta Printing System with the Institut für Großflächige Mikroelektronik "IGM" at the University of Stuttgart. The printer is a demonstrator of our proprietary UPD technology for precise printing of micro-features, including those that conduct electricity. We are particularly pleased with this cooperation, as the strength of our relationship with IGM can build awareness of our technology in both scientific and industrial communities. As regards commercialization of the printer, as at the date of the publication of the Report, we had 22 technology evaluations completed and 30 offers placed. We have also acquired and completed the first orders for nanoinks, which were delivered to clients from the printed electronics industry in European, American, Asian and Middle East markets. From the beginning of 2020 until the date of publication of the Report, 33 offers were prepared for

the sale of XTPL nanoinks to potential customers from 14 countries. Out of these offers, 11 orders were completed for clients from 7 countries. During this period, each of the nanoinks developed by XTPL and included in the Company's product portfolio enjoyed high interest from potential buyers, which was also reflected in the orders we received. In addition, in terms of the key and target XTPL product, namely the industrial implementation of our technology, we have established cooperation in the evaluation of the UPD technology of components for the production of new-generation displays and semiconductors in lighting devices. As at the date of publication date of this Report, we are in talks, at various level of advancement, with entities from all over the world. Our potential clients operate in fast-growing and developing sectors, including display, lighting, semiconductors, biosensors, and smart glass.

In addition, in 2020, we successfully issued shares and bonds with a total value of PLN 12.8 million. The funding raised secured and improved our financial liquidity and allowed us to carry on our operating activities. Changes in our ownership structure should also be noted here. For example, we welcomed Rockbridge TFI S.A. among our significant shareholders, as it increased its stake to 6.77% in the total number of votes at the General Meeting. Furthermore, we successfully applied for funding from the National Centre for Research and Development (NCBR), which awarded XTPL a grant of over PLN 11.6 million, representing nearly 73% of the full value of the project which we had started in July 2020. The funding allows us to constantly expand and search for solutions to address important problems faced in printed electronics production on an industrial scale. All the events and circumstances presented above, as well as our hard and consistent work have led to improvement of our financial performance compared to previous years. For the first time, we have reported revenue from the sale of products and services. We quickly responded to the potential risk posed by the Covid-19 pandemic, and implemented cost containment measures, reducing our average monthly running costs to approx. PLN 650 thousand.

Last but not least, we would like to take this opportunity to thank the entire XTPL team for their daily work and commitment, and the Supervisory Board Members for constructive and successful cooperation. At the same time, we would like to thank our Shareholders, Bondholders and Investors for their trust, support and active interest in our business. We remain open to dialogue with you, and invite you to join our regular online earnings calls. Please visit our website at <https://ir.xtpl.com/pl/> for participation details.

In the meantime, enjoy reading this Report. We hope that the presented information will help you in making investment decisions relating to our Company. As always, if you have any questions or concerns, please feel free to contact us by email: investors@xtpl.com

Yours sincerely,

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

Filip Granek, PhD, CEO

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 ("**Report**") contains the Report of the Management Board of XTPL S.A. on the activities of XTPL Group ("**Group**", "**XTPL Group**") and on the activities of XTPL S.A. for the financial year 2020 ("**Management Report**"), and the standalone and consolidated financial statements of XTPL S.A. and the Group, respectively.

The Group includes the parent company and subsidiaries: XTPL Inc. with its registered office in the USA, and TPL Sp. z o.o. with its registered office in Wrocław, fully controlled by XTPL S.A. ("**Subsidiaries**", "**Subsidiary Undertakings**", "**XTPL Inc.**", "**TPL sp. z o.o.**").

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date ("**Report Date**") is 27 April 2021.

The consolidated financial statements contained in the Report mean the consolidated financial statements (including the Company and the Subsidiaries) for the year ended 31 December 2020 prepared in accordance with the International Financial Reporting Standards approved for application in the EU. The standalone financial statements contained in the Report mean the Parent Company's financial statements for the year started 1 January 2020 and ended 31 December 2020 ("**Reporting Period**"), prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

"**WSE**" – Warsaw Stock Exchange: Giełda Papierów Wartościowych w Warszawie S.A.

"**CCC**" – the Act of 15 September 2000 – Commercial Companies Code.

"**Regulation on current and financial reports**" – the Finance Minister's Regulation of 29 March 2019 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.

"**Articles of Association**" – the articles of association of XTPL S.A. available to the public at <https://ir.xtpl.com/pl/materialy/korporacyjne/>.

"**Public Offering Act**" – the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organized trading and public companies.

"**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 relates to both to XTPL S.A. and XTPL Group, unless stated otherwise.

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

TABLE OF CONTENTS

1	Financial highlights	7
2	Management Report	11
3	Shareholding structure	71
4	Corporate Governance	74
5	Other	92

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



shaping global nanofuture

Financial highlights

1 Financial highlights

1.1 Selected standalone figures

	1 January – 31 December 2020 (PLN 000)	1 January – 31 December 2019 (PLN 000)	1 January – 31 December 2020 (EUR 000)	1 January – 31 December 2019 (EUR 000)
Net revenue from sales	2,294	2,063	513	480
Profit (loss) on sales	-534	-5,253	-119	-1,219
Profit (loss) before tax	-8,182	-24,609	-1,829	-5,721
Profit (loss) after tax	-8,182	-24,678	-1,829	-5,737
Depreciation/amortization	401	590	90	137
Net cash flows from operating activities	-5,394	-8,655	-1,206	-2,014
Net cash flows from investing activities	-1,312	-2,280	-293	-530
Net cash flows from financing activities	12,849	9,564	2,872	2,223
Owner's equity	10,737	6,892	2,327	1,618
Short-term liabilities	1,097	1,900	238	446
Long-term liabilities	3,198	-	693	-
Cash and cash equivalents	10,298	4,153	2,232	975
Short-term receivables	735	936	159	220
Long-term receivables	33	291	7	68

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

1.2 Selected consolidated figures

	1 January – 31 December 2020 (PLN 000)	1 January – 31 December 2019 (PLN 000)	1 January – 31 December 2020 (EUR 000)	1 January – 31 December 2019 (EUR 000)
Net revenue from sales	2,294	2,063	513	480
Profit (loss) on sales	-534	-5,253	-119	-1,221
Profit (loss) before tax	-8,579	-24,125	-1,917	-5,608
Profit (loss) after tax	-8,579	-24,198	-1,917	-5,625
Depreciation/amortization	401	590	90	137
Net cash flows from operating activities	-5,765	-10,617	-1,288	-2,468
Net cash flows from investing activities	-817	-276	-183	-64
Net cash flows from financing activities	12,848	9,564	2,872	2,223
Owner's equity	10,386	6,907	2,251	1,622
Short-term liabilities	1,443	1,931	313	453
Long-term liabilities	3,198	-	693	-
Cash and cash equivalents	10,478	4,206	2,271	988
Short-term receivables	530	935	115	220
Long-term receivables	33	272	7	64

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

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



shaping global nanofuture

Management Board's Report on the Activities of XTPL S.A. and XTPL Group.

DEFINITIONS:

µm means micrometer, i.e. one millionth of a meter (1/1,000,000 m)

nm means nanometer, i.e. one billionth of a meter (1/1,000,000,000 m)

Adhesion means the tendency of different materials to stick together

Particle agglomeration means joining fine particles into larger parts

CAGR means Compound Annual Growth Rate – the average rate of annual growth over the period under analysis, assuming that annual increases are added to the base value of the next period

Deposition means depositing a material locally

Ink formulation means precise formulation of the ink, giving it the desired physicochemical properties

FHE (Flexible Hybrid Electronics) means an electronic circuit made on a flexible substrate containing rigid electronic components, i.e. components not susceptible to bending

IP (Intellectual Property) means intellectual and industrial property

Conductance means electrical conductivity, which is the inverse of resistance

Hydrophilic material means a material whose tendency is to attract water molecules

Hydrophobic material means a material whose tendency is to repel water molecules

Additive method means adding material to obtain a specific structure; it is the opposite of the subtractive method whereby material is subtracted to obtain a specific structure

NDA (Non-Disclosure Agreement) means a confidentiality agreement

ODR (Open Defect Repair) means repairing defects in the form of broken conductive paths in the electronic system

OLED (organic light-emitting diode) means an LED based on organic material

UPD (ultra-precise deposition) means a technology of ultra-precise printing of structures developed by the Company

Sintering process means mutual binding of particles after heating them to a temperature lower than the temperature needed to melt them

R&D means Research and Development

Resistance means electrical resistance

SEM means scanning electron microscope

2 Management Report

2.1 Summary of activities related to the commercialization of the technology developed by the Company:

In the Reporting Period, the Company continued efforts towards sale of its ultra-precise deposition (UPD) technology demonstrator – XTPL Delta Printing System – a device designed for laboratory use and rapid prototyping. The Company seeks to acquire new partners – scientific and research units and institutes – that can leverage the potential of the Company’s technology in their activities. In 2020, more than 50 talks were held with entities willing to purchase the device. In nearly 20 cases, test prints were made on clients’ substrates, in accordance with the design. The Company’s clients interested in the device include research centers, universities and institutes of technology, as well as representatives of companies from electronics, semiconductor and display sectors. As well as playing a commercial function, the provision of the technology demonstrator is one of the stages of the complex process aimed at selling XTPL technology licenses for industrial applications.

The work on commercialization of the UPD technology demonstrator has led to signing a long-term lease-purchase agreement (with a purchase option) for the XTPL Delta Printing System device with the University of Stuttgart, Institute for Large Area Microelectronics. The agreement was signed for four years, with an early purchase option. The maximum value of the agreement is EUR 190 thousand. With this agreement, the Institute has become the first user of the device equipped with the UPD technology developed by the Company.

Advanced talks are currently underway with new potential clients interested in purchasing the XTPL Delta Printing System, including esteemed representatives of the scientific community who work on innovative use of the printed electronics technology, as well as R&D departments of the largest global companies from the display, semiconductor, medical, automotive, aerospace and defense industries.

Furthermore, last year the Company maintained its focus on the tasks related to the commercialization of UPD technology in industrial applications. Some of the evaluation tests to check the readiness of the Company's technology for use in repairing open defects in OLED displays have already been completed. The results of the work in this area are being discussed with several different industry players.

In the reporting period, the Company also started talks with industrial entities regarding the use of the UPD technology for repairing also other types of advanced devices. This applies to the repair of displays made in micro-LED technology and the repair of defects in advanced integrated circuits. For both described applications, low production efficiency was one of the biggest challenges to further commercialization and to reduction of the unit price of the end product. The technology presented by the Company will solve this problem and help popularize new products (micro-LED displays and more efficient integrated circuits).

During the reporting period, the Company completed the evaluation process carried out with Hefei BOE Joint Technology Co. Ltd. related to the production of a new generation of displays. Currently, the structures

produced by XTPL are being verified before possible commencement of further stages of negotiations with the display manufacturer.

The Company continued its activities related to the sale of conductive silver inks with unique physicochemical properties. The offered products met with interest from the scientific and industrial communities working on development of new types of electronic devices with the use of additive technologies. Cooperation was started with several renowned European research centers, which has resulted in confirming the uniqueness of the offered products also in printing technologies other than UPD. Work is currently under way to extend the inks on offer to include new products adapted to other printing technologies.

2.2 Intellectual and industrial property

In the period from January to December 2020, the Company filed new 10 patent applications with the United States Patent and Trademark Office, covering further layers of intellectual property protection in the field of ultra-precise printing of micrometric features such as lines and dots, printing on steps, quality control of unique XTPL nozzles and new inks.

After the Balance Sheet Date, in 2021, the Company filed another patent application.

As at the Report Date, the Company had trademarks registered with the Patent Office of the Republic of Poland and the European Union Intellectual Property Office, as well as in China.

As at the Report Date, the Company had 21 patent applications in total.

On 23 November 2020, in reference to the ESPI Current Report No. 40/2019 of 5 September 2019, the Management Board of XTPL S.A. announced that it had updated the forecast of 5 September 2019 re the number of patent applications that the Company intended to prepare and submit in the period from 1 September 2019 to 31 December 2020.

The Company has adapted its process of filing patent application to the recommendations of the patent offices cooperating with it, an independent patent advisor and the advisors from the executive board of XTPL Inc. based in the United States. The recommendations concern, *inter alia*, an appropriate combination of new technological solutions and inventions into a single patent application. This is expected to increase the quality of individual submissions and consequently strengthen protection of the Company's intellectual property.

According to ESPI Current Report No. 45/2020 of 23 November 2020, the Management Board expected that by submitting the applications in the model described above, by the end of 2022 the number of all the Company's applications to date would be 26. As at the date of publication of this Report, the Company's Management Board does not see any risk to achieving this target.

As at the Report Date, the Company had one patent approved, covering the territory of China, South Korea, Germany and the USA.

2.3 Achievements and progress in research and development

During the Reporting Period, the Company's R&D department worked on further development of the printing technology using highly concentrated conductive ink based on silver nanoparticles. The new nanoink formulation keeps the physicochemical parameters that are key to the UPD technology, associated with, e.g. high homogeneity of nanoparticle size and the prevention of particle agglomeration during the printing process. At the same time, due to the high concentration, the printed lines have a very high aspect-ratio, i.e. the height-to-width ratio after the printing head has deposited ink, i.e. after a single "pass". This is a distinguishing feature of the Company's technology as in order to obtain a similar result by competitive methods it would be necessary to deposit conductive material multiple times at the same point (multiple printing), which would cause complications and extend duration of the process.

An important advantage of using concentrated ink is the ability to print on non-flat substrates with complex topography. Such ink allows the continuity of the structure to be maintained even if it was printed, for example, on steep edges, when the substrate is not homogeneous and its layers are at different heights. An additional advantage of using the ink in question is the negligible influence of the material on which printing takes place.

In practice, this means that whether hydrophobic or hydrophilic material is used for printing, the width and height of the printed features remain almost unchanged, and so does adhesion. When using inks with a more fluid consistency (inks with a lower viscosity), the shape of the printed features depends largely on the type of substrate on which it was printed. Lower viscosity ink used on a hydrophilic substrate will "spill", increasing the track width compared with what is achieved with same parameters on the hydrophobic material.

The breakthrough technological result achieved by the XTPL R&D team is development of a capability of precise printing of conductive features that effectively cover a high step, up to 150 micrometers. With this technology, the Company has expanded the group of potential clients with whom it made contact, and started the first stages of talks on the use of the technology.

Currently, the Company's research is focused on increasing the repeatability and speed of printing connectors on substrates with advanced topography. This is achieved by optimizing printing parameters, modifying the conductive ink, fully automating the printing process, and using a script for automatic movement in 3D. As a result, the time needed to print a single conductive connection on steep edges was reduced to less than 1 second.

For the Company, this opens further application areas related to advanced electronic circuits or integrated circuits. The use of the UPD technology in these markets fits with the strategy adopted by a group of experts from the semiconductor industry (from the United States, Europe, Japan, China, South Korea and Taiwan) laid down in the documents of the National Technology Roadmap for Semiconductors (NTRS), which provide for

integration of individual electronic circuits into one integrated circuit. The precise deposition of material with a high concentration of nanoparticles started to be used in the Company's several new technological and business streams. This is testament to the uniqueness of the developed solution and its potential to be used in new technologies.

2.4 Other events related to the Issuer's technology

2.4.1 New patent applications

The Company is gradually increasing its competitive edge by filing further patent applications. During the Reporting Period, 10 patent applications were filed. Particularly important was the application for printing on non-planar substrates containing such elements as steps, trenches, vias or wells. Such substrates are common in microelectronics. The UPD method can be used to connect discrete elements such as microchips or microLEDs.

Moreover, the Company submitted two applications for the synthesis of inks. The first one – highly concentrated ink – can be used for printing 3D microstructures, which is extremely sought-after in hybrid microelectronics. The second ink is dedicated to the widespread inkjet method. The ink produced by XTPL stands out by its extremely high stability, which enables high-resolution printing without the effect of blocking nozzles in inkjet printers' heads.

After the Balance Sheet Date, in 2021, the Company filed another patent application.

2.4.2 Testing XTPL inks for various printing methods and launching a website with a nanoinks offer:

Responding to the evident market interest in patent-protected XTPL inks, a decision was made to create a special section on the Issuer's website (<https://xtpl.com/pl/produkty/nanotusze/>), that presents the advantages of the inks along with necessary technical information. XTPL conductive inks based on silver nanoparticles attract the interest of manufacturers from several industry sectors and representatives of the scientific community. The competitive advantage of nanoinks results from the suite of their carefully adapted physicochemical properties that make it possible to print homogeneous features with high electrical conductivity, ensuring above-average print stability.

The Company is currently working with R&D units in Europe to verify the compatibility and attractiveness of using XTPL inks in other printing methods, such as: ink-jet, LIFT (Laser Induced Forward Transfer), Aerosol Jet printing, electro-hydro-dynamic printing (EHD) and precise deposition. As at the Report Date, the Company had received initial feedback on two of the above printing methods. It is worth noting that one of the XTPL ink formulations is now being tested by a leading global R&D center for application in the photovoltaic industry for the purpose of advanced metallization in solar cells.

2.4.3 Achieving further milestones in technology development

XTPL attaches great value to the development of its proprietary UPD technology. In Q2 2020, critical milestones were achieved. The first is the repetitive printing of lines less than 2 μm wide, regardless of the material on which the process is carried out (printing on hydrophobic and hydrophilic materials). This success is particularly important in repairing open defects in next-generation high-resolution displays, in which, in addition to the requirement to print very narrow features, the conductive line may be printed on various materials, and regardless of the material used, it should maintain the same geometrical dimensions.

The second key technological milestone is the extension of the replaceable printing nozzle life to more than two weeks. This printing head element can be easily replaced by the device operator.

Another breakthrough technological result achieved by the XTPL R&D team is the demonstrated ability to print precise conductive features that effectively cover a high step, up to 150 micrometers. The ongoing optimization work has made it possible to increase the speed and repeatability of this type of connections, which is directly related to the potential commercialization of the described solution.

The Company's further cooperation with entities from the display industry led to the achievement of another milestone: printing structures with a width of less than 2 μm on the surface of the actual electronic layer of a high-resolution OLED displays. The result has been recognized by industry representatives as highly competitive in the ODR application. Achievement of this milestone has been helped by development of deposition of nanoinks with nanoparticle density and high viscosity. Thanks to the unique combination of process parameters, material and nozzle design, it was possible to cover sophisticated surfaces, such as an electric layer of OLED displays.

2.4.4 Presentation of the XTPL technology at international industry events

The global situation related to the coronavirus pandemic has affected not only the Company's internal work system, but also the activities outside the organization. The events planned for the first half of the year in which XTPL representatives were to take active part have been postponed or canceled. Due to limitations and logistic restrictions, the Company decided to postpone its participation in the Display Week 2020 conference, which was to take place in the USA, and decided to come back for the 2021 edition. Display Week is an industry event dedicated to display manufacturers. Its high profile is confirmed by the fact that each year it is attended by such names as LG Display, BOE and VISIONOX.

Industry events are an excellent opportunity to showcase the unique XTPL technology to leading representatives of industry and science from around the globe.

In July 2020, the Company took part in an international symposium on flexible organic electronics: NANOTECHNOLOGY 2020. XTPL was represented by Piotr Kowalczewski, PhD – Head of the Numerical Simulation Laboratory. He gave a presentation on the ultra-precise deposition technology for high-resolution printing of highly transparent electrodes in OLEDs.

Another event in which the Company took part was the NanoInnovation conference. At the event, XTPL was again represented by Piotr Kowalczewski with a presentation “Ultra-precise deposition technology enabling high-resolution printing of nanomaterials”. The NanoInnovation 2020 conference is the most important international event dedicated to nanotechnology, attended by representatives of the science and innovative industry.

July 2020 saw the Eureka GlobalStars virtual conference, at which the Company presented its operations and its proprietary technology. Participation in this event resulted in new contacts being established with potential partners for international cooperation in the future.

The Company also presented its technology during the cyclical event “The Metallization & Interconnection Workshop”, which took place at the beginning of October 2020. Last year's edition was devoted to new technologies used in the production of conductive connections in silicon photovoltaic cells. The Company was represented by its CEO Filip Granek.

Encouraged by the positive feedback received during the above industry conferences, the Company decided to organize its own webinar for participants from different parts of the world. During the event, which took place in the second half of December, the Company presented its technology of “High-resolution 3D-printed conductive features in single micron scale”. During the webinar, the CEO Filip Granek presented the innovative technology of ultra-precise deposition (UPD) for rapid prototyping of microelectronic devices.

The results prepared by XTPL’s R&D team, based on which the Company declared its willingness to participate in the International Display Workshops, were approved by the organizers of the event, thanks to which the Company gave a presentation at IDW'20. The conference was held on 9–11 December 2020. The Company was represented by Aneta Wiatrowska, PhD, XTPL Technology Director. International Display Workshops is one of the most important events in the world devoted to the design and production of new generation displays. The conference consisted of several thematic sessions on such topics as electroluminescent microdiodes (uLED), quantum dot-based displays, thin-film transistors (TFT) and micro-electromechanical systems (MEMS) for applications in modern displays. Due to this range of subjects, the conference was an excellent platform to present the capabilities of the XTPL technology to leading representatives of the world of science and industry who deal with the broadly understood display technology. Moreover, XTPL’s article “Ultra-Precise Deposition Technology for High-Resolution Flat Panel Display” was selected as one of the most outstanding papers at the event, and won the IDW'20 award.

In 2021, the Company again organized a webinar on the XTPL technology. The event took place on 16–17 February for different time zones. During the meeting, Filip Granek, the CEO of XTPL, gave a presentation entitled “Rapid prototyping in microelectronic applications”, in which he outlined the approach to prototyping microelectronic devices and components.

On 24 February 2021, Aneta Wiatrowska, PhD, XTPL Technology Director, represented the Company during the event innoLAE 2021 Innovations in Large-Area Electronics. The conference agenda included the most innovative aspects of large-area electronics. As part of the “Manufacturing” session, Aneta Wiatrowska presented a paper entitled “High-resolution Printing of Micrometric Conductive Features for LAE”.

On 22 March 2021, the LOPEC conference was held. LOPEC is the world's leading communication platform for research and solutions in the printed electronics industry. The Company was represented by Piotr Kowalczewski, PhD – Head of the XTPL Numerical Simulation Laboratory.

Another event in which XTPL took part in 2021 was the Internano Poland conference – an international forum of scientists, entrepreneurs, organizations that support business and students working in the sector of nanotechnology and technologically advanced materials. The Company was represented by Piotr Kowalczewski, PhD, who presented the Issuer's latest technological results.

The conferences in which the Company participated are key industry events related to printed electronics, nanotechnology and modern microelectronic devices (OLEDs and micro-LED displays, solar cells and sensors).

Scheduled international industry events

The Company is planning further events where it is going to present its latest technological results.

On 29 April 2021, the Ceramic Interconnect and Ceramic Microsystems Technologies (CICMT) conference will take place. The Company will be represented by Łukasz Kosior, XTPL Senior Business Development Specialist, who will give a presentation entitled “Ultra-precise printing of micrometric conductive structures for use in the integration and merging of MEMS circuits”.

On the same day, XTPL will take part in one more event: the Smart Systems Integration conference. During the conference, Aneta Wiatrowska, PhD, will present a presentation “Ultra-precise printing of micrometric conductive features for integrating intelligent systems”.

Another planned event with the Company's participation is the “Printed, Flexible, Hybrid, & InMold Electronics” conference to be held on 11–12 May 2021 via the TechBlick platform. The Company will be represented by Filip Granek, who will outline XTPL's latest technological achievements.

On 17–21 May 2021, the Display Week will be held. The Company will take part in both the conference and exhibition part of the event. XTPL has designed a virtual stand complete with information about the Company and technological results. The virtual stand will allow the Company to make contact with giants from the deep-tech sector. In addition, during the conference part, Aneta Wiatrowska will give a presentation on “Ultra-precise printing of conductive micrometric connections for high-resolution micro-LED displays”.

In Q2 2021, the Company will take part in the International Conference on Display Technology, an event scheduled for 30 May–2 June. The Company will be represented by Filip Granek.

2.4.5 Development and commercialization of the XTPL UPD technology demonstrator

In 2020, the Company continued its efforts to sell further UPD technology demonstrators. Currently, more than 50 talks are under way with entities willing to purchase the device. Nearly 20 of these entities are at the stage of making test prints on their own substrates, in accordance with the agreed design. The Company's clients include research centers, universities and institutes of technology, as well as representatives of companies from electronics, semiconductor, display and other sectors. As well as playing a commercial function, the provision of the technology demonstrator is one of the stages of the complex process aimed at selling XTPL technology licenses for industrial applications.

2.4.6 Potential integration of the XTPL UPD technology in devices of manufacturers of advanced printing devices

Four entities from the EMEA region, manufacturers of printers for pilot and small-series production of advanced electronics, approached XTPL in order to look into the possibility of integrating the XTPL technology into those devices. The potential sale of a complete printing module that supports the UPD technology, and then the supply of consumables is an attractive prospect for the Company. Increasing the variety of devices in the market will help the Company reach more customers and make inroads into new markets. Given the diversity of the target markets of individual partners, it is possible that contracts will be signed with each of them separately.

2.5 Key information about the activities

2.5.1 Description of operations and basic products and services

XTPL operates in the nanotechnology and microelectronics segment. The Company develops and commercializes its globally innovative platform technology of ultra-precise printing of nanomaterials, protected by an international patent application. The breakthrough nature of the XTPL method is based on the unique combination of features such as additive material deposition, deposition accuracy, inks with high concentration of silver nanoparticles, and no need to use an electric field on the substrate during the printing process. In addition, the method ensures major time and material savings, and uses the traditional advantages of printing such as scalability, cost effectiveness, simplicity and speed. Thanks to dedicated inks, the XTPL method can be used to make prints that have been so far unachievable by means of any other methods. Due to its platform character, the Company's solution will find application in the broadly understood printed electronics industry.

TECHNOLOGY:

One of the biggest achievements of XTPL is the innovative Ultra Precise Deposition (UPD) technology. The XTPL printing head, equipped with a special nozzle, applies ink to the substrate to create designed structures with a width as small as 1 μm . For comparison, most of the methods of printing electronic materials available on the market with difficulty reach the value of 20 μm , and only single manufacturers declare that they achieve

values around 10 μm . The Company's solution can be used on most typical substrate materials, including flexible or curved ones. The UPD technology can be used to print both simple lines as well as patterns and microdots. Simplicity, unparalleled precision, speed and versatility are the features that make the Company's solution unique.

NANOINKS:

Nanoinks with a unique formulation are one of the elements of XTPL's ultra-precise printing method. The materials developed by the in-house R&D department have dedicated physicochemical properties enabling full utilization of the UPD method's potential. In this way, the Company can develop the additive technology comprehensively, with concurrent work on the ink deposition head and constant adaptation of the deposition material. Most of the inks developed and used by XTPL are based on silver nanoparticles. Other elements are also used, including gold, copper and platinum, as well as quantum dots, for example. Owing to the diversity of materials, XTPL can flexibly respond to the needs of the market and individual clients. The XTPL method can also accommodate many commercially available materials, which may expand the area of its application in the future, giving customers real technological versatility.

APPLICATION:

At present, the Company is focusing on commercialization of its technology in selected application fields. The first field is displays, where XTPL intends to offer open defect repair (ODR) in the first place. Along with the development of displays, increasing their resolution and functionality, the level of their miniaturization and the density of conductive paths also increases. A side effect of this development is a greater likelihood of critical defects, including broken conductive paths. For manufacturers, this means losses generated already on the production line as a result of the need to reject panels that fails quality tests. Due to the current lack of competitive technology, XTPL stands the chance to be the first and, for the time being, the only market player to introduce a proprietary solution, which will ensure a significant reduction of production losses without compromising the quality of the repaired displays. Next, the Company plans to provide the display industry with solutions that will help achieve a significant increase in the resolution of a new class of displays, also for new, flexible substrate types.

In the long run, the Company intends to develop its solution for new market segments. The XTPL technology may be implemented in the semiconductor industry also as a sought-after alternative for photolithography or in new types of connecting integrated circuits with PCBs, and, for example, facilitate the fabrication of innovative security printing solutions, functional and effective biosensors and high-performance photovoltaic panels. The technological revolution in which the Company is to play a vital role is about enabling the manufacture of complex and complicated electronic devices using cheap and scalable printing methods.

2.5.2 Business model, strategy and development outlook

XTPL is a supplier of advanced ultra-precise technology for nanomaterials printing. It develops and commercializes the technology in a way dedicated to a specific application field, and will rely primarily on the selected model:

- **LICENSING:**

The Company develops a technological solution dedicated to a particular application field, which is licensed to a partner who on its basis builds devices that allow the technology to be used in industry. In this case, the Company generates revenues from license fees related to the sale of devices equipped with the developed technology.

- **STRATEGIC PARTNERSHIP AND DISTRIBUTION AGREEMENTS:**

The Company develops a technological solution dedicated to a particular application field; the solution is then commercialized in cooperation with a strategic partner under a joint venture agreement. In this case, commercialization tasks are divided between the partners in accordance with their competencies and potential. The Company participates in profits achieved through the joint venture. Another possible option is to acquire a distributor for the Company's technology and products in a particular geographical region. In this case, the terms of cooperation and contracts will be determined depending on the market, the distributor's position, and the obligations agreed by the Parties.

- **SALE OF PRODUCTS**

The Company also develops sales of its proprietary products: Conductive nano-inks, based on silver nanoparticles, intended for use in printed electronics, and also adapted to other printing methods such as Ink Jet, Aerosol Jet and LIFT, and laboratory and prototyping printers complete with the necessary consumables. A lab printer can be both a revenue source when sold to research institutes and industrial R&D departments, and an intermediate step towards licensing revenue in deals with business partners. Cooperation in the two areas will be based on a mutual exchange of experiences and knowledge, while the device will be delivered on commercial terms. In addition, each demonstrator sold will generate a stream of revenue from consumables, such as ink, cartridges, capillaries, as well as services, including consulting, research and maintenance (for the machines and software).

The choice of the optimal business model depends on the specific customer in the particular application field. Current talks take into account both of the above-mentioned business models, and the appropriate model is selected during the relationship-building process.

The market the Company wants to reach with its technology is growing rapidly. In 2019, the value of the entire printed, flexible and organic electronics market was estimated at more than USD 37.1 billion. Notably, the value of the market is to reach USD 74 billion by 2030 (source: IdTechEx).

XTPL's strategic goal is wide commercialization of its platform technology of ultra-precise printing of materials in the area of advanced electronics. The company seeks to adapt its technology for various application fields, and then offer the technological solution to industrial partners through various mechanisms: licensing,

strategic partnerships and joint ventures. The overarching objective of XTPL's operations is to implement nanoprining solutions adapted to market needs in selected industry sectors.

DEVELOPMENT DIRECTIONS AND FOCUS AREAS:

An exceptional feature of the XTPL technology is the possibility of its application in many fields of industry. Presented below are applications in the areas that are currently key for the Company:

Displays:

Currently, commercialization is carried out in a subsector of this market, namely the open defect repair. XTPL offers a new breakthrough solution that allows defects in conductive paths to be repaired at low cost, with precision and speed unparalleled to any other existing solution. The technology developed by the Company will help display manufacturers increase production efficiency and reduce costs associated with material losses.

In this area, the Company is conducting active talks (at various levels of advancement) with market leaders. XTPL has reached further levels of advancement in relations with entities from this market:

- Manufacturer of production machines for one of the leaders in the Korean display market – the Company is in talks on integrating a printing module into production machines for the purpose of repairing open defects in screens with a very high pixel density. In December 2020, the Company completed the first stage of technology evaluation on client-provided samples with a very good result. Now talks are underway to discuss details of the cooperation going forward.
- Suzhou Cowin Laser Technology Co Ltd – the Company started talks and the exchange of technological assumptions; the partner is a supplier for leading players in the FPD sector, such as BOE (leader of the global display market, which is working on an independent proof of concept project with XTPL); CSOT (display manufacturer based in China, producing LCD panels and developing OLED technology) and Tianma (global display manufacturer operating for over three decades, producing modern LCD displays and new display lines using the AMOLED technology). In February 2020, the Company moved to the next level of cooperation and started the proof of concept project based on the Technology Evaluation Agreement (TEA).
- Hefei BOE Joint Technology Co. Ltd. – XTPL continues its cooperation with BOE after completing preliminary experiments to evaluate XTPL' UPD technology for the next generation of displays. Currently, talks are underway to agree details for cooperation going forward and the potential use of the Company's technological solution in the process of manufacturing BOE products.

2.6 Other events

2.6.1 Professor Herbert Wirth appointed to the Supervisory Board

On 9 January 2020, XTPL shareholders appointed Prof. Herbert Wirth, the former CEO of KGHM Polska Miedź S.A., to the company's Supervisory Board. He has considerable experience in business development in global markets and unique competences and a network of contacts which will strategically strengthen the Company's business activities.

2.6.2 Recommendation of MainFirst Bank AG:

In February 2020, the German MainFirst Bank AG from the Stifel Group issued a "BUY" recommendation for XTPL shares. The "BUY" recommendation was also repeated in September 2020 at a PLN 210 price target. In addition, MainFirst recognized that the first tangible results in the commercialization process of XTPL are already visible.

The Stifel Group is particularly strong when it comes to cooperating with technology investors from many countries, including the United States. In Europe, MainFirst services about 700 companies. XTPL is the first company from Poland and Central and Eastern Europe for which the broker published an analysis.

2.6.3 Dual listing on the Frankfurt Stock Exchange

On 6 March 2020, the Frankfurt Stock Exchange consented to admit XTPL shares to the Quotation Board segment, which is a part of the Open Market. The Company did not incur any costs related to this operation, as the introduction of its shares to trading resulted from the initiative undertaken, independently from the Company, by one of the German institutions responsible for the process of trading shares of selected companies on the German stock exchange ("Spezialist"). In this case it is Baader Bank AG. XTPL shares are traded on a dual-listing basis, with the Warsaw Stock Exchange remaining the Company's main trading floor.

2.6.4 Extraordinary General Meeting of Shareholders of 8 June 2020

On 8 June 2020, an Extraordinary General Meeting of Shareholders took place. The EGM adopted resolutions regarding the issue of shares and convertible bonds. Details regarding the General Meeting and the issues are specified in ESPI Current Reports Nos. 12/2020, 13/2020 and 17/2020.

2.6.5 Annual General Meeting of Shareholders of 30 June 2020

On 30 June 2020, the Annual General Meeting was held. Among other things, it approved the financial statements and reports on activities, and appointed the Supervisory Board for a new term. Details are specified in ESPI Current Reports Nos. 15/2020 and 23/2020.

2.6.6 Beata Turlejska-Zduńczyk appointed to the Supervisory Board

On 30 June 2020, XTPL shareholders appointed Beata Turlejska-Zduńczyk to the Supervisory Board. Beata Turlejska-Zduńczyk is a Managing Partner of the Leonarto Fund and is responsible for managing the fund's investment portfolio (the fund invests in technology companies).

2.6.7 Jacek Olszański appointed to the Management Board

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), the Supervisory Board appointed Jacek Olszański to the role of Management Board Member. Jacek Olszański joined XTPL S.A. in October 2018, and so far has served as the financial manager. Jacek Olszański has 20 years' hands-on experience in finance and controlling gained in corporate groups. Previously worked for KGHM Polska Miedź S.A. and Selena Group, where he held a number of managerial functions. Jacek Olszański previously was Supervisory Board and Audit Committee member at companies from various sectors, including companies listed on the Warsaw Stock Exchange.

2.6.8 Issue of shares and convertible bonds

In June and July 2020, the Company issued series T shares and bonds convertible into shares of the Company (the decision to start activities aimed at obtaining financing by issuing shares and convertible bonds was announced on 11 May 2020 in ESPI Current Report No. 12/2020) . Overall, the Company's proceeds from the issue of shares and convertible bonds were PLN 12,849,952, including PLN 3,599,952 in connection with the issue of the bonds convertible into shares. The subscription for series T shares was completed on 23 June 2020 (in accordance with ESPI Current Report No. 20/2020), while the convertible bonds were issued on 30 July 2020 (in accordance with ESPI Current Report No. 29/2020). The proceeds from the issue of shares and convertible bonds will be used for R&D, continued commercialization, and extension of the intellectual property portfolio. The convertible bonds will not be introduced to organized trading. In turn, the series T shares were admitted and introduced to trading on the regulated market operated by the WSE on 28 August 2020.

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, i.e. PLN 74 per bond. The bonds are to be redeemed on 30 July 2022. They have a fixed rate of interest of 2% (two percent) 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.

2.6.9 Presenting XTPL at international investor events

In 2020, the Company actively participated in the most important investor events. The restrictions caused by the coronavirus pandemic resulted in those events being rearranged as online meetings.

In the opinion of the Company's Management Board, participation in such events is of critical importance, as it not only builds recognition and credibility of the business, but also allows the Company to showcase its technological achievements to a wide forum. In addition, the feedback received by the Company as a result of participation in such events ensures regular verification of its development strategy and commercialization processes. This contributes to creating a precious long-term value of the Company.

Event	Date	Idea
Polish Capital Market Days	22.06.2020	The conference included a series of online meetings (webinars) with representatives of companies operating in industries such as gaming, IT and new technologies.
GPW Innovations Day	23.06.2020, 22-23.09.2020	A cyclical conference organized by the WSE and its partners, during which investors have the opportunity to see the most interesting and innovative companies listed on the Warsaw Stock Exchange, as well as entities that are just planning to debut.
Equity Forum Fall Conference	1-3.09.2020	One of the largest capital market conferences in Germany, which enables industry dialogue on market developments, innovations and future trends. During the three-day event, the Company's Management Board held numerous meetings with international investors, analysts and journalists.

Moreover, in 2020 the Management Board of XTPL decided to organize its own earnings conferences, including in the form of videoconferences. After the publication of the Q1 2020 report, two earnings calls

were held at the beginning of June: two in Polish and one in English. Earnings calls in this form were also held after the publication of the H1 2020 report (in September) and the Q3 report (at the beginning of December). The agenda of all these meetings is similar: in the first part, the Company's Management Board presents and discusses the financial results achieved in a particular period, the key events, progress with commercialization, technological achievements, and short-term plans, followed by a Q&A session. The conferences are very popular among the Company's investors and shareholders, and the Management Board's intention is to continue them in the online form.

2.6.10 Scheduled international investor events

In connection with the publication of the 2020 Annual Report on 27 April 2021, two earnings calls will be held with the Management Board of XTPL S.A. The first meeting is scheduled for 28 April, and will be in Polish. The second meeting, to be held on 29 April, will be in English. During both calls, the Company's Management Board will present and discuss the financial results and the key events and achievements of the previous year.

Investor conferences in 2021

Event	Date	Idea
VIRTUAL ZÜRS	12-14.04.2021	A conference organized by Raiffeisen Bank International, during which XTPL representatives held a series of meetings with institutional investors.
Equity Forum Spring Conference	17-19.05.2021	One of the largest capital market conferences in Germany, which is an opportunity to engage in dialogue on market developments, innovations and future trends. The event focuses on presentations by companies showcasing their activities, achievements and business strategies. During the three days of the conference, the XTPL Management Board will meet with investors, analysts and journalists.

2.6.11 Investment funds managed by Rockbridge TFI S.A. among significant shareholders of XTPL

On 31 August 2020 (ESPI Current Report No. 35/2020), the Issuer received a notification pursuant to Article 69 of the Act on Public Offering from Rockbridge TFI S.A., stating that the funds managed by Rockbridge TFI S.A. had increased their stakes in the Issuer's share capital above 5%.

2.6.12 Purchase of shares in TPL

On 3 November 2020, the Issuer acquired all shares in TPL sp. z o.o. based in Wrocław. The shares in the share capital of TPL were acquired without remuneration, but as a donation from each of the TPL shareholders to the Issuer.

Under an agreement with the Issuer, TPL 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.

2.6.13 Andrzej Domański appointed to the Supervisory Board

On 5 November 2020, XTPL shareholders appointed Andrzej Domański to the Supervisory Board. Andrzej Domański was recommended as the Deputy Chairman of the Supervisory Board by a significant shareholder – Rockbridge TFI. The Supervisory Board member has many years of managerial experience, and holds the CFA designation.

2.6.14 Lease-purchase agreement for the "XTPL Delta Printing System"

On 23 November 2020, the Company signed an agreement with the Institute for Large Area Microelectronics (IGM) in Stuttgart for a long-term lease of the "XTPL Delta Printing System" printer with a purchase option. The maximum value of the agreement is EUR 190 thousand, i.e. approx. PLN 880 thousand. This event is a milestone in the Company's history, a transition to the commercialization phase of the unique UPD technology.

Currently, the Management Board of XTPL is conducting further talks, which may lead to signing further similar agreements. The Issuer will communicate them by means of current reports.

2.6.15 Information on signing an NCBR grant agreement

On 28 December 2020, the Issuer received information that on 23 December 2020, the National Centre for Research and Development ("NCBR") had signed a grant agreement with the Issuer under NCBR's "Fast Track" competition 1/1.1.1/2020. The grant relates to the Issuer's project "Innovative technology for precise deposition of conductive mesh for application in new generation OLED displays" (the "Project").

The main objective of the Project is to develop an additive printing technology of ultra-precise metallic structures designed to reduce resistance of the transparent cathode in new generation TE-OLED displays.

- The total cost of the Project is: PLN 16,003,028.33;
- Grant: PLN 11,673,831.24;
- Implementation period: 01.07.2020 - 30.06.2023.

2.7 Description of operations and basic products

During the Reporting Period, the Company continued work on commercializing its UPD technology demonstrator – the XTPL Delta Printing System – to conduct R&D activities and prototyping, as well as to carry out small-scale production. The Company signed the first commercialization agreement for the lease of this device with the Institute for Large Area Microelectronics (IGM) in Stuttgart. Currently, tens of discussions are being held with other potential buyers of the technology demonstrator.

Nanoink, another product offered on commercial terms, is one the key elements of the XTPL technology, protected by international patent applications. Currently, further deliveries are being made to representatives of the display industry as well as to leading research institutes in Europe. The sale of nanoink confirms the partners' significant interest in the Company's technology, unlocking further commercial opportunities.

The Company adapts the conductive ink to the requirements of particular technologies. One of the key requirements is the acceptable ink viscosity range. The product offered attracted interest due to its unique parameters, as well as its top quality and repeatability.

With the small size of silver nanoparticles, in the range of 35 to 50 nm, their high stability and high electrical conductivity after the sintering process, the product is attractive for the ongoing development projects in the field of printed electronics.

The Company continues to focus on commercialization of its technology in several application fields. The first one is displays – here XTPL in the first place intends to offer the open defect repair technology for repairing conductive structures whose defects are responsible for dead pixels occurring in displays, particularly in high-resolution matrices, already at the production stage. Next, the Company plans to provide this industry with solutions that will help achieve a significant increase in the resolution of a new class of displays, even on flexible substrates.

Another application field in which the Company's technology has been proven as unique is FHE (Flexible Hybrid Electronics). This new, rapidly developing area of the electronic market introduces the use of "rigid" electronic components on flexible substrates. However, the integrated circuits used cannot be electrically connected to the flexible substrate by means of the common Wire Bonding method as this connection would be too susceptible to mechanical damage. With XTPL's technology this solution can be replaced in the products from the FHE area. Given the ability to print a fine conductive path, less than 2 μm wide, the resistance to multiple bending will be maintained in addition to ensuring further miniaturization of the "packaging" of the integrated circuit.

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

After the Balance Sheet Date, on 24 February 2021, the Issuer advised that it had received another order for the purchase of CL85 nanoink based on silver nanoparticles – which is used e.g. for applications in the LIFT (Laser Induced Forward Transfer) technology – from a Western European research center conducting research in the nanotechnology sector.

In the opinion of the Company's Management Board, the fact that the buyer made another order for the nanoink is a confirmation that the product is of high quality and meets the customer's requirements. The key value of the order is that it confirms the commercialization potential of the Company's proprietary technologies. Acceptance of the product by market buyers, the possibility of obtaining credentials, and further development of nanoink sales will have a positive influence on the Issuer's operations, cash flows and future financial performance.

2.8 Issuer and group

2.8.1 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 up in full.
<u>Phone number:</u>	+48 71 707 22 04
<u>Website:</u>	www.xtpl.com
<u>Email:</u>	investors@xtpl.com

The Company has the status of a public (listed) 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 and the Company use IASs/ IFRSs.

The Group's and the Company's financial year is from 1 January to 31 December.

Management Board:

from 01.01.2020 to 27.02.2020

Name
Filip Granek, PhD, CEO
Maciej Adamczyk – Management Board Member

On 27 February 2020, Maciej Adamczyk resigned from the Management Board for personal reason (ESPI Current Report no. 7/2020 of 27.02.2020).

from 28.02.2020 to 29.06.2020

Name
Filip Granek, PhD, CEO

from 30.06.2020 to 31.12.2020, and as at the Report Date

Name
Filip Granek, PhD, CEO
Jacek Olszański – Management Board Member

On 30 June 2020, the Company's Supervisory Board appointed Jacek Olszański as a Member of the Management Board (ESPI Current Report no. 22/2020 of 30.06.2020).

Supervisory Board:

As at the Balance Sheet Date:	As at the Report Date:
Wiesław Rozłucki, PhD – Chairman of the Supervisory Board, an independent Supervisory Board Member	Wiesław Rozłucki, PhD – Chairman of the Supervisory Board, an independent Supervisory Board Member
Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board	Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
Andrzej Domański – Deputy Chairman of the Supervisory Board, an independent Supervisory Board Member*	Andrzej Domański – Deputy Chairman of the Supervisory Board, an independent Supervisory Board Member*
Beata Turlejska**	Beata Turlejska**
Piotr Lembas – an independent Supervisory Board Member	Piotr Lembas – an independent Supervisory Board Member
Prof. Herbert Wirth – an independent Supervisory Board Member***	Prof. Herbert Wirth – an independent Supervisory Board Member***

* Supervisory Board Member since 5 November 2020.

** Supervisory Board Member since 30 June 2020 Konrad Pankiewicz served as Supervisory Board Member until 30 June 2020.

** Supervisory Board Member since 10 January 2020. Sebastian Młodziński served as Supervisory Board Member until 9 January 2020.

2.8.2 Group structure

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

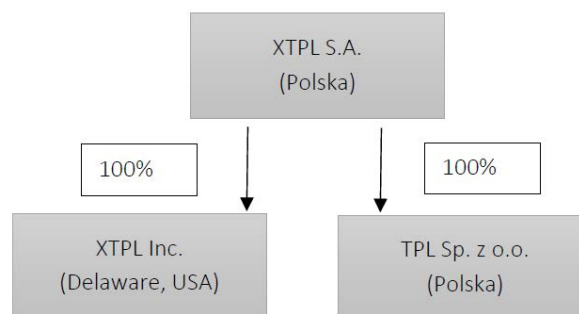
On 31 January 2019, XTPL S.A. acquired all shares in XTPL Inc., a newly formed entity based in the state of Delaware, United States. The share capital of XTPL Inc. is USD 5,000. XTPL S.A. acquired 100% of the stock at the nominal price. XTPL INC. is consolidated using the line-by-line method.

On 3 November 2020, the Issuer acquired all shares in TPL sp. z o.o. based in Wrocław. The shares in the share capital of TPL were acquired without remuneration, but as a donation from each of the TPL shareholders to the Issuer.

Under an agreement with the Issuer, TPL 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.

The Company has no plants or branches.

Structure of XTPL Group as at the Report Date:



Employment as at the Balance Sheet Date – 22 people.

2.8.3 Organizational and capital connections

Except for its affiliation with the subsidiary XTPL Inc. and the subsidiary TPL sp. z o.o., XTPL has no other organizational connections.

2.9 Business description

2.9.1 Team, benefits

Our Team:

The development of XTPL ultra-precise printing technology is a success of the Company's entire team. Technological progress is the result of intensive cooperation of engineers and specialists who pool competences of many areas of technology, business and operations.

The team structure reflects the specific nature of the labor market, which is why the Company is open to various forms of cooperation. As at the Balance Sheet Date, the Company employed a total of 26 employees and collaborators.

61.5% of the personnel are a technology team focused on laboratory work in the Application Laboratory, Nanoinks and Nanomaterials Laboratory, Mechatronic Laboratory, Material Characterization and Pre-Post Treatment Laboratory, and Numerical Simulations Laboratory. What distinguishes the XTPL technology team is its interdisciplinary knowledge in many fields, such as physics, optics, chemistry, mechanics, electronics and programming.

The technology team is backed up by an operations team, which provides support in the areas of finance, law, HR, procurement, IT and project management. At the same time, the Marketing Department is responsible for marketing and PR/IR activities. Making inroads into new markets, including development of customer relations, is the role of the Business Development Department.

Women constituted 34.6% of the XTPL team. In the Technology Team, women made up 31.2% of the workforce.

Team training and development:

Hard and soft skill training courses are implemented in consultation with the team leaders and the Company's management board. Most trainings are organized on the employees' initiative. The development of the XTPL team is promoted by regular participation in domestic and foreign conferences.

Benefits:

XTPL offers its employees a benefits package in the form of a non-wage benefits program. For its key personnel, XTPL offers an incentive scheme based on shares and warrants for the Company's shares. In addition, XTPL offers: private medical care, health & life insurance, sports program, program of awards for patent applications, the possibility of telecommuting, access to the Company's corporate library and funding for English language courses.

An incentive scheme based on the Company's shares

2.9.2 Material events and material achievements or failures

2.9.2.1 Commercialization activities in the Flat Panel Display sector (ODR)

The Company continues its cooperation with Suzhou Cowin Laser Technology Co Ltd and Hefei BOE Joint Technology Co. Ltd. in the area of repairing open defects in displays, as well as the use of the precise deposition technology for the production of new types of displays based on the OLED technology. At the same time, the Company started talks and began evaluation tests with other display manufacturers in China and Korea. Based on talks and market analyses, the Company has also focused on repairing defects in micro-LED displays. These displays use LED diodes as a light source. Due to their size, the diodes can be used as independent pixels. The biggest challenge in manufacturing is to ensure proper efficiency level. If just one in tens of millions of LEDs is not properly mounted, the display will fail the quality test. By using the UPD technology, the micro-LED diode can be mounted again connected to electricity, which will dramatically increase efficiency of the manufacturing process.

2.9.2.2 Commercialization activities in the area of advanced integrated circuits

The Company's technological solution consisting in the possibility of printing using material of very high viscosity on 3D surface topographies has attracted attention from manufacturers of advanced integrated circuits. With the UPD technology, it is possible make precise electrical connections in SiP (System-in-Package) systems, which bring together two or more integrated circuits in one housing. Entities with whom talks are being held are global top-tier producers in this area, based in North America, Asia and Europe.

2.9.2.3 Long-term lease agreement for the DELTA printer

On 23 November 2020, the Company signed an agreement with the Institute for Large Area Microelectronics (IGM) in Stuttgart for a long-term lease of the "XTPL Delta Printing System" printer with a purchase option. This event is a milestone in the Company's history, a transition to the commercialization phase of the unique UPD technology. In the coming months, XTPL plans to sign several similar agreements, with updates on progress to be communicated on an ongoing basis. The maximum contract value is EUR 190 thousand, or about PLN 880 thousand.

2.9.2.4 Nanoink reordered by the same client

On 24 February 2021, the Issuer advised that it had received another order for the purchase of CL85 nanoink based on silver nanoparticles – which is used e.g. for applications in the LIFT (Laser Induced Forward Transfer) technology – from a Western European research center conducting research in the nanotechnology sector.

In the opinion of the Company's Management Board, the fact that the buyer made another order for the nanoink is a confirmation that the product is of high quality and meets the customer's requirements. The key value of the order is that it confirms the commercialization potential of the Company's proprietary technologies. Acceptance of the product by market buyers, the possibility of obtaining credentials, and further development of nanoink sales will have a positive influence on the Issuer's operations, cash flows and future financial performance.

2.9.3 Distribution markets

XTPL commercializes its technology in many segments of the broadly understood printed electronics market. According to IDTechEx's report "Printed, Organic and Flexible Electronics 2020–2030", the value of the printed and organic electronics market in 2020 was almost USD 6.5 billion, and in 2030 it is expected to exceed USD 10 billion (these values include the value of components made using the printing technology only).

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

DISPLAY SECTOR:

(repairing broken metallic connections in thin-film electronic circuits – open defect repair)

Defects in conductive structures (broken metallic connections) are a serious challenge for manufacturers from many industries. The defects are one of the reasons for dead pixels occurring in display matrices. The technologies for repairing these structure available in the market today have serious limitations, are complicated, costly and no sufficiently accurate for high-resolution displays. The XTPL nanoprinting technology will enable open defect repair already at the production stage, reducing costs, ensuring precision and speed that none of the existing methods can offer.

OTHER SECTORS:

An important element that fosters development of the electronics market is the growing number of new applications of printed, flexible and organic electronics in various fields. Ultimately, the Company will seek to ensure that its technology can be used in many existing areas of the printed electronics industry or – thanks to the unprecedented precision and the use of ink with special properties, whose deposition is possible only by means of the XTPL method – that it can introduce printed electronics to new areas of life. The essence of the technological revolution resulting from the use of XTPL solutions is that it is to enable production of complex and complicated devices using cheap and scalable methods. Subsequent, already identified and pre-verified application areas include:

- display market (in addition to the above-mentioned use for open defect repair, the next step is to provide the industry with solutions that will significantly increase the resolution of a new class of displays and enable production of displays on flexible substrates)
- semiconductor market, as a new method of “packing” integrated circuits
- PCB (printed circuit boards) market
- security printing market
- biosensors market
- photovoltaic cells market

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

2.9.4 Sources of supply

The Company conducts R&D in the area of nanoprinting technology. Due to the advancement of the technologies developed by the Company, it makes use of a wide range of products and services available in the market, the key ones being measurement, research, conductive nanoinks formulation development and patent protection services as well as services related to rental of specialist equipment and laboratories. The great diversity and variability of the Company’s R&D work is reflected in the number of sources of supply it uses. As a result, in 2020, the Company reached a 21.3% threshold of purchases from one supplier – provider of research services and lessor of laboratories and office space. In the Reporting Period, Company did not face the risk of dependence on any single supplier or a group of suppliers.

2.9.5 Internal and external factors important for the development of the Issuer's business

2.9.5.1 External factors:

Macroeconomic factors:

In accordance with the adopted strategy, XTPL carries on its business in international markets, particularly in the United States, Southeast Asia and Western Europe. Accordingly, the macroeconomic situation in these areas will have an impact on the Company’s results and the degree of achievement of its development strategy.

Trends in printed electronics:

The market of electronics, the production of which could potentially be completely replaced by additive printing techniques, exceeded USD 40 billion in 2020. According to information from IDTechEx, the display market, worth USD 34.3 billion, had the biggest share in this market. Currently, the most pronounced year-on-year growth is noted for OLED panels. Even though organic material can be used in printers, it is subtractive

methods that continue to be used most often. This is for the following reasons: first, the technology of electronics printing is relatively new. Manufacturers of devices for the production of e.g. displays, promote known subtractive methods. They are quite well optimized and ensure a very high speed of production of modules. The limitations of the previously available printing technologies seriously affected their efficiency. The second factor is that the optimum structures that can be obtained using inkjet printers available in the market have a minimum diameter of approx. 30 μm , except that the precision of drops is $\pm 15 \mu\text{m}$, and $\pm 5 \mu\text{m}$ in the XY axis (i.e. in the plane on which the dot is printed). For this reason, due to *inter alia* the insufficient control of the deposited amount of material, modern electronics is still waiting for a technology that will successfully replace the existing subtractive methods and offer at least comparable production parameters. The XTPL technology may provide such an alternative.

Trends related to the miniaturization of consumer electronics:

Miniaturization has been the prevailing trend in electronics for several decades. As devices are reduced in size, the packing density of discrete components increases, resulting in a significant increase in performance of the devices. Certainly, the trend in miniaturization is visible in most electronic devices. At the same time, it enables production of completely new, previously unattainable products. Thanks to miniaturization, new medical instruments are devised which make treatment less invasive and allow the patient to recover faster. The biosensors sector is developing rapidly, where the key challenge is to find a solution with the highest efficiency, both in terms of precise and simple detection, and a unique size-reduction capability, while allowing production using inexpensive and scalable methods. The telecommunications market generates less costs due to light, small and at the same time very efficient satellites. Precise deposition of ultra-thin conductive lines and new active materials, such as light-emitting organic compounds or quantum dots, is the only way of cost-effective and easily scalable implementation of such projects. And this creates a potentially attractive application field for XTPL, which can offer here an absolutely groundbreaking solution, much awaited by the market.

Trends related to flexible electronics:

The introduction of flexible electronics is now of key importance for the manufacturers who want to meet customer expectations and offer them new generation devices. These devices are intended to be ready for bending, folding or wearing, e.g. on clothes or directly on the skin. Although it is still a growing market, the consumer market has already seen an influx of new devices based on flexible materials (e.g. phones with foldable screens). Experts note that as the cost of these products decreases and their durability improves, the size of this market can reach a very high value in a short time. The XTPL technology has every potential to play a very important role in this trend.

Trends in the displays sector:

Although very much mature, the display market continues to see technological innovation, not only that resulting from miniaturization trends, but also in the area of higher efficiency of light emission.

This in practice means thin, very bright, high-contrast displays. Currently, the most intensive technological changes relate to the type of substrate on which the display is to be created. IDTechEx expects that as early as at the end of 2020, 40% of AMOLED displays will be plastic-based, with this proportion growing to nearly 60% in 2026, at the expense of glass substrates. This trend opens up development opportunities for another type of displays – flexible ones. Judging by the great interest attracted by this technology and the first products from this segment, in the coming years the technology will undoubtedly stand out in terms of its visible development and popularity. However, this will require a solution to the problems that can already be seen in the production processes. These include, for example, the fact that OLED screens are fabricated using an organic material deposited by FMM (fine metal mask) methods. Two main approaches are used here. The first one is intended for small displays such as telephones or watches – it consists in separate deposition of red, green and blue pixels. The process uses three different FMMs, and any material not deposited in the pixel is wasted. As well as being suboptimal, the process has technological limitations – it does not allow pixels to be deposited on large substrates. Due to the amount and weight of the organic material, the distance between the FMM and the substrate must be increased, which produces a “shadow” effect. Another approach, which is used for e.g. fabricating large displays, is to embed WOLED (White Organic Light Emitting Diode) on the whole substrate in the first place. Next, a color filter is applied, the deposition of which is much easier. Unfortunately, only 20% of the light passes through the color filter, so much more electric power is required to maintain appropriate screen brightness, which in turn significantly reduces the life of such a screen. The problem can be addressed by the introduction of additive technology into the fabrication process as the technology enables precise deposition of the material with no restrictions as to the substrate. An additional advantage for the methods of printing in electronics is the potentially wide spectrum of materials that can be deposited. This makes it possible to fabricate completely new types of screens such as QLED – displays whose emission material is quantum dots, which ensure a very bright image with high contrast. Most of QLED-labelled displays that are currently on sale are in fact WOLEDs with the addition of quantum dots in a color filter. Admittedly, quantum dots, stimulated with blue light, emit the appropriate color of light and reduce the loss of light through a color filter by 80%, but it is only the introduction of a suitable additive method with a precise deposition will allow the potential of this material to be exploited in full. The main technological requirements for the fabrication of such screens include high repeatability of pixel sizes as well as precision in the XY axis. Bearing in mind the trend of continuous increase in resolution and hence pixel density, the XTPL technology has every potential to respond positively to market needs. The possibility of multiplication of printing heads will effectively increase printing efficiency following implementation of XTPL ultra-precise deposition on a production scale, and the wide range of materials that can be deposited using the Issuer’s technology will help market new generation displays that are more efficient and consistent with the current consumer trends.

Trends in additive manufacturing:

In addition to the above developments, additive production is a quite discernible trend in modern electronics. Due to the extremely reduced size of structures, unattainable by any other method, the subtractive technology has become the main or in some areas even the only method of producing electronics. Continuous development of the printed electronics market increasingly often replaces previous methods with their excessive deposition of material. At present, there are printing devices available in the market that are successfully deployed in key positions on production lines. However, their capabilities are limited by the range

of sizes that can be obtained, and their deposition precision is not sufficient in relation to the size and accuracy of arrangement of individual discrete components in electronic circuits. Taking into account these rigorous parameters and the huge market demand, the technology developed by XTPL may constitute a breakthrough in the context of printed electronics production. The sheer number of possible application areas within this sector where the XTPL technology might be used bears witness to its versatility and huge potential.

Possibility of co-financing R&D from subsidies:

In addition to using own funds acquired through the share issue, the Company's R&D activities are also funded by the EU. This source makes it possible to reduce the cost of in-house R&D and research in new application fields, also at the early stages of technological readiness.

2.9.5.2 Internal factors:

Ability to protect and safeguard intellectual and industrial property:

Effective protection of the intellectual and industrial property developed by XTPL is an essential part of its business. The ongoing patent applications ensure security for the Company and its disruptive technology. At the same time, they are one of the pillars of XTPL value. The intellectual value obtained may also have a positive impact on the ongoing and future commercialization talks. In the process of protecting and safeguarding intellectual property, the Company is supported by renowned entities: law firms from the UK and the USA. The London-based law firm Gill Jennings & Every is a team of more than 100 lawyers, which received multiple awards in the prestigious Legal 500 ranking. They provide services to both enterprises from the SME sector and to global corporations. The K&L Gates law firm supports patent protection of companies specializing in advanced technologies, particularly those from Silicon Valley.

Ability to acquire and maintain appropriate staff

The Company's business profile – building solutions for the high-tech sector – requires the use of high-class specialists from various fields: chemistry, physics, electronics, mechanics, material engineering and numerical simulations.

Staff sourcing is a two-pronged process: The Issuer conducts a number of activities in the area of employer branding, and strives to be present at national conferences on nanotechnology, constantly extending its network of contacts.

Further, the incentive scheme will be an essential factor facilitating acquisition and retention of talent.

First industrial implementations:

On 23 November 2020, the Company signed an agreement with the Institute for Large Area Microelectronics (IGM) in Stuttgart for a long-term lease of the "XTPL Delta Printing System" printer with a purchase option.

This event is a milestone in the Company's history, a transition to the commercialization phase of the unique UPD technology. In the coming months, XTPL plans to sign several similar agreements, with updates on progress to be communicated on an ongoing basis. The maximum contract value is EUR 190 thousand, or about PLN 880 thousand.

2.9.6 History

XTPL was founded in 2015 as a limited liability company. The founders sought to commercialize the groundbreaking technology of manufacturing ultra-thin conductive metallic lines.

During the initial period of the Company's activity, a laboratory with a unique infrastructure was set up. There, within five months of intensive research and development, the Company's team achieved the ability to control the process of printing ultra-thin conductive lines which were several dozen times narrower than those available in the market at that time. This technological breakthrough allowed the Company to submit its first patent application in March 2016 for the XTPL printing method and the nanoink formulation.

On 25 April 2016, the General Meeting adopted a resolution to transform the firm into a joint-stock company (S.A.). The transformation was recorded by the registry court on 1 June 2016.

As its scale of operations expanded, on 1 September 2016 the Company transferred its research infrastructure to modern laboratories in the Wrocław Research Centre EIT+ (currently the Łukasiewicz Research Network – PORT: Polish Center for Technology Development). The team increased, and so the number and quality of the devices necessary to conduct research.

On 21 February 2017, the Extraordinary General Meeting of XTPL adopted resolution No. 02/02/2017 to split the Company's shares without decreasing its share capital, by converting the nominal value of a share to PLN 0.10.

In the first quarter of 2017, another technological barrier was broken. The Issuer's R&D team obtained the width of printed lines below 100 nanometers. Next, in the second quarter of 2017, the Company completed the prototype of the unique XTPL printer, which earned it the Technical Development Manufacturing Award at the IDTechEX Show in Berlin.

In July 2017, XTPL carried out a public issue of shares, which included 155,000 series M ordinary bearer shares. The shares were allocated to 16 (natural and legal) persons in the Institutional Investors Tranche and to 349 (natural and legal) persons in the Retail Tranche.

The Company raised PLN 10,230,000 gross from the issue. One of the investors taking up the shares was Acatis, a German investment fund acting through Universal-Investment GmbH.

On 14 September 2017, the Company's shares debuted on the NewConnect market in the Alternative Trading System. After the debut, another large investment fund from Germany, Heidelberger Beteiligungsholding AG,

announced that it had exceeded the threshold of 5% of the total number of votes at the Company's General Meeting.

In subsequent periods, the Issuer consistently developed its unique technology. In the fourth quarter of 2017, the Company started testing new (except silver) nanoparticles – quantum dots and semiconductors and new substrates – silicon wafers.

In the first quarter of 2019, business development activities accelerated strongly as a proof-of-concept (PoC) project was elaborated for the security printing sector and for quantum dots printing. In addition, an advanced PoC project was put together for the open defect repair and semiconductors sector.

On 16 April 2019, the Company's Extraordinary General Meeting appointed Mr Wiesław Rozłucki, the former CEO and co-founder of the Warsaw Stock Exchange, as the Chairman of the XTPL Supervisory Board. Now he actively supports XTPL in its activities related to capital markets and broadly understood corporate governance.

On 23 May 2019, XTPL was awarded for one of the most promising technologies among participants of the I-Zone (the innovation zone) as part of the Display Week in Los Angeles, one of the world's most important conferences of display manufacturers. Other firms awarded during the event were such giants as Apple, LG Display or Sharp.

In subsequent periods, the Issuer registered further patent applications for the XTPL printing method. One of the registered applications concerned the method of increasing the maximum current flowing through a conductive line and improving mechanical capability of conductive lines, while the other registered application focused on the printing substrate, specifically on the dedicated adaptation of this substrate to facilitate the printing of long lines with arbitrary shapes.

In June 2019, XTPL set up an international Advisory Board, whose role is to support the Company in its global expansion, including in the United States and Asia. The first Member of the Advisory Board was Harold Hughes, a former CFO of Intel and CEO of Rambus, a veteran of the semiconductor industry and adviser to many technology companies from Silicon Valley.

Next, the Advisory Board was joined by Amir Nayyerhabibi, who has been developing hi-tech projects in Silicon Valley, especially in the area of IT and semiconductors, for more than 30 years. Currently, he is a partner with Benhamou Global Ventures from Silicon Valley, a fund investing in dozens of companies from the digital economy sector.

In the third quarter of 2019, the Issuer carries on its technological development by implementing new printing substrates – smart glass and advanced optical surfaces, and by using new nanoparticles for printing.

In August 2019, the German fund ACATIS decides to re-invest in the Company's shares. The EUR 1 million raised in this way financed the Company's business development in the United States, especially in Silicon Valley.

In September 2019, Heidelberger Beteiligungsholding AG (daughter company of Deutsche Balaton AG Group) also decided to re-invest in XTPL. The fund took up the Company's shares in a private placement. The capital raised (EUR 1.05 million) was used for further strategic strengthening of the process of commercialization of the Company's solutions in the United States and development of its patent cloud.

In the fourth quarter of 2019, the first phase of an advanced PoC for a leading US manufacturer from the smart glass industry was completed. Achievement of the technical specification received means fulfillment of the pre-condition for arranging and conducting integration tests with the technology used by the potential client.

On 22 November 2018, the CEO of XTPL Filip Granek won the most prestigious award for entrepreneurs in Poland – EY Entrepreneur of 2019. He was awarded for his work on the disruptive technology that has a serious chance to change the world for the better.

On 21 December 2019, XTPL was announced the best investment in the capital market in Poland in 2019. The Company brought investors a net return of almost 110%.

On 9 January 2020, XTPL shareholders appointed Professor Herbert Wirth, the former CEO of KGHM Polska Miedź S.A., to the company's Supervisory Board. He has considerable experience in business development in global markets and unique competences and a network of contacts which will strategically strengthen the Company's business activities, notably in the Chinese market.

On 27 February, German MainFirst Bank AG from the Stifel Group recommends "BUY" with regard to XTPL and valued the company at a PLN 215 price target. XTPL is the first Polish company covered by MainFirst

On 28 February 2020, XTPL S.A. and Suzhou Cowin Laser Technology Co Ltd based in China signed a Technology Evaluation Agreement (TEA), which initiated the process of evaluation of XTPL technology in the area of repairing open defects in displays.

On 6 March 2020, the Frankfurt Stock Exchange consented to admit XTPL shares to the Quotation Board segment, which is a part of the Open Market. Since that time, XTPL shares have been traded on a dual-listing basis, with the Warsaw Stock Exchange remaining the Company's main trading floor.

In March 2020, the Company finalized its first sales transaction for its nanoink based on silver nanoparticles. The delivery took place for one of the partners operating in the display sector, the first application field commercialized by XTPL.

In June, the Issuer was awarded in the “Issuer’s Golden Website” competition in for the “Best IR Service” in the “small companies” category. The competition was organised by the Polish Association of Listed Companies (SEG).

On 30 June 2020, the Supervisory Board of XTPL S.A. appointed Jacek Olszański to the Company’s Management Board. Since October 2018, he had served as the Company’s financial manager. In addition, Beata Turlejska, Managing Partner in the Leonarto VC Fund, was appointed as a new Supervisory Board member.

On 30 July 2020, the company adopted a resolution on the allocation of 48,648 series A registered bonds convertible into the Company’s series U shares at an issue price of PLN 74 per bond. Overall, the Company’s proceeds from the issue of shares and bonds were PLN 12,849,951.

In September, the German MainFirst Bank AG from the Stifel Group recommends “BUY” with regard to XTPL and valued the company at a PLN 210 price target.

On 5 November, the Supervisory Board of XTPL S.A. was joined by Andrzej Domański, economist and financial market analyst with experience in managing stock exchange funds.

In November 2020, XTPL signed the first major commercial contract for the UPD technology demonstrator – XTPL Delta Printing System – a device for precise printing of micro-features, including conductive features, with the University of Stuttgart, Institut für Großflächige Mikroelektronik (“IGM”).

On 28 December 2020, the Company signed a EUR 2.6 million grant agreement with the Polish National Centre for Research and Development (NCBR) for the project on development of innovative technology of precise deposition of conductive grids for next-generation OLED displays.

In February 2021, Lux Research put XTPL on the list of top young, innovative technology companies disrupting the chemicals and materials industry in 2020 in the category “materials and digital transformation”.

In March, the Company was awarded for the best conference publication “Ultra-Precise Deposition Technology for High-Resolution Flat Panel Displays” at the 27th International Display Workshop (IDW'20) conference.

2.10 Finance

2.10.1 Grants

In the reporting year, the Company implemented three projects co-financed from public funds:

“Innovative technology for precise deposition of conductive mesh for application in new generation OLED displays”, under agreement POIR.01.01.01-00-0998/20 of 23.12.2020.

Project duration: 01.07.2020 – 30.06.2023

Project value: 16,003,028.33

Eligible costs: 16,003,028.33

Funding: 11,673,831.24

The project's objective is to develop an additive printing technology of ultra-precise metallic structures designed to reduce resistance of the transparent cathode in new generation TE-OLED displays.

"Filing a PCT patent application for a method of manufacturing ultra-fine conductive metallic lines" – a project carried out under agreement No. POIR.02.03.04-02- 0001/16 of 15.11.2016 with the Polish Agency for Enterprise Development.

Project duration: 18.01.2018 - 31.12.2023

Project value: PLN 881,610.00

Eligible costs: PLN 774,200.00

Funding: PLN 387,100.00

The purpose of the project is to obtain industrial property protection for the globally innovative method of manufacturing ultra-thin conductive metallic lines.

The method enables the fabrication of TCFs.

2.10.2 Loans incurred

In the Reporting Period, the Company signed a PLN 300 thousand overdraft agreement.

2.10.3 Loans granted

As at the Balance Sheet Date, the Company had following loans granted:

Under the loan agreement of 1 February 2019, amended on 20 October 2020, signed with XTPL INC. with its registered office in Delaware, USA, the Company disbursed to the subsidiary six tranches of the loan totalling USD 122,500.

As at the balance sheet date, in 2021 the Company disbursed two tranches of the loan totalling USD 25,000.

In addition, on 4 January 2021, the Company signed a loan agreement of PLN 200,000 with TPL Sp. z o.o.

2.10.4 Issue of securities

During the Reporting Period, the Company issued shares and obligations. In June and July 2020, the Company issued series T shares and bonds convertible into shares of the Company (the decision to start activities aimed at obtaining financing by issuing shares and convertible bonds was announced on 11 May 2020 in ESPI Current Report No. 12/2020) . Overall, the Company's proceeds from the issue of shares and convertible bonds were

PLN 12,849,952, including PLN 3,599,952 in connection with the issue of the bonds convertible into shares. The subscription for series T shares was completed on 23 June 2020 (in accordance with ESPI Current Report No. 20/2020), while the convertible bonds were issued on 30 July 2020 (in accordance with ESPI Current Report No. 29/2020). The proceeds from the issue of shares and convertible bonds will be used for R&D, continued commercialization, and extension of the intellectual property portfolio. XTPL has funds secured for research and development activity until the beginning of 2022. The convertible bonds will not be introduced to organized trading. In turn, the series T shares were admitted and introduced to trading on the regulated market operated by the WSE on 28 August 2020. Proceeds from the issue of shares and bonds were used to:

- finalize the development of the Delta Printing System laboratory printer;
- evaluate technology in nine key projects covering three application fields (displays, semiconductors and PCBs) and 10 partners in 6 countries;
- build two dedicated sales teams (for printers and inks), create promotional materials and web subpages;
- ensure continued patent protection for the Company's technology.

2.10.5 Current and anticipated financial position, and development outlook

The Management Board evaluates the current situation of the Company as stable. In June and July 2020, as a result of an issue of shares and convertible bonds, the Company raised PLN 13.8 million. On 28 December 2020, the Company signed a grant agreement with NCBR for a project relating to the use of XTPL's technology in OLEDs. The funding value was PLN 11.67 million. In addition, after the Balance Sheet Date, on 9 April 2021, the Company received information that its project concerning a printing head for non-planar printing, with dedicated ink, had been recommended for funding with a total grant value of PLN 7.7 million.

Taking into account the above and the fact that in 2020 the Company started the commercialization process, which should significantly accelerate already in 2021, the Management Board estimates that Company has funding secured to continue activities for the next 18–24 months.

The future financial position will depend primarily on three factors:

- a) expected cash flows related to the commercialization of the technology developed;
When assessing the Company's future situation, the Management Board only looks at revenues from the sale of proprietary products, i.e. laboratory/ demonstrator printers and their dedicated consumables (inks, cartridges and nozzles). Conservative, these estimates exclude revenues from industrial implementations (license and similar fees), although delivery of such contracts will cause a sharp increase in revenues.
- b) projects with grants;
Both projects are subsidized by NCBR are related to strategic commercialization initiatives, so their implementation will not result in a significant increase in operating costs. The Company has qualified personnel with experience in implementing grant projects.
- c) expected cash flows related to financial activities;
Commercialization and business scaling will result in a significant increase in the demand for working capital and necessary investments. The Company's Management Board takes into account the need to obtain additional funding during the next two years.

2.10.6 Financial resources management

Parent Company:

As at the Balance Sheet Date, the ratio of current assets to current liabilities (current liquidity ratio) was 10.16. The Company's current assets amounted to PLN 11,141 thousand, while current liabilities stood at PLN 1,097 thousand. With such a structure, in 2020, the Company faced no material risks with regard to liquidity and timely payment of its obligations.

In order to finance its operations, in the Reporting Period, the Company acquired PLN 12.85 million by issuing shares and bonds taken up by new investors (private placement). In addition, in 2020, the Company obtained PLN 2.23 million in the form of reimbursement of expenses under grant programs.

Moreover, in the Reporting Period, the Company signed a PLN 300 thousand overdraft agreement.

Group:

As at the Balance Sheet Date, the ratio of current assets to current liabilities (current liquidity ratio) was 7.72. The Group's current assets were PLN 11,136 thousand, and current liabilities stood at PLN 1,443 thousand. With such a structure, in 2020, the Group faced no material risks with regard to liquidity and timely payment of its obligations.

In order to finance its operations, in the Reporting Period, the Group acquired PLN 12.85 million by issuing shares and bonds taken up by new investors (private placement). In addition, in 2020, the Company obtained PLN 2.23 million in the form of reimbursement of expenses under grant programs.

Moreover, in the Reporting Period, the Parent Company signed a PLN 300 thousand overdraft agreement.

2.10.7 Investment plans

According to the strategy of further development of the Company adopted by the Management Board, in the coming years significant investment expenditures will be incurred primarily for the continuation of R&D in the nanoprinting technology area related to the development of technology and its adaptation to the needs of industrial partners.

Proceeds from grant agreements will be the main source of funding for investments related to technology development.

In addition, the Company intends to obtain funds for the development and scaling of the business from the issue of shares; if a commercial contract is signed, the Company takes into account the possibility of the counterparty co-financing the investment expenditure (under a Joint Development Agreement).

Where its technology is contracted and commercialized, the Company will also consider debt financing for its projects. When assessing the risk attached to the above model of financing investment plans, the Management Board is guided by the potential of securing financial resources.

2.10.8 Factors which may affect the results in the subsequent quarters

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

- Signing the commercial contracts, and progress of work on paid evaluation initiatives, licensing or joint-development agreements in relation to the Issuer's technology;
- Ability to protect and safeguard intellectual and industrial property, including the number and scope of submitted patent applications;
- Favourable trends in the electronics industry;
- Acquiring additional financing in the form of grants and subsidies supporting the Issuer's research and development activities;
- Situation in financial markets and development of the coronavirus pandemic.

2.10.9 Overview of the key economic and financial figures disclosed in the annual financial statements, including the balance sheet structure

Parent Company:

As at 31 December 2020, the balance sheet total was PLN 15,032 thousand. As at the Balance Sheet Date, non-current assets were PLN 3,891 thousand and constituted 25.9% of the Company's balance sheet total. The key item was intangible assets, representing 73.8% of non-current assets. The main item of intangible assets was development work related to the production of the laboratory printer as a finished product for commercialization purposes.

The value of current assets as at the Balance Sheet Date was PLN 11,141 thousand, and accounted for 74.1% of the Company's balance sheet total. Their key item was cash, constituting 92.4% of current assets.

As at the Balance Sheet Date, the Company's equity was PLN 10,737 thousand, and accounted for 71.4% of the balance sheet total. As a result of the issue of convertible bonds in July 2020, an amount of PLN 3,198 thousand was recognized in long-term liabilities, representing 21.3% of the balance sheet total. Short-term liabilities of PLN 1,097 thousand account for 7.3% of the balance sheet total.

The above structure reflects the Company stage of development for the time being. Due to the fact that at this stage sales revenues do not represent a major amount, the value of inventories, receivables and trade liabilities is relatively low. As in 2020, the Company financed its activities with the proceeds from grant projects and the issue of shares and convertible bonds, this was reflected in cash and cash equivalents, long-term liabilities and equity.

The cash flow statement also reflects the initial phase of commercialization. Cash flows from operating activities were PLN -5,394 thousand; cash flows from investing activities were PLN -1,312 thousand, while cash flows from financial activities were PLN 12,849 thousand.

The Company's revenues in the reporting period were PLN 2,294 thousand, including PLN 2,230 thousand in respect of income from grants, and PLN 64 thousand in revenues from the sale of products and services.

The Company's net result for the period from 1 January 2020 to 31 December 2020 were PLN -8,182 thousand. The net result adjusted by the effect of the incentive scheme (see Section 2.10.10) is PLN -5,837 thousand.

Group:

As at 31 December 2020, the balance sheet total was PLN 15,027 thousand. As at the Balance Sheet Date, non-current assets were PLN 3,891 thousand and constituted 25.9% of the Group's balance sheet total. The key item was intangible assets, representing 73.8% of non-current assets. The main item of intangible assets was development work related to the production of the laboratory printer as a finished product for commercialization purposes.

As at the Balance Sheet Date, current assets were PLN 11,136 thousand and constituted 74.1% of the Group's balance sheet total. Their key item was cash, constituting 94.1% of current assets.

As at the Balance Sheet Date, the Group's equity was PLN 10,386 thousand and constituted 69.1% of the balance sheet total. As a result of the issue of convertible bonds in July 2020, an amount of PLN 3,198 thousand was recognized in the Group's long-term liabilities, representing 21.3% of the balance sheet total. Short-term liabilities of PLN 1,443 thousand constitute 9.6% of the balance sheet total.

The above structure reflects the Group's stage of development for the time being. Due to the fact that at this stage sales revenues do not represent a major amount, the value of inventories, receivables and trade liabilities is relatively low. As in 2020, the Group financed its activities with the proceeds from grant projects and the issue of shares and convertible bonds, this was reflected in cash and cash equivalents, long-term liabilities and equity.

The cash flow statement also reflects the initial phase of commercialization. Cash flows from operating activities were PLN -5,765 thousand; cash flows from investing activities were PLN -817 thousand, while cash flows from financial activities were PLN 12,848 thousand.

The Group's revenues in the reporting period were PLN 2,294 thousand, including PLN 2,230 thousand in respect of income from grants, and PLN 64 thousand in revenues from the sale of products and services.

The Group's net result for the period from 1 January 2020 to 31 December 2020 were PLN -8,579 thousand. The net result adjusted by the effect of the incentive scheme (see Section 2.10.10) is PLN -6,234 thousand.

2.10.10 Extraordinary factors and events having a significant impact on the operations and financial statements

In the reporting period, in the statement of comprehensive income the Company recognized the cost the incentive scheme for employees and collaborators based on the Company's shares, in the portion relating to the period ended 31 December 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 Company's and the Group's assets or financial position, or their 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

2.11 Salaries

2.11.1 Remuneration, bonuses or benefits for members of the Company's bodies

Management Board (gross remuneration in PLN)

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 – PhD, CEO:

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 in force at the Company, he was granted the right to acquire 1,000 shares of the Issuer for 2019 and 5,000 shares of the Issuer and 2,000 subscription warrants for 2020.

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

Received 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 in force at the Company, he was granted the right to acquire 1,250 shares of the Issuer for 2019 and 3,000 shares of the Issuer and 2,000 subscription warrants for 2020.

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. As part of the settlement of the Company's previous incentive scheme (pursuant to Resolution No. 03/04/2019 of the Extraordinary General Meeting of 24 April 2019), he received 6,283 shares of the Issuer. In connection with the termination of his role as a Member of the Management Board and termination of his employment, Maciej Adamczyk received payment in lieu of unused vacation.

Supervisory Board (gross remuneration in PLN):

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 – since November 2020, and PLN 1,000 earlier).

Audit Committee:

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.

2.11.2 Agreements between the Issuer and its executive directors providing for payment of compensation

Not applicable. No agreements were made between the Issuer and its executive directors that would provide for payment of compensation in the event of their resignation or removal without a valid reason or if their removal is due to acquisition of the Issuer by another entity.

Where a member of the Management Board is removed, the provisions of the Labor Code may apply, specifically Article 10(1) of the Act of 13 March 2003 on special rules for terminating employment relationships with employees for reasons not attributable to employees.

2.11.3 Obligations arising from pensions and similar benefits

Not applicable. The Issuer has no obligations resulting from pensions or similar benefits towards former management personnel members and has no liabilities incurred in connection with any such pensions.

2.11.4 Remuneration policy

Overview of the remuneration system adopted by the Company

On 30 June 2020, the Issuer adopted a remuneration policy. Since that date, it has been amended once (on 5 November 2020 – the amendment only concerned the possibility to differentiate the remuneration of Deputy Chairman of the Supervisory Board from the remuneration of Supervisory Board Members; see ESPI Current Report No. 43/2020 for details).

Members of the Management Board are entitled to a fixed monthly remuneration determined by the Supervisory Board. Decisions on granting a bonus to the Management Board members are taken by the Supervisory Board.

Members of the Supervisory Board (and the Audit Committee) are entitled to a fixed monthly remuneration determined by the General Meeting.

Detailed information on the conditions and amount of remuneration:

Detailed information can be found in point 2.11.1 ([link](#)).

Non-financial components of remuneration:

Members of the Management Board (based on a resolution of the Supervisory Board) may be granted the Issuer's shares or subscription warrants as part of the incentive scheme. The decision to grant them is discretionary. Details are described in point 2.12.4 ([link](#)) and 2.11.1 ([link](#)).

Assessment of the remuneration policy

The overarching goal of the fixed and variable remuneration system is to ensure the incentive nature of remuneration paid to Members of the Management Board and to create a basis for their development. The

implementation of the objectives is assessed by the Company's body indicated in the policy. Where the objectives are achieved, the body may decide on granting the bonus. The Company's remuneration policy supports the implementation of the Company's objectives, in particular the long-term increase in shareholder value and the stability of the business. An important feature ensuring an incentive nature of the remuneration of Management Board Members is the incentive scheme adopted in the Company based on shares and subscription warrants.

2.12 Other information

2.12.1 Events occurring after the Balance Sheet Date

2.12.1.1 XTPL nanoink reordered by the same customer

In reference to Current Reports nos. 9/2020, 10/2020 and 11/2020, on 24 February 2021, the Management Board of XTPL S.A. advised that the Issuer had received another order for the purchase of CL85 nanoink based on silver nanoparticles – which is used e.g. for applications in the LIFT (Laser Induced Forward Transfer) technology – from a Western European research center conducting research in the nanotechnology sector.

In the opinion of the Company's Management Board, the fact that the buyer made another order for the nanoink is a confirmation that the product is of high quality and meets the customer's requirements. The key value of the order is that it confirms the commercialization potential of the Company's proprietary technologies. Acceptance of the product by market buyers, the possibility of obtaining credentials, and further development of nanoink sales will have a positive influence on the Issuer's operations, cash flows and future financial performance.

2.12.1.2 New patent applications

In Q1 2021, the Company filed one patent application.

2.12.1.3 Nano-ink synthesis

In Q1 2021, the Company delivered nanoink for use in LIFT and Ink Jet devices.

2.12.1.4 Settlement of the incentive scheme

On 31 March 2021, the Company's Management Board and the Supervisory Board, pursuant to the resolution of the EGM of 24 April 2019, granted the employees and collaborators of the Company the right to acquire 12,490 shares and 30,900 warrants.

The valuation of the financial instruments granted is PLN 846,822.00, and will be included in the financial data for 2021.

2.12.1.5 Loans for subsidiaries

From 1 January 2021 to the Report Date, the Company disbursed two subsequent loan tranches for XTPL Inc. totalling USD 25,000.

On 4 January 2021, the Company signed a loan agreement of PLN 200,000 with TPL Sp. z o.o.

2.12.2 Impact of the SARS-CoV-2 pandemic on the Company's and Group's operations

It has been more than six months since the coronavirus outbreak began. At that time, XTPL employees had to come to terms with the new reality, while maintaining work continuity. The Company is well prepared for remote work.

The XTPL team members are provided with laptops and company phones with internet access. They can use the GSuite apps to smoothly continue work from home. The previously implemented teamwork tools are also used to ensure work efficiency during these unprecedented circumstances.

Technological work is continued at the 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 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 Company 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 Company's technological departments, it will be necessary to suspend any work that cannot be performed remotely. Consequently, the Company's Management Board identified employees whose presence at the Company's headquarters is necessary for the performance of laboratory tasks, while the rest were assigned to work from home. Additionally, the Company has divided its staff into two teams that, at the time of peaking infections, do not have direct contact with each other. 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.

2.12.3 Agreements that in the future might affect the proportion of shareholdings

In April 2019, the Company adopted an incentive scheme for key employees and collaborators of the Group, including for Management Board Members. The incentive scheme is based on existing series L and P shares and subscription warrants. The scheme might bring about changes in the proportions of shares held by shareholders. As at the Report Date, the scheme participants were granted rights to subscribe for 34,020 subscription warrants, as a result of which they could potentially take up 34,020 shares of the Company. The maximum pool of subscription warrants that can be granted under the scheme is 182,622, which will entitle their holders to take up 182,622 shares of the Issuer.

2.12.4 Employee Share Program

On 24 April 2019, the Company's EGM voted in favour of a package of resolutions introducing a new employee incentive scheme at the Company. The scheme covered the key personnel of XTPL S.A. and XTPL Inc., and will continue until 2021. It is based on warrants (stock options), entitling its holders to subscribe for no more than 182,622 series R shares. The price for taking up shares by the beneficiaries of the program will be set at the market value of XTPL at the time of adoption of the scheme, i.e. PLN 165.84. The warrants' underlying stock will be issued gradually in the years 2021–2029. In accordance with the conditions of the incentive scheme, vesting will take place annually. The scheme will also use shares from the previous incentive scheme and – to a small extent (approx. 2% of the share capital) – the issue of series P shares (to supplement the stock pool due to the increase in the number of scheme participants). As a result, the scheme will bring maximum benefits in terms of building the value of XTPL, while not causing any noticeable equity dilution for the existing shareholders. The decision to grant shares or warrants is discretionary in nature, and is made by the Supervisory Board (for Members of the Management Board) or the Management Board (for other eligible persons).

The Company consistently implements plans related to the introduction and execution of the incentive scheme based on the standards used in technology companies operating in the Silicon Valley. Such incentive schemes will allow the Company to acquire and maintain the most talented specialists not only in Poland, but also in the United States. In the Company's opinion, the system in which key personnel participate in potential financial success is one of the most important factors that might contribute to rapid growth and market expansion and, quite importantly, without increasing current cash expenses.

To limit any adverse impact associated with the sale of shares by participants of the incentive scheme, including to limit the potential effect of periodic increase in the supply of shares in the market, the rules of the incentive scheme stipulate that the Company's Management Board, and in the case of the participants who are members of the Management Board – the Supervisory Board, may make the subscription or acquisition of shares conditional on prior conclusion of a lock up agreement with the Company on the terms specified by the Company's Management Board or Supervisory Board, respectively.

2.12.5 Information about the auditor

On 9 August 2019, the Issuer 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.

The agreement provides for:

1. audit of the standalone financial statements of XTPL S.A. prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and related interpretations published in the form of European Commission Regulations (IFRSs/ IASs) for the period from **1 January 2019 to 31 December 2019**.
2. audit of the consolidated financial statements of the XTPL Group prepared in accordance with IFRSs/IASs for the period from **1 January 2019 to 31 December 2019**.
3. limited review of the half-yearly standalone financial statements of **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **1 January 2019 to 30 June 2019**.
4. limited review of the half-yearly consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **1 January 2019 to 30 June 2019**.
5. audit of the standalone financial statements of the **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **1 January 2020 to 31 December 2020**.
6. audit of the consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **1 January 2020 to 31 December 2020**.
7. limited review of the half-yearly standalone financial statements of **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **1 January 2020 to 30 June 2020**.
8. limited review of the half-yearly consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **1 January 2020 to 30 June 2020**.

The remuneration for the above services is:

- a. item 1 – net remuneration of **PLN 35,000.00** + VAT.
- b. item 2 – net remuneration of **PLN 20,000.00** + VAT.
- c. item 3 – net remuneration of **PLN 18,000.00** + VAT.
- d. item 4 – net remuneration of **PLN 10,000.00** + VAT.
- e. item 5 – net remuneration of **PLN 35,000.00** + VAT.
- f. item 6 – net remuneration of **PLN 20,000.00** + VAT.
- g. item 7 – net remuneration of **PLN 18,000.00** + VAT.
- h. item 8 – net remuneration of **PLN 10,000.00** + VAT.

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.

In 2018, the Issuer's standalone financial statements were also audited by 4AUDYT sp. z o.o. under the agreement of 9 January 2018. The remuneration for the service amounted to **PLN 11,000.00** + VAT.

The Issuer did not use any services of the audit firm other than the above audit/ limited review services.

2.12.6 Significant agreements

On 23 November 2020, the Company signed an agreement with the Institute for Large Area Microelectronics (IGM) in Stuttgart for a long-term lease of the "XTPL Delta Printing System" printer with a purchase option. This event is a milestone in the Company's history, a transition to the commercialization phase of the unique UPD technology. In the coming months, XTPL plans to sign several similar agreements, with updates on progress to be communicated on an ongoing basis. The maximum contract value is EUR 190 thousand, or about PLN 880 thousand.

2.12.7 Changes in managing the Issuer's and the Group's business

Not applicable. None in the Reporting Period.

2.12.8 Explanation of seasonality or business cycles

Not applicable. The Issuer's activity is not subject to seasonality or business cycles.

2.12.9 Non-arms length transactions with related entities

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

2.12.10 Proceedings before courts and other bodies

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

2.12.11 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.

2.12.12 Achievement of financial forecasts

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

2.12.13 Financial instruments

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

2.12.14 Guarantees given and received

Not applicable. Neither the Issuer nor its Subsidiaries provided or received any guarantees in the reporting period.

2.12.15 Key financial and non-financial performance indicators

Given the Company's and the Group's market development stage (no significant revenue from the sale of products and services, with activity financed from equity and grants), the ability to continue operations depends to a large extent on the ability to raise further financing, primarily through grants and the issue of shares to finance subsequent stages of commercialization of the technology developed by the Company and the Group. When assessing the Group's ability to continue as a going concern, the 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.

2.12.16 Structure of major equity investments

The Company holds shares in two subsidiaries:

- XTPL Inc. based in Delaware, USA, worth USD 5,000.
- TPL Sp. z o.o. – shares were contributed to the Company in the form of donation.

2.12.17 Organization of the Group

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

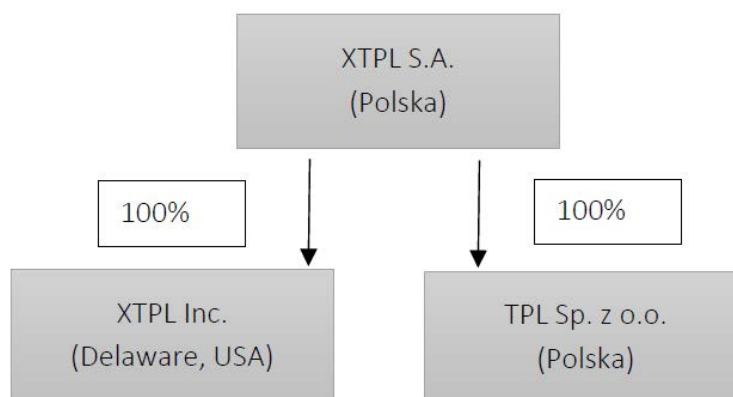
On 31 January 2019, XTPL S.A. acquired all shares in XTPL Inc., a newly formed entity based in the state of Delaware, United States. The share capital of XTPL Inc. is USD 5,000. XTPL S.A. acquired 100% of the stock at the nominal price. XTPL INC. is consolidated using the line-by-line method.

On 3 November 2020, the Issuer acquired all shares in TPL sp. z o.o. based in Wrocław. The shares in the share capital of TPL were acquired without remuneration, but as a donation from each of the TPL shareholders to the Issuer.

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.

The Company has no plants or branches.

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



2.12.18 Significant off-balance sheet items

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

2.13 Risk factors and threats related to the Company's and the Group's business environment

2.13.1 Macroeconomic risk

The Company's and the Group's activity depends on the macroeconomic situation in the markets in which the Company plans to start the sale of its products and services, primarily in the United States, Asia and Western Europe. Profitability of the Company's operations will depend, inter alia, on the economic growth, consumption and investment level (particularly in the electronics sector), fiscal and monetary policy, inflation, and especially the level of expenditures on consumer electronics in those countries. All these factors may have an impact on the Company's and the Group's financial results, and thus may also affect implementation of the Company's development strategy.

2.13.2 Currency risk

Due to the fact that the Company's and the Group's clients will be international entities, most of the Company's revenues related to the commercialization of technology will be settled in foreign currencies (mainly the euro and the US dollar). At the same time, as the Company is based in Poland, most of its ongoing expenses will be settled in the Polish zloty. As a result, in the future the Company may be exposed to a significant FX risk. Volatility of exchange rates may primarily cause changes in the value of the Company's revenues and receivables after their conversion into PLN.

It will be necessary to identify the risk of appreciation of the Polish currency as this will cause a fall in the Company's and the Group's revenues expressed in the base currency (PLN), pushing profit margins down. An increase in currency risk in the Company's and the Group's operations may have a material adverse effect on their trading performance and financial position. As at the Reporting Date, the Company and the Group see currency risk as a significant threat to the expected level of their operating profitability. As and when required, the Company and the Group will resort to FX risk management instruments available in the banking market.

2.13.3 New technology risk

The market in which the Company and the Group operate is characterized by rapid development of technologies. For this reason, the development of the Company's and the Group's operations entails constant tracking and analysis of new market trends and identification of emerging potential competitors and technological solutions they implement.

There is a risk that if the current market trends change, the Company and the Group will be forced to look for new applications for its technology outside of what it previously saw at its core business or to incur expenditures to make its existing solutions more competitive. Likewise, the Company and the Group cannot rule out that in the future a new technology will be developed which will make the solutions offered by the Company and the Group unattractive for potential clients.

Materialization of this risk will mean additional costs, which will adversely affect profitability of the Company's and the Group's operations. In addition, the need to perform additional work may delay the moment of commercialization of the Company's and the Group's product.

2.13.4 Competitive risk

The Company and the Group operate in a very attractive market of modern technologies characterized by a steadily growing demand. In this market, there is a number of players whose experience and capital resources are higher than those of the Company. As the market is changing fast, there is a risk of a new entity emerging whose offer will be more innovative than the Company's and the Group's offer. A competitive edge may be obtained by implementing innovative, unique solutions that are attractive for prospective clients in utility and economic terms.

At present, the Company is not aware of any solutions that would technically offer better parameters for the ultra-precise printing of nanomaterials. However, it cannot be ruled out that a new entity or a solution will emerge that will surpass the Company's technology in some or all key parameters. There is also a risk that the Company and the Group will be unable to respond quickly or effectively to the changing market environment, and consequently the solutions offered by the Company and the Group will be considered less competitive. Materialization of this risk may have a negative impact on the sale of the Company's and the Group's products and services and, in consequence, on its trading performance.

2.13.5 Risk related to the development of the SARS-CoV-2 pandemic

Due to the market in which the Company operates, the current situation related to the coronavirus threat fundamentally does not affect the Issuer's operational activity. Office workers perform their duties remotely (they are provided with a company phone with Internet access and a laptop). Technology staff work in compliance with all the standards announced by state authorities. Some technology staff are involved in the development of new grant applications, and therefore also partly work from home. As a rule, all meetings take place using video- or teleconferencing. The previously planned activities (e.g. shipment of the nanoink to counterparties) run smoothly.

2.14 Risk factors related to the Company's and the Group's operations

2.14.1 Risk associated with the process of implementing technology in the commercialization phase

The Company's and the Group's business model provides for a gradual introduction of the technology of printing ultra-thin conductive lines for various applications in printed electronics into the commercialization phase. Commercialization will cover printing devices and nanoinks. The target business model is that the Company and the Group will commercialize their technological solutions through licensing or will manage the whole value chain, i.e. manufacture, product marketing, distribution and provision of specialized services tailored to the client's needs. The choice of the commercialization model will depend on the specific nature of the particular application field and the Issuer's assessment regarding effectiveness of each of the possible commercialization methods in that field.

The Company has analyzed its potential market, relying both on market reports from independent consulting companies and on consultations with industry experts. The conclusions from this analysis confirms a demand

for such solutions, especially in the context of the increasing miniaturization of electronic devices and consumer expectations regarding new functional features (e.g. flexible personal electronics).

The potential profitability of various market segments was estimated based on the cost calculations carried out by the Issuer (both the unit cost of a product, achievable revenue from licensing and the expected commercialization cost) and comparing them with the prices of the solutions which are the market standard today.

As a result, the Issuer's Management Board has assessed that the application fields selected for commercialization in the first place, are justified both in terms of their relevant market potential and achievable profit margins, leading to an expected return on the investment into the project. Based on these analyzes, the Management Board believes that the projects implemented and the Company's and the Group's development plan are a guarantee of profitability of their operations.

However, there is a risk that introduction of devices into individual markets will not be in line with the current expectations due to, for example, a lack of or insufficient demand in target countries, misidentification of potential clients' needs, misidentification of legal conditions, incomplete adaptation of the Company's products to the requirements of foreign markets, an ineffective promotional campaign or an unexpected emergence of a competitor. Occurrence of the above events may stifle the Company's and the Group's growth dynamics, adversely impacting their operations and financial position.

2.14.2 Risk of failure to achieve revenues

The Company's and the Group's business model provides for a gradual introduction of the technology of printing ultra-thin conductive lines for various applications in printed electronics into the commercialization phase. The Company's and the Group's future revenues which would be capable of covering their operating costs are thus dependent on the degree of success of the commercialization, which in turn is influenced by many factors, including those beyond the Company's control. Similarly, failure to obtain co-financing from shareholders may result in the Company being unable to complete its product or the commercialization phase to the extent that would allow revenues to be generated. As a result, both the Company and its shareholders might not achieve the expected profits and returns, and the Company's investors might not be able to recover their funds invested into the Company's stock.

2.14.3 Risk of low product quality

The Company's and the Group's business model providing for a gradual introduction of the technology of printing ultra-thin conductive lines for various applications in printed electronics into the commercialization phase gives rise to a risk of defects, insufficient product quality or unsatisfactory performance of the technology at the initial phase of its commercialization. It is possible that during the first stage of commercialization, unforeseen defects and problems will emerge. Such situations may result in a negative first reception of the Company's and the Group's products and, consequently might dampen interest in and demand for the product. As a result, at the initial commercialization phase the Company and the Group might not receive revenues in the expected amount.

2.14.4 Risk related to the business development model and the failure deliver the Company's and the Group's strategy

The ultimate goal of the business model is commercialization of the Company's ultra-precise technology of printing a wide range of nanomaterials. Due to the early stage of its development, the Company does not operate a replicable business model yet. Nevertheless, the Company has created a development strategy based on which it intends to put on the market licenses or products it has manufactured and use them to commercialize its technology.

Due to the geographic and economic conditions in the market, the Company will develop its business presence mainly in the United States, Asia and Western Europe. The Company intends to build its market position through organic growth, primarily based on further development of its technology.

Due to a number of factors, the Company is unable to guarantee in full that its business development model will work. The Company's future in the broadly understood printed electronics market depends on its ability to create and implement a successful long-term development strategy and to continue to develop its technology.

The risk of making bad decisions resulting from improper assessment of the situation or the Company's inability to adapt to changing market conditions, incorrect strategic assumptions, including in relation to the developed technology and the adopted commercialization plan and the degree of demand from potential clients, may mean that the business development model will not be effective and the future financial results might be lower than currently expected.

2.14.5 Risk related to the difficulty with acquiring experienced and specialized employees

The high level of technological advancement of the Company's research leads to a constant increase in the requirements regarding skills and experience of employees. Next to technology, the engineering and scientific staff is the Company's most valuable asset. The pace and quality of the Company's R&D is directly related to the skills of specialists who form the R&D team. The Company employs engineers from the fields of chemistry, physics, electronics, mechanics, material engineering, programming and numerical simulations. Nearly in all these fields, the number of specialists available for hiring is not high. As regards acquisition of the best specialists, the Company competes with firms both in Poland and abroad.

As the Company expands the size of its operations, this factor may be of particular importance in the future as it might limit the development potential. Difficulties in sourcing employees may delay work or force the Company to abandon certain projects.

2.14.6 Risk of losing key team members

The Company's activity is based on a narrow team of people with relevant know-how who pool competencies in engineering and technical, financial management and strategic management of the Company. For this reason, losing key people may adversely affect the Company's further business, its financial, property and economic condition as well as its development prospects as it may impair the Company's potential to sell its products, develop its technology, win new contracts and properly manage already existing contracts.

Most of the Company's personnel are people employed in operational roles. They do tasks which require expertise, skill and education. The Company is exposed to the risk of losing some of its operational staff, which might weaken the organizational foundations of the Company's business. These situations might result in the Company's stability being undermined and force it to raise remuneration levels in order to retain employees.

As a result, it may affect the Company's operating costs.

2.14.7 Risk of dependence on future counterparties

Due to the stage of development of the Company (ahead of commercialization of its main product), as of the report date the Company has not identified any dependence on counterparties. However, there is a risk that the Company might become dependent on a single counterparty after it has put its product on the market, especially in the early commercialization phase, when the Company will have to use the services of a limited number of counterparties. Similarly, given the specific nature of the Company's offer, this creates the risk of dependence on a single client, especially during the first phase of sales.

2.14.8 Risk of potential disclosure of confidential information on technology

Implementation of the Company's strategy depends, inter alia, on the fact that the holders of confidential information, particularly that concerning development and technological processes related to the ultra-precise printing technology. There is a risk that sensitive information will be divulged by persons connected with the Company, which may result in the information being used by competitors, despite the intellectual property protection measures used by the Company.

The indicated risk factor may have a negative impact on the Company's business, financial position, development prospects, results and share price.

2.14.9 Risk of intellectual property infringement

The Company operates in an area where regulations concerning industrial and intellectual property rights and their protection are of significant importance. At present, there are no proceedings under way regarding infringement of any industrial or intellectual property rights in which the Company would be involved.

The Company intends to conduct its business in such a way as not to infringe any third party rights in this respect.

However, it can not be ruled out that third parties would bring claims against the Company regarding infringement of industrial and intellectual property rights by the Company. Even if unwarranted, such claims might adversely affect the schedule of the Company's strategy implementation, and the defense against such claims may involve significant costs, which may adversely impact the Company's financial results.

In addition, during work on its own patent applications, the Company carefully reviews the available literature and patents known at present. However, there is a risk of infringement of intellectual property rights related to patents that have been submitted but not published yet.

Cooperation with external partners gives rise to similar risks. Formally unauthorized entities might attempt to use the intellectual property of XTPL by either violating or attempting to circumvent the patent application. The circumstances described above may have a material adverse effect on the Company's development prospects, results and financial position.

2.14.10 Risk of technology scaling

Due to the fact that the technology underlying the printing process developed by XTPL is based on highly innovative solutions, there is a risk that an increase in its use from laboratory to industrial scale might end up unsuccessfully.

This risk may materialize due to difficulties with obtaining technology parameters in industrial production that would be equally stable as those obtained in the laboratory. In addition, there is a risk that the technology developed may not be sufficiently effective for certain production processes in industry (e.g. due to a failure to achieve satisfactory production process efficiency).

2.14.11 Risk of a failure to reach the target clients and achieve sales plans

XTPL clients will include, in particular, large manufacturers of devices for the fabrication of electronics. They have long communication and decision-making channels. There is a risk that a proposition from XTPL, as a company with a short market history, will be assessed as not reliable enough. This may delay delivery of the Company's sales targets or indeed lead to a failure to acquire a targeted client.

2.14.12 Risk of emergence of a competitive technological solution

New technological solutions that are in competition against XTPL are constantly being developed in the global technology market. A comparison of the parameters of the currently available solutions with the parameters achieved in the XTPL technology shows, in the Company's opinion, that competitive technologies offer solutions with weaker parameters and oftentimes higher production costs compared with what is expected to be achieved by the industrial XTPL solution. The Company has undertaken measures designed to cover its technology with extensive patent protection.

As at the report date, the Company's competitive risk can be described as low, as the developed solutions are less effective than those on which the Company is working at present. However, it is not possible to rule out the possibility that a more technologically advanced or more cost-effective solution might emerge in the market. There is also a risk that competitors might significantly increase their expenditures to promote available solutions. These risks may materially affect the Company's development outlook.

2.14.13 Risk of loss of financial liquidity and access to financing

As at the Report Date, the Company does not generate significant sales revenues, which results from its early stage of development. Significant sales revenues are expected to be generated as the technology being developed is commercialized.

Implementation of the Company's business model and commencement of commercialization will be a gradual process and will entail costs. Accordingly, on the one hand the ability to generate recurring significant sales revenues by the Company is deferred at this stage of its development, and on the other hand, the preparations for commercialization of the technology entails operating costs. As a result, at the present stage of its development the Company needs to resort to external financing.

Firstly, there is a risk that the funds available to the Company now and in the future will not be sufficient to fully carry out activities aimed at preparing products for sales and commencing their commercialization, which may cause delays in development work and thus have an adverse impact on the Company's performance.

Secondly, there is a risk that the Company will not obtain financing at all, which will cause it to lose operational capacity.

As at the Report Date, the Company uses financing in the form of e.g. proceeds from previous share issues.

2.14.14 Risk of not receiving grants and subsidies

Grants and subsidies are the second source (next to share issues) of financing the Company's research and development. There is a risk of not receiving adequate grants and subsidies, which may delay research and development.

In the past, the Company entered into a grant agreement with NCBR whereby NCBR is authorized to terminate the financing in the cases enumerated in the agreement, including when (i) the Issuer refuses to undergo or hinders inspections; (ii) the Issuer has made legal and organizational changes that jeopardize the performance of the agreement or fails to inform the NCBR of its intention to make such changes; (iii) the NCBR identifies gaps in the submitted documentation on the environmental impact of the project, and such gaps are not eliminated by a stated deadline; (iv) the beneficiary fails to comply with disclosure obligations during implementation and durability period of the project; (v) irregularities, listed directly in the agreement, occur in delivery of the project. Therefore, there is a risk that NCBR might claim reimbursement of the grant provided to the Company, in whole or in part, which may affect the financial position of the Company.

2.14.15 Risk of implementation of in-house technologies by the Company's potential clients

The ultimate goal of the business model is commercialization of the Company's ultra-precise technology of printing a wide range of nanomaterials. This process will take place by means of granting licenses for the use of the technology or through sale of the products developed by Company: the printing head and nanoink.

An important group of potential buyers of the technology developed by the Companies are global producers of electronic components (e.g. displays). There is a risk that these entities, which have significant technical and organizational resources, may develop their in-house nanoprinting solutions, and consequently will not be interested in the product offered by the Company.

2.14.16 Risk of unforeseen events

The Company is exposed to the risk of extraordinary events, such as technical failures (e.g. of electrical networks, either internal or external), natural disasters, acts of war, etc. These events might impair the effectiveness of or disrupt the Company's operations. In such circumstances, the Company may be exposed to unforeseen costs.

2.14.17 Human factor risk

In its production activity, the Company works with people employed under employment contracts and other civil law contracts. Actions performed by these persons as part of their work may lead to errors caused by improper performance of their duties. Such actions may be intentional or unintentional and may lead to disruptions and delays in the commercialization process.

2.14.18 Risk of failure of the equipment used in the Company's and the Group's operations

In its operations, the Company relies on properly working specialist equipment. There is a risk that in the event of a serious equipment failure which cannot be addressed immediately, the Company may be forced to temporarily suspend some or all of its activities until the failure is removed. Equipment failures may also lead to a loss of the data used for developing the Company's product. An interruption in business or loss of key data for a particular project may result in the Company being unable to perform its obligations under existing contracts or cause a loss of these contracts, which may adversely affect the Company's financial performance.

2.14.19 Risk of insufficient insurance coverage

The Company enters into insurance contracts in the course of its activity. However, it can not be ruled out that insurance risks will materialize in the Company's activity that will go beyond the scope of insurance coverage, or unforeseen events occur that are out of scope of the existing insurance policies.

Such events may have an adverse impact on the Company's trading performance.

2.14.20 Risk of court and administrative proceedings

According to the available information, no court or administrative proceedings are pending against the Company that would have a significant impact on its operations. However, the Company's future sales activity will give rise to potential risks associated with possible customer claims in relation to the products sold. The Company also enters into commercial contracts with external entities whereby both parties are required to provide specified service/ consideration. This in turn gives rise to a risk of disputes and claims arising from such contracts. These disputes or claims may adversely affect the Company's reputation and, consequently, its financial results.

2.14.21 Risk of related-party transactions

The Company enters into transactions with its related parties. Where competent tax authorities question the methods of how the Company has determined market conditions for related-party transactions, this may have negative tax implications for the Company, potentially causing a material adverse effect on its business, financial position and results.

2.14.22 Risk of intellectual property rights and application patents

The Company's technology may be the basis for other entities to develop derivative or related technologies. There is a risk that such entities will decide to submit application patents based on the Company's technology. As a result, the Company, as the holder of the underlying patent, will have to cooperate with a third party, as the application patent holder, to ensure commercial implementation of a particular technology. In terms of intellectual property rights, the Company uses works created by persons employed under employment contracts.

2.14.23 Risk related to commercialization agreements

Due to the specific nature of its operations, the Company may use various types of commercialization agreements (license agreements, JDAs, product sale agreements, joint venture agreements). However, it is not possible to rule out the market risk related to a failure to find a partner interested in purchase of the Company's products or commercialization. Market risk is also affected by changes in potential clients' strategies, changes resulting from movements in market trends and inability to reach decision makers. In addition, account should be taken of the risk of default by a contractual partner or the risk of the Issuer's failure to abide by the terms of the contract due to materialization of any of the risks described above. Should any of these circumstances occur, this may adversely affect the Issuer's operations, financial results and/or development prospects.

Shareholding structure

3 Shareholding structure

3.1 Significant packets of shares

The shareholding structure as at the Balance Sheet Date was as follows (shareholders holding at least 5% of the total number of votes at the General Meeting):

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek, PhD	315,998	15.57%	315,998	15.57%
2.	Sebastian Młodziński	285,696	14.08%	285,696	14.08%
3.	Leonarto VC spółka z ograniczoną odpowiedzialnością sp.k.	202,894	9.999%	202,894	10.00%
4.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	195,663	9.64%	195,663	9.64%
5.	Heidelberger Beteiligungsholding AG**	190,571	9.39%	190,571	9.39%
6.	Funds managed by Rockbridge TFI S.A.	116,660	5.75%	116,660	5.75%
7.	TPL Sp. z o.o.*	84,475	4.16%	84,475	4.16%
8.	Deutsche Balaton AG**	48,006	2.37%	48,006	2.37%
9.	Others	589,259	29.04%	589,259	29.04%
	TOTAL	2,029,222	100.00%	2,029,222	100.00%

* TPL Sp. z o.o. holds series L and series P shares issued for the purpose of an employee share scheme. The sole shareholder of TPL sp. z o.o. is the Issuer.

** Entities from the same corporate group, jointly hold 238,577 shares of XTPL S.A. constituting 11.76% of the share capital of XTPL S.A.

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

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek, PhD	316,998	15.62%	316,998	15.62%
2.	Sebastian Młodziński	233,657	11.51%	233,657	11.51%
3.	ACATIS Investment Kapitalverwaltungsgesellschaft	195,663	9.64%	195,663	9.64%

	mbH on behalf of ACATIS Datini Valueflex Fonds				
4.	Heidelberger Beteiligungsholding AG**	190,571	9.39%	190,571	9.39%
5.	Leonarto VC spółka z ograniczoną odpowiedzialnością sp.k.	161,172	7.94%	161,172	7.94%
6.	Funds managed by Rockbridge TFI S.A.	137,343	6.77%	137,343	6.77%
7.	TPL Sp. z o.o.*	80,461	3.97%	80,461	3.97%
8.	Deutsche Balaton AG**	48,006	2.37%	48,006	2.37%
9.	Others	665,351	32.79%	665,351	32.79%
	TOTAL	2,029,222	100.00%	2,029,222	100.00%

* TPL Sp. z o.o. holds series L and series P shares issued for the purpose of an employee share scheme. The sole shareholder of TPL sp. z o.o. is the Issuer.

** Entities from the same corporate group, jointly hold 238,577 shares of XTPL S.A. constituting 11.76% of the share capital of XTPL S.A.

3.2 Shares held by members of management and supervisory bodies

Ref.	Name	Role	Shares held as at 31 December 2020	Shares held as at the Report Date
1.	Filip Granek, PhD	CEO	315,998	316,998
2.	Jacek Olszański	Management Board Member	1,250	1,250
3.	Wiesław Rozłucki	Chairman of the Supervisory Board	-	-
4.	Bartosz Wojciechowski	Deputy Chairman of the Supervisory Board	500	800
5.	Herbert Wirth	Supervisory Board Member	-	-
7.	Piotr Lembas	Supervisory Board Member	-	-
8.	Beata Turlejska-Zduńczyk	Supervisory Board Member	-	-
9.	Andrzej Domański	Deputy Chairman of the Supervisory Board	-	-

Since 26 November 2020 (publication date of the Q1 2020 report) there has been a change relating to significant shareholdings by Management Board and Supervisory Board members: Filip Granek, the CEO, purchased 1,000 shares as part of the incentive scheme.

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



shaping global nanofuture

Corporate Governance

4 Corporate Governance

4.1 General information

Since 20 February 2019, the Issuer's shares have listed on the regulated (parallel) market operated by the Warsaw Stock Exchange (GPW), so the Issuer has been subject to the corporate governance principles set out in the annex to Resolution No. 26/1413/2015 of the Council of the Warsaw Stock Exchange of 13 October 2015 – “Best Practice for GPW Listed Companies 2016”. The set of corporate governance principles is publicly available on the website of the Warsaw Stock Exchange at <https://www.gpw.pl/dobre-praktyki>

4.2 Exemptions from application of the corporate governance principles applicable to the regulated market

Within respect to the “Best Practice of GPW Listed Companies 2016”, in The Reporting Period, the Issuer adhered to the principles set out in this document, except the following ones:

I.R.2. Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

The principle does not apply to the Company.

Company's comment: At the moment, the Company does not pursue any sponsorship, charity or other similar activities.

I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

The principle does not apply to the Company.

Company's comment: At the moment, the Company has not decided to publish financial projections.

I.Z.1.15. Information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drawn up and implemented a diversity policy, it should publish the explanation of its decision on its website;

The principle is not followed.

Company's comment: The Company does not have a formalized diversity policy. The Company employs people with appropriate qualifications and professional experience, without differentiating them by age or gender. When selecting candidates for members of the supervisory and management bodies, the Company's competent bodies follow the best interest of the Company and its shareholders, taking into account the candidates' qualifications, skills and performance. Decisions regarding appointment to the Management Board or the Supervisory Board are not motivated by gender. Therefore, the Issuer cannot ensure a balanced participation of men and women in management and supervisory positions.

I.Z.1.16. Information about the planned broadcast of a general meeting, not later than 7 days before the date of the general meeting;

The principle is not followed.

Company's comment: The principle is not followed by the Company due to the high cost of ensuring appropriate equipment and the technical resources needed to meet the obligations implied by this principle – such cost would be out of proportion to the potential benefits that might flow to shareholders. In this regard, the Company complies with the applicable provisions of its Articles of Association and law, and operates an appropriate information policy.

I.Z.1.20. An audio or video recording of a general meeting;

The principle is not followed.

Company's comment: The Issuer does not publish any audio or video recording of its general meetings. In the opinion of the Issuer, proper performance of information obligations related to general meetings, i.e. in particular the publication of current reports via the ESPI system and providing relevant information on the Company's website, provides shareholders with full access to information on general meetings. The decision not to follow the above rule is a cost avoidance measure. However, the Issuer declares that it will abide by this corporate governance principle in that it will publish on its website an audio record of its general meetings provided that the Company's shareholders, including minority shareholders, (stock investors) so desire.

II.R.2. Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

The principle is not followed.

Company's comment: The Company does not have a formalized diversity policy. The Company employs people with appropriate qualifications and professional experience, without differentiating them by age or gender. At present, only the men are members of the Issuer's bodies, but historically women also had functions on the Supervisory Board. When selecting candidates for members of the supervisory and management bodies, the Company's competent bodies follow the best interest of the Company and its shareholders, taking into account the candidates' qualifications, skills and performance. Decisions regarding appointment to the Management Board or the Supervisory Board are not motivated by gender. Therefore, the Issuer cannot ensure a balanced participation of men and women in management and supervisory positions.

II.Z.2. A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is not followed.

Company's comment: The Articles of Association and the Company's internal documents do not impose information obligations on Management Board members in this regard. Nevertheless, pursuant to Article 18 of the Issuer's Articles of Association, the Supervisory Board may remove or suspend a Management Board member only for important reasons. An important reason is, *inter alia*, engaging – without the Supervisory Board's prior consent – in a business that is in competition against the Company, in particular by holding or

purchasing shares in or joining a competitor as a partner or a member of its executive or non-executive bodies, or representing a competitor as its attorney (excluding subsidiaries as defined in the Code of Commercial Companies);

III.R.1. The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

The principle is not followed.

Company's comment: The Company's structure does not include a separate unit that would be responsible for risk management, internal audit and compliance. All tasks resulting related to those areas are performed directly by the Management Board. The existing structure ensures proper control in this respect. However, in the future the Company might consider setting up relevant separate organisational units, if it is justified by the size or type of business carried on by the Company.

III.Z.3. The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle is not followed.

Company's comment: There is no person at the Company to manage the internal audit function as the Company has no formal unit responsible for internal audit.

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting;
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
- 3) exercise of the right to vote during a general meeting either in person or through a proxy.

The principle is not followed.

Company's comment: Application of the above recommendation may involve organisational, technical and legal risks that might lead to an attempt to challenge validity of the general meetings held. In addition, adoption of this principle would expose the Company to additional costs connected with ensuring technical conditions for participation in the general meeting. The rules for convening and holding general meetings that arise from law and the Terms of Reference of the general meeting create sufficient possibilities for shareholders to participate in the general meeting in person and use their rights in this respect, and the Company calls general meetings by setting such days and times as to allow broad participation by shareholders. At the same time, shareholders may participate in the general meeting by a proxy.

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is not followed.

Company's comment: The current ownership structure of the Company does not justify the need to ensure publicly available real-time broadcasts of general meetings. The principle is not followed by the Company also due to the high cost of ensuring appropriate equipment and the technical resources needed to meet the obligations implied by this principle – such cost would be out of proportion to the potential benefits that might flow to shareholders. In this regard, the Company complies with the applicable provisions of its Articles of Association and law, and operates an appropriate information policy. This ensures proper and effective exercise of rights from shares, and sufficiently safeguards the interests of all shareholders, including minority shareholders.

IV.Z.3. Presence of representatives of the media should be allowed at general meetings.

The principle is not followed.

Company's comment: The Company might allow presence of media representatives at general meetings subject to prior authorisation. Irrespective of the above, in the case of any questions regarding general meetings addressed to the Company by media representatives, the Company immediately provides relevant answers. The Company fulfils the information obligations imposed on listed companies in accordance with the applicable laws, comprehensively and reliably, and operates an intensive communication policy;

IV.Z.12. The management board should present to participants of an ordinary general meeting the financial results of the company and other relevant information contained in the financial statements to be approved by the general meeting.

The principle is not followed.

Company's comment: Due to the fact that the Company's financial results and other key details contained in the financial statements, subject to approval by the general meeting, are available on the Issuer's website from the day of their publication through the ESPI system, the Management Board will not present those data in detail during general meetings. Instead, the Management Board will answer shareholders' questions;

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The principle is not followed.

Company's comment: In the Company's situation, achieving long-term business, economic and financial objectives of the Company by implementing incentive schemes based on options or other financial instruments linked to the Company's shares does not require the Company prior introduction of a fixed period between the allocation of such instruments and their exercisability. Accordingly, in the case of the incentive scheme introduced at the Company, the above principle will not be followed.

4.3 Internal control and risk management

Due to its size, the Company does not have a separate internal audit unit. Internal audit tasks have been divided and allocated to the bodies and functions indicated below. Effective functioning of the system of

internal control over financial reporting is the direct responsibility of the Company's Management Board. In 2020, the Company had a financial department and a legal department whose respective roles was to support the internal control process, among other things. In addition, some internal control tasks (testing the Company's operations for compliance with law) are performed by the Head of the Project Management Office. Keeping the books of account was entrusted to a third party which has appropriate qualifications, knowledge and experience. Responsibility for performance of duties relating to accounting rests on members of the Management Board of the Company (they are also responsible for exercising oversight over delegation of the account-keeping to a third party). In addition, members of the Management Board and members of the Supervisory Board are obliged to ensure that the financial statements meet the requirements of the Accounting Act. Members of the Management Board and members of the Supervisory Board are jointly and severally liable to the Company for any damage caused by their acts and omissions in relation to the above responsibilities.

The Company's internal control system mainly includes the following areas:

- controlling and management accounting
- accounting, including financial reporting
- forecasting and financial analyses.

As part of the internal control and risk management system there are organizational solutions and corporate standards/ procedures in place that support effectiveness of the control over financial reporting and identification/ elimination of risk factors in this area. The following measures should be noted:

- harmonized accounting policies, financial reporting and accounting procedures;
- application of a standardized financial reporting model for external and internal purposes – operational management;
- division of roles and responsibilities of individual departments (including the external accounting function), and the middle and upper management;
- regular and formalized process of reviewing and updating the budget assumptions and financial projections;
- having the financial accounts reviewed and audited by an independent auditor.

The Company keeps abreast of the legal developments relating to the stock exchange reporting and makes sure it is prepared for their implementation comfortably in advance.

Vertical functional control is performed daily by the managers of individual departments in relation to the employees and processes within their areas of responsibility. All the Company's cost-related documents are confirmed by the person responsible for the purchase (expert approval) and verified by the Financial Manager (horizontal check, including the check for compliance of the expenditure with the budget). If the costs are related to a public grant to a project, the documents are additionally verified by the Head of the Project Management Office. Once verified, the documents are subject to final approval by the Management Board. Any documents not approved according to the above procedure can not be booked or sent for payment. The final (additional) stage of the ongoing verification is the formal check of accounting documents carried out by third party responsible for account-keeping. This is carried out using Standard ERP IT system, which guarantees high efficiency of the process both in terms of internal control and work organization. This system prevents, for example, the posting and payment of documents not approved in the above procedure.

Each month, upon closing on the books of account, a management report is put together with details on the key financials. The Management Board and unit managers analyse and discuss the Company's performance on an ongoing basis.

Each quarter, interim financial reports are drawn up in cooperation with the third party responsible for account-keeping. Next, the reports are verified by the financial manager of the Company (at the first stage) and by the Management Board. Furthermore, each quarter, the Company's Management Board verifies the reliability and currency of the annual budgets and short-term projections. Where appropriate, the Management Board liaises with the management of individual departments to review and update the budget assumptions.

4.4 Shareholders

Major shareholders are indicated in item 3.1. ([link](#)).

The list of shares held by members of the Management Board and Supervisory Board is presented in item 3.2 ([link](#)).

4.5 Special control rights

Not applicable. The Issuer has not any issued securities that would give special control rights.

4.6 Restrictions of voting rights

The Issuer's Articles of Association do not provide for any restrictions on the exercise of voting rights attached to shares.

4.7 Restrictions as to the transfer of debt securities

The Issuer's Articles of Association do not provide for any restrictions as to the transfer of ownership of the rights attached to shares or other securities of the Issuer.

In relation to the shares that were or will be handed over to eligible persons under the incentive scheme, lock-up agreements were or will be signed to limit the possibility of selling these shares.

4.8 Appointment of members of management bodies

The Management Board members are appointed and removed by the Supervisory Board (§ 20 of the Articles of Association).

The Management Board runs the Issuer's affairs and represents the Issuer.

The powers of the Management Board result from applicable law (including the Polish Commercial Companies Code) and the Issuer's Articles of Association. The powers of the Management Board include all matters not reserved for the General Meeting or the Supervisory Board (§ 21(1) of the Articles of Association).

The authorized capital provisions contained in the Articles of Association have expired, therefore, as at the Report Date, the Management Board has no rights to issue shares (this right belongs to the General Meeting)

4.9 Amendments to the Articles of Association

Any amendments to the Issuer's Articles of Association require a resolution by the General Meeting adopted by a majority of three quarters of votes, and need to be recorded in the register of entrepreneurs of the National Court Register – in accordance with Article 430 § 1 and Article 415 § 1 of the Commercial Companies Code.

According to Article 446 § 1 of the Commercial Companies Code, until 19 April 2022, the Management Board may decide to amend the Articles of Association in connection with an increase in the Issuer's share capital, within the authorized capital specified in the Company's Articles of Association. Another authorization for the Management Board to issue new shares within the authorized capital requires the prior amendment of the Articles of Association.

In the Reporting Period, two amendments to the Issuer's Articles of Association were made. The amendments were registered as follows:

– 3 July 2020 - the amendments concerned the conditional capital (§5a, §5b and §5c) – on the basis of EGM resolution no. 04/06/2020 of 8 June 2020, and adaptation of the Articles of Association to the content of Article 90hh-90l of the Act on Public Offering (§ 18(3)(6) and (7)) – pursuant to EGM Resolution No. 05/04/2020 of 8 June 2020.

– 10 July 2020 – the amendments concerned the amount of the share capital in connection with the issue of series T shares.

4.10 Brief of the General Meeting

The brief of the General Meeting of Shareholders and the basic rights and obligations of shareholders in terms of participation in the General Meeting are set out in the Commercial Companies Code, the Articles of

Association and the Terms of Reference of the General Meeting available at:
<https://ir.xtpl.com/pl/materialy/korporacyjne/>

Detailed powers of the General Meeting are indicated in Chapter III of the Articles of Association in the part relating to the General Meeting (§12–§16) and in Article 393 et seq. of the Commercial Companies Code.

In accordance with the Commercial Companies Code, the powers of the General Meeting include in particular: consideration and approval of the Management Report and the financial statements for the previous financial year; granting discharge to Management Board and Supervisory Board members for performance of their duties; taking decisions regarding claims for compensation for damage caused in the establishment of the Company or in the exercise of management or supervision; selling or leasing the enterprise or its organized part and establishing limited property right thereon; distributing profit or covering losses; issuing convertible bonds or preemptive bonds, and issuing subscription warrants referred to in Article 453 § 2 of the Commercial Companies Code; liquidating the Company; purchasing own shares for cancellation, cancelling shares and reducing the Company's share capital; merging, transforming and dividing the Company and making amendments to the Articles of Association.

In accordance with the Articles of Association, the powers of the General Meeting include:

- 1) setting the remuneration and the rules of remunerating members of the Supervisory Board, including members of the Audit Committee and other Supervisory Board committees;
- 2) granting consent for the Company to acquire shares for their cancellation;
- 3) adopting and amending the terms of reference of the Supervisory Board;
- 4) adopting and amending the terms of reference of the General Meeting.

4.11 Supervisory Board and committees

The Supervisory Board consists of 5 to 7 members. Members of the Supervisory Board are appointed and removed by the General Meeting. Members of the Supervisory Board shall be appointed for a joint, three-year term of office.

The Supervisory Board of the current term of office was appointed by resolution of the Annual General Meeting of Shareholders of XTPL S.A. of 30 June 2020.

Composition of the Supervisory Board:

As at the Balance Sheet Date:	As at the Report Date:
Wiesław Rozłucki, PhD – Chairman of the Supervisory Board, an independent Supervisory Board Member	Wiesław Rozłucki, PhD – Chairman of the Supervisory Board, an independent Supervisory Board Member
Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board	Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board

Andrzej Domański – Deputy Chairman of the Supervisory Board, an independent Supervisory Board Member	Andrzej Domański – Deputy Chairman of the Supervisory Board, an independent Supervisory Board Member
Beata Turlejska-Zduńczyk - an independent Supervisory Board Member	Beata Turlejska - an independent Supervisory Board Member
Piotr Lembas – an independent Supervisory Board Member	Piotr Lembas – an independent Supervisory Board Member
Herbert Wirth – an independent Supervisory Board Member	Herbert Wirth – an independent Supervisory Board Member

In the Reporting Period there were changes in the Supervisory Board.

On 9 January 2020, Sebastian Młodziński resigned from the Supervisory Board, and by the General Meeting's decision was replaced by Herbert Wirth as of 10 January 2021.

On 30 June 2020, the General Meeting appointed the following Supervisory Board for a new term (ending on 30 June 2023):

Wiesław Rozłucki, PhD – Chairman of the Supervisory Board, an independent Supervisory Board Member

Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board

Beata Turlejska

Piotr Lembas – an independent Supervisory Board Member

Herbert Wirth – an independent Supervisory Board Member

Konrad Pankiewicz, Supervisory Board Member of the previous term, did not run for the new term of office.

On 5 November 2020, the General Meeting appointed Andrzej Domański to the Supervisory Board, entrusting him with the function of the Deputy Chairman of the Supervisory Board.

The brief of the Supervisory Board is determined by Polish Commercial Companies Code, the Articles of Association and the Terms of Reference of the Supervisory Board available at the Issuer's website at: <https://ir.xtpl.com/pl/materialy/korporacyjne/>

Detailed powers of the Supervisory Board are indicated in Chapter III of the Articles of Association in the part relating to the Supervisory Board and in Article 381 et seq. of the Commercial Companies Code.

In accordance with the Articles of Association, the Supervisory Board's powers include:

- 1) evaluating, as at the end of each financial year, financial statements of the Company, in respect of their compliance with the books of account, documents and the facts;
- 2) evaluating the Management Board's report and the Management Board's proposals concerning the distribution of profit and cover of losses;

- 3) submitting to the General Meeting annual written reports on the results of the evaluation referred to in points 1)–2) above;
- 4) appointing and removing members of the Company's Management Board, and suspending, for important reasons, individual members of the Company's Management Board or the whole Management Board in the performance of their duties, as well as delegating members of the Supervisory Board to temporarily perform duties of members of the Management Board who are not able to perform their duties;
- 5) determining the remuneration of Management Board members;
- 6) expressing consent for the Company to enter into a significant transaction with a related entity – within the meaning of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organized trading and public companies, except where the provisions of this Act exclude such an obligation;
- 7) granting consent to acquire a business enterprise or an organized part thereof belonging to another entrepreneur, to join another company or purchase/acquire/dispose of shares in another company;
- 8) approving and amending the terms of reference of the Management Board;
- 9) expressing consent to grant members of the Management Board of the Company or members of the management boards of its subsidiaries the right to subscribe for or acquire the Company's shares as part of incentive schemes or remuneration systems based on shares or other financial instruments issued by the Company;
- 10) granting consent for the Company to make any decisions (including conclusion of an agreement) in the scope of disposal or acquisition of the Company's real estate or shares in real estate;
- 11) representing the Company in agreements with members of the Management Board and in disputes with the Management Board or its members;
- 12) selecting a statutory auditor to audit financial statements.

In addition to the audit committee described in point 4.13 ([link](#)), no committees have been set up within the Issuer's Supervisory Board.

4.12 Management Board

The Management Board consists of 1 to 5 members. Members of the Management Board are appointed and removed by the Supervisory Board. Members of the Management Board are appointed for a joint, three-year term of office.

The Management Board of the current term of office was appointed by a resolution of the Supervisory Board of 30 June 2020 (which will continue until 30 June 2023).

Composition of the Management Board:

As at the Balance Sheet Date:	As at the Report Date:
Filip Granek, PhD, CEO	Filip Granek, PhD, CEO

Jacek Olszański – Management Board Member	Jacek Olszański – Management Board Member
---	---

In the Reporting Period there were changes in the Management Board composition.

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

On 30 June 2020, Jacek Olszański was appointed as a Management Board Member.

The brief of the Management Board is determined by Polish Commercial Companies Code and the Articles of Association available at the Issuer's website at: <https://ir.xtpl.com/pl/materialy/korporacyjne/>

Detailed powers of the Management Board are indicated in Chapter III of the Articles of Association in the part relating to the Management Board (§20–22) and in Article 368 et seq. of the Commercial Companies Code. The powers of the Management Board shall include all matters not reserved for the General Meeting or the Supervisory Board. The Management Board conducts current operations of the Company, manage its assets and represent it before third parties.

4.13 Audit Committee

General information and composition of the Audit Committee:

By resolution of 5 June 2018, pursuant to Article 128(1) of the Act on statutory auditors, audit firms and public oversight of 11 May 2017 (“Statutory Auditors Act”), the Supervisory Board set up an Audit Committee at the Company.

The brief of the Audit Committee is set out in the “Terms of Reference of the Audit Committee of XTPL S.A.” adopted by the Supervisory Board by Resolution of 5 June 2018.

The powers and duties of the Audit Committee provided for by law are performed by the Issuer's Audit Committee as of 20 February 2019 – i.e. from the date when the Issuer's shares were admitted to trading on the regulated market and when the Issuer obtained the status of a public interest entity.

The Audit Committee consists of four members.

Composition of the Audit Committee:

As at the Balance Sheet Date:	As at the Report Date:
Wiesław Rozłucki – Chairman of the Audit Committee – independent Audit Committee Member	Wiesław Rozłucki – Chairman of the Audit Committee – independent Audit Committee Member

Piotr Lembas – independent Audit Committee Member	Piotr Lembas – independent Audit Committee Member
Herbert Wirth – independent Audit Committee Member	Herbert Wirth – independent Audit Committee Member
Andrzej Domański – independent Audit Committee Member	Andrzej Domański – independent Audit Committee Member

Sebastian Młodziński served as Audit Committee Member until 9 January 2020.

Herbert Wirth has served as Audit Committee Member since 5 February 2020.

Andrzej Domański has served as Audit Committee Member since 25 November 2020.

Independent members of the Audit Committee:

As at the Report Date, all Members of the Audit Committee (Wiesław Rozłucki, Piotr Lembas, Herbert Wirth and Andrzej Domański) meet the independence criteria indicated in Article 129(3) of the Act on Statutory Auditors and have made appropriate statements in this respect.

Knowledge and skills of the Audit Committee members:

Piotr Lembas has knowledge and skills of accounting. His background is described below.

He has a degree in Finance and Accounting, the Faculty of Management, Computer Science and Finance of the University of Economics in Wrocław.

Then he earned a degree in Master Studies in Finance, a CFA affiliate programme. He holds the Chartered Financial Analyst (CFA) certificate (no. 200403).

Earlier, in 2013-2015, Piotr Lembas worked with EY Corporate Finance as a senior consultant. For nearly two years (2015–2017), he worked in the financial department of the Adiuvo Investments S.A. Group, where he supported the financial director in the preparation of financial statements for the purpose of fulfilment of the obligations of WSE listed entities.

Professor Herbert Wirth, BEng, PhD, DSc, has knowledge and skills relating to the industry in which the Issuer operates. His background is described below.

XTPL S.A. operates in the materials technology industry. Research and development is the key field of its operations. The buyers of the Company's products and services are large international corporations operating outside the country (international trade).

Professor Herbert Wirth has knowledge of the materials technology industry (Master of Science, PhD, AGH University of Science and Technology in Kraków and current professor at the Wrocław University of

Technology) and in the business administration industry (completed postgraduate studies in project management at George Washington University, School of Business and Public Management).

Professor Herbert Wirth also has skills in the field of material technologies as well as international trade and management of global corporations (e.g. acquired while serving as the CEO of KGHM). In addition, he has experience in research and development – he held managerial functions at Cuprum sp. z o.o. (R&D Center) and served as Head of Development and Project Management at KGHM).

Andrzej Domański has knowledge and skills of accounting. His background is described below.

Andrzej Domański has a university degree (MA in economics and a CFA certification) and held managerial positions (including on management boards) for many years.

Professional career:

October 2016 – September 2019: Member of the Management Board of Eques Investment TFI, responsible for the Capital Markets Department, fund management, preparation of macroeconomic and stock market analyses

September 2014 – July 2016: Head of the Fund Management Department at Noble Funds TFI, responsible for coordinating the work of the department, supervising other managers, and working on new products.

April 2010 – September 2014: Portfolio Manager at Noble Funds TFI, responsible for managing the Noble Equity Fund, Stable Growth Fund Plus, Timing Noble Fund and Noble Fund Global Return.

November 2008 – March 2010: Equity Portfolio Manager at KBC TFI, responsible for making allocation decisions, company selection and building model portfolios.

May 2007 – June 2008: Stock market dealer – Head of the Transaction Execution Office at KBC TFI, responsible for concluding transactions on the equity market, supervising the execution of orders, maintaining relations with brokerage houses and development of procedures for a newly established unit (Dealing Desk).

April 2006 – May 2007: Sector Analyses Specialist at the BPH Economic Analyses Office, responsible for monitoring and preparing reports on the situation in the liquid fuels, gas, metals and property sectors.

November 2005 – March 2006: Specialist in the Investor Relations Office at PKO BP, responsible for preparing reports and presentations on the Bank's results, and information materials for investors, as well as for contacts with investors and analysts.

Provision of authorised non-audit services by the auditor:

In the Reporting Period, the auditor of the Issuer's financial statements did not provide any permitted non-audit services to it.

Auditor selection:

The Issuer's Supervisory Board selected an auditor to audit the Company's financial statements and carry out a limited review of the interim financial statements for the years 2020–2021 by resolution of 16 July 2019. The selected auditor is 4AUDYT sp. z o.o. having its registered office in Poznań.

The selection was preceded by a tender procedure (in accordance with the policy and procedure on selection of an audit firm). Invited to submit their bids were also audit firms which obtained less than 15% of their total audit fees from public interest entities in Poland in the previous calendar year. The bid evaluation procedure contained transparent and non-discriminatory selection criteria. The recommendation regarding the selection of the audit firm to conduct the audit complied with the binding conditions and was made under a selection procedure arranged by the Issuer in accordance with the applicable criteria.

Policy and procedure on selection of an audit firm:

The Audit Committee adopted the policy and procedure on selection of an audit firm to audit standalone and consolidated financial statements, which is available on the Issuer's website at <https://ir.xtpl.com/pl/materialy/korporacyjne/>

The purpose of the auditor selection policy and procedure is to define transparent and non-discriminatory rules for the process leading to submission by the Audit Committee, free from any influence by third parties, recommendations regarding the audit firm, and the selection by the Supervisory Board of an independent and competent audit firm to conduct the audit.

The Company may invite any audit firms to submit their proposals for a statutory audit provided that this is not in breach of Article 17(3) of Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC ("Regulation No 537/2014"), which applies to the maximum duration of an audit engagement with a particular audit firm; organisation of the tender procedure does not preclude the participation in the selection procedure of firms which received less than 15% of the total audit fees from public interest entities in the Member State concerned in the previous calendar year, as specified in the list of audit firms referred to in Article 91 of the Statutory Auditors Act; 4.3.1.3 this is not in breach of the provisions which are the basis for provision of non-audit services by the audit firm, including Article 5 of Regulation No 537/2014 and Article 136 of the Statutory Auditors Act, which relate to prohibited services.

When selecting an audit firm, the Supervisory Board acts on the basis of the below criteria and recommendations from the Audit Committee. In the case of selection of an audit firm to conduct a statutory audit for the Issuer, except in the situation when the audit engagement is extended, the Audit Committee presents a recommendation to the Supervisory Board containing in particular:

- at least two possible choices for the audit engagement and a duly justified preference for one of them indicated to the Audit Committee;
- a statement that the recommendation is free from any undue influence by third parties;
- a statement that the Company has not entered into any agreements containing clauses referred to in Article 66(5a) of the Accounting Act.

The recommendation of the Audit Committee is made following a tender procedure, using the procedure described in detail in the said policy.

The Supervisory Board, when selecting an audit firm, and the Audit Committee, when drawing up the recommendation, may take into account the following criteria in particular (details shall be determined in the tender documentation): the audit firm's prior experience in conducting audits of financial statements and consolidated financial statements of companies, including public companies; the audit firm's capacity, including in terms of HR and organisation, to ensure full range of services specified by the Company in the request for proposal, taking into account the professional nature of this activity; the fee proposed by the audit firm; a possibility to conduct the audit within the time limit specified by the Company in the request for proposal; the audit firm's impartiality and independence in relation to the Company and the Group, within the meaning of the Act, in particular Article 69–73 of the Statutory Auditors Act; having the rights and authority to carry out the audit in accordance with the Statutory Auditors Act; satisfying the conditions to be able to issue an unbiased opinion in accordance with the Statutory Auditors Act; compliance with the conditions for the rotation of the audit firm and the key statutory auditor in accordance with the Statutory Auditors Act and Regulation (EU) No 537/2014; compliance by the audit firm with the standards pertaining to the audit of financial statements; other justified criteria, indicated at the discretion of the Audit Committee and the Supervisory Board.

When selecting an audit firm, the Supervisory Board uses the following rules: the rule of rotating the audit firm, based on which the maximum duration of uninterrupted statutory audit engagements with the same audit firm or an audit firm connected with such audit firm or any member of its network in the EU to which these audit firms belong, may not exceed 10 years; the rule of a cooling off period, based on which after the maximum period of uninterrupted duration of the audit engagement the current audit firm shall not carry out any statutory audit for the Company over the following 4 years; the rule of rotating the key statutory auditor, based on which the key statutory auditor may not carry out statutory audits at the Company for a period longer than 5 years. The key statutory auditor may carry out a statutory audit of the Company again after at least 3 years following the end of the last statutory audit. The rule is to select an audit firm for a minimum period of two years.

Permitted non-audit services policy

The Audit Committee adopted the policy on provision by the audit firm which conducts an audit, by its affiliates and by members of its network, of permitted non-audit services. The policy is available on the Issuer's website at <https://ir.xtpl.com/pl/materialy/korporacyjne/>

<https://ir.xtpl.com/pl/materialy/korporacyjne/>

The policy reflects the provisions of Regulation No 537/2014 and the Statutory Auditors Act.

The policy on provision by the audit firm which conducts an audit, by its affiliates and by members of its network, of permitted non-audit services provides that the Audit Committee issues a decision with consent to the provision of non-audit services after assessing whether the service is permitted, whether the service is not prohibited and whether there are any threats to the independence of the audit firm. The Audit Committee communicates its decision immediately to the Supervisory Board and the Management Board of the Company. Permissible services may be provided to the extent not related to the tax policy of the Company and after the Audit Committee has carried out an assessment of risks and independence safeguards.

The statutory auditor or audit firm carrying out the statutory audit of the Company and members of their networks, or entities connected with the statutory auditor or audit firm, may not provide the Company, its parent company or entities controlled by it with any prohibited services other than financial audit in the following periods: from the beginning of the audited period to the issuance of an audit report and in the financial year immediately preceding the above period, with respect to services related to development and implementation of internal control procedures and risk management procedures connected with preparation or control of financial information or development and implementation of technological systems related to financial information.

Audit Committee meetings:

During the Reporting Period, the Audit Committee held 4 meetings.

During those meetings, the Audit Committee:

- Passed a resolution on adoption of the report on the activities of the XTPL Audit Committee for the period from 01/01/2020 to 31/12/2020.
- Adopted a calendar of meetings and the overall work program of the Audit Committee for 2020.
- Discussed the current status of the financial reporting process.
- Learned about the method of implementing legal changes relating to related party transactions.
- Obligated the Management Board to analyze human resources in the legal, financial and accounting departments.
- Monitored the internal control system.
- Monitored risk management processes.
- Assessed the effectiveness of risk management in the Company and made related recommendations.
- Summarized cooperation to-date with the auditor in relation to the audit of financial statements.
- Discussed the standalone and consolidated financial statements of XTPL S.A. for the financial year of 2019.
- Discussed the Management Board's report on the activities of XTPL S.A. and discussed the work of the Management Board of XTPL S.A. in the financial year 2019.
- Discussed the additional report presented to the Audit Committee.

- Adopted a resolution on the “Information for the Supervisory Board of XTPL S.A. about audit results, and explaining how the audit has contributed to the reliability of financial reporting, and what role the Audit Committee has played in the audit process”.
- Adopted a resolution on presentation to the Supervisory Board of XTPL S.A. of a recommendation regarding assessment of the standalone and consolidated financial statements of XTPL S.A. for the financial year 2019.
- Adopted a resolution on presentation to the Supervisory Board of XTPL S.A. of a recommendation regarding assessment of the Management Board’s report on the activities of XTPL S.A. for 2019.
- Listened to Management Board’s selected information relating to the financial statements for the first half of 2020 and the main points contained in the independent auditor’s report on the review of the interim condensed consolidated and standalone financial statements.
- Listened to an account given by Piotr Lembas relating to his discussions with the statutory auditor.
- Discussed the H1 2020 report and points from review of the condensed consolidated and standalone financial statements.
- Listened to Management Board’s presentation on internal audit at the Company.
- Listened to Management Board’s presentation on selected information relating to financial statements for the third quarter of 2020.
- Discussed financial statements for the third quarter of 2020.
- Held a discussion on the monitoring of risk management processes.
- Assessed the effectiveness of risk management in the Company and made related recommendations.
- Held a discussion on the monitoring, evaluation and guidance on internal control.
- Held a discussion on the audit of intellectual property protection.

In addition, discussions were held with the auditor regarding the issue of the auditor's independence, the strategy performing financial statements audit and the objectives and scope of the audit. The level of materiality of the audit and how it was determined were also discussed with the auditor.

A detailed description of the activities of the Audit Committee during the Reporting Period will be presented in the report on the activities of the Audit Committee, which will be a part of the report on the activities of the Supervisory Board (it will be made available in the materials relating to the convocation of the Annual General Meeting).

4.14 Significant litigations

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

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



shaping global nanofuture

Other

5 Other

5.1 Management Board's statement

The Management Board of XTPL S.A. declares that to the best of its knowledge the annual consolidated and standalone financial statements for 2020 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 the Issuer.

The Management Board of XTPL S.A. declares that the Management Board's report on the activities of the Issuer and the Group gives a true view of development, achievements and the situation of the Issuer and the Group (including a description of key threats and risks).

Signatures of Management Board members:

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu



Wrocław, 27 April 2021

5.2 Information from the Management Board regarding auditor selection

On the basis of the Supervisory Board's statement and the Supervisory Board's resolution on auditor selection for audit of the Company's annual financial statements of 16 July 2019, the Management Board of XTPL S.A. advises that the auditor for the 2020 annual consolidated and standalone financial statements was selected in accordance with the applicable law, including the legal provisions governing the selection of an audit firm.

In addition, the Management Board advises that:

- a) the audit firm and members of the auditing team responsible for audit of the 2020 annual consolidated and standalone financial statements met the conditions for preparing an impartial and independent audit report on the annual financial statements in accordance with applicable laws, professional standards and professional ethics;
- b) the applicable laws related to the rotation of the audit firm and the key statutory auditor and the mandatory cooling off period are complied with by the Company;
- c) the Company has an auditor selection policy in place as well as a policy on the provision for the Issuer of non-audit services by the audit firm, including services conditionally excluded from the range of prohibited services.

Signatures of Management Board members:

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu



Wrocław, 27 April 2020

5.3 Statement of the Supervisory Board

Pursuant to § 70(1)(8) and § 71(1)(8) of the Regulation on current and financial information provided by issuers of securities, the Supervisory Board of XTPL S.A. declares that XTPL S.A.:

- a) complies with the legal provisions regarding appointment, composition and functioning of the Audit Committee, including those relating to fulfillment by its members of the independence criteria and the requirements re knowledge and skills in the industry in which the Issuer; and in the area of accounting or auditing;
- b) the Audit Committee of XTPL S.A. performed its tasks of the Audit Committee provided for in the applicable regulations.

Signatures of Supervisory Board members:

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu



5.4 Management Board's opinion

In its opinion about the consolidated and standalone financial statements of XTPL S.A. for the financial year 2020, the audit firm neither expressed a qualified opinion nor issued a negative opinion.

Signatures of Management Board members:

Filip Granek
Prezes Zarządu

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

Jacek Olszański
Członek Zarządu

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

Wrocław, 27 April 2021

5.5 Assessment by the Supervisory Board

The Supervisory Board of XTPL S.A. declares that it has assessed the Management Board's report on the Issuer's and the Issuer's Group's activities in the Reporting Period and has assessed the standalone and consolidated financial statements for the financial year 2020 in terms of their compliance with the books of account, evidence and the facts, and as a result of the assessment it confirms that these documents have been prepared in accordance with the Company's books of account, evidence and the facts.

The Supervisory Board made a positive assessment of the Management Board's report on activities of the XTPL Group and the consolidated financial statements for the year ended 31 December 2020 based on the analysis of:

- 1) content of the report on the Issuer's and the XTPL Group's activities the consolidated financial statements of XTPL S.A. for the financial year ended 31 December 2020 submitted by the Issuer's Management Board;
- 2) report on the audit of the standalone and consolidated financial statements of XTPL S.A. prepared by 4Audyt sp. z o.o. ;
- 3) information from the Audit Committee on the course and results of the audit and on reliability of the financial reporting.

Signatures of Supervisory Board members:

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu



5.6 Approval for publication

The annual report for the financial year 2020 was approved for publication by the Management Board of XTPL S.A. on 27 April 2021.

Signatures of Management Board members:

Filip Granek
Prezes Zarządu



Jacek Olszański
Członek Zarządu



Wrocław, 27 April 2021