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INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE FIRST HALF OF 2021

XTPL S.A.

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 30 June 2021 (“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.

This document relates to XTPL Group (“Group”, “XTPL Group”), and contains the Group’s interim consolidated financial statements (“Report”).

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 28 September 2021. As at the Report Date, the share capital of XTPL S.A. amounted to PLN 202,922.20 and consisted of 2,029,222 shares with a nominal value of PLN 0.10 each (“Shares”).

In this Report, the consolidated financial statements mean the consolidated financial statements (including the Company and its Subsidiaries) for the six months from 1 January to 30 June 2021 (the “Reporting Period”) prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

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

“Accounting Act” – the Accounting Act of 29 September 1994.

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

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

TABLE OF CONTENTS

1	Selected consolidated figures	5
2	Key information about the Issuer	6
3	Interim condensed consolidated financial statements	11
4	Additional information	27
5	Management Board's statements	30
6	Management Board's statement on the statutory auditor.....	31
7	Management Board's opinion	32
8	Approval for publication	33

Selected consolidated figures and key information about the Issuer

1 Selected consolidated figures

Figures in PLN thousand	1 January – 30 June 2021		1 January – 30 June 2020	
	PLN	EUR	PLN	EUR
Net revenue from sale of products and services	143	31	43	10
Revenue from grants	605	133	893	201
Profit (loss) on sales*	-939	-207	-990	-223
Profit (loss) before tax*	-4,648	-1,022	-5,471	-1,232
Profit (loss) after tax*	-4,652	-1,023	-5,472	-1,232
Depreciation/amortization	154	34	257	58
Net cash flows from operating activities	-2,053	-451	-3,406	-767
Net cash flows from investing activities	-1,534	-337	54	12
Net cash flows from financing activities	-319	-70	9,249	2,082
Figures in PLN thousand	30 June 2021		31 December 2020	
Owner's equity	6,883	1,523	10,386	2,251
Short-term liabilities	2,812	622	1,443	313
Long-term liabilities	3,234	715	3,198	693
Cash and cash equivalents	6,571	1,454	10,478	2,271
Short-term receivables	587	130	530	115
Long-term receivables	32	7	33	7

*in point 2.1.5 the impact of the non-cash settlement of the incentive system on the Company's results is presented

2 Key information about the Issuer

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

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

As regards financial reporting, the Group uses IASs/ IFRSs.

The presented interim condensed consolidated financial statements cover the period of six months from 1 January to 30 June 2021.

Management Board

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

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

Supervisory Board

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

Name
Wiesław Rozłucki, PhD – Supervisory Board Chairman
Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
Andrzej Domański – Deputy Chairman of the Supervisory Board
Beata Turlejska-Zduńczyk – Supervisory Board Member
Piotr Lembas – Supervisory Board Member
Professor Herbert Wirth – Supervisory Board Member.

2.1 XTPL Group

2.1.1 Group structure

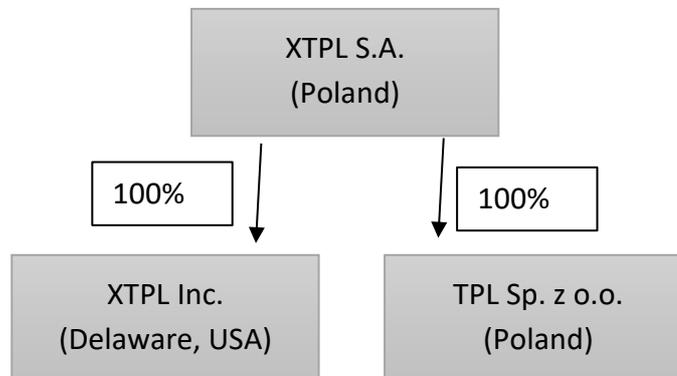
The corporate group XTPL S.A. was established on 31 January 2019.

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.

Structure of XTPL Group as at the Report Date:



2.1.1 Branches

Not applicable. Neither the Parent Company nor its Subsidiary have any branches.

2.1.2 Non-arm's length transactions with related entities

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

2.1.3 Proceedings before courts and other bodies

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

2.1.4 Guarantees given

Not applicable. Neither the Issuer nor its Subsidiaries provided any guarantees in the Reporting Period.

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

In the Reporting Period, in the statement of comprehensive income the Group recognized the cost the incentive scheme for employees and collaborators based on the Parent Company's shares. 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 1,149 thousand and was fully taken to the profit or loss of the current period. Recognition of the scheme's costs of PLN 1,149 thousand has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

The table below presents the XTPL Group's result for the period from 1 January 2021 to 30 June 2021 with and without the effect of the incentive scheme.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	WITHOUT THE INCENTIVE SCHEME	WITH THE INCENTIVE SCHEME
	PLN`000	PLN`000
Continued operations		
Revenue from sales	748	748
Revenue from research and development services	7	7
Revenue from the sale of products	136	65
Revenue from grants	605	605
Cost of sales	1,447	1,687
Research and development expenses	1,447	1,687
Cost of finished goods sold	–	–
Gross profit (loss)	-699	-939
General and administrative expenses	2,622	3,531
Other operating income	1	1
Other operating costs	–	–

Operating profit (loss)	-3,320	-4,469
Financial revenues	17	17
Financial expenses	196	196
Profit/ loss before tax	-3,499	-4,648
Income tax	4	4
Net profit (loss) on continued operations	-3,503	-4,652

Interim condensed consolidated financial statements

3 Interim condensed consolidated financial statements

3.1 Interim condensed consolidated statement of financial position

ASSETS	NOTE	30.06.2021 PLN'000	31.12.2020 PLN'000
Non-current assets		5,270	3,891
Property, plant and equipment	2	2,266	988
Intangible assets	1	2,972	2,870
Long-term receivables	6	32	33
Current assets	13	7,659	11,136
Inventories		382	90
Trade receivables		25	4
Other receivables		562	526
Cash and cash equivalents		6,571	10,478
Other assets		119	38
Total assets		12,929	15,027
EQUITY AND LIABILITIES	NOTE	30.06.2021 PLN'000	31.12.2020 PLN'000
Total equity		6,883	10,386
Share capital		203	203
Supplementary capital		8,129	16,311
Own shares		-8	-8
Reserve capital		3,050	1,901
FX differences arising on translation		49	48
Retained profit (loss carried forward)		112	510
Profit (loss) after tax		-4,652	-8,579
Long-term liabilities		3,234	3,198
Long-term financial liabilities		3,234	3,198
Short-term liabilities	13	2,812	1,443
Trade liabilities		651	404
Short-term financial liabilities		-	315
Other liabilities		937	724
Deferred income		107	-
Advances for grants		1,117	-
Total equity and liabilities		12,929	15,027

3.2 Interim condensed consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	NOTES	1.01.2021 – 30.06.2021 PLN'000	1.01.2020 – 30.06.2020 PLN'000
Continued operations			
Revenue from sales	14	748	936
Revenue from research and development services	23	7	20
Revenue from the sale of products	23	136	23
Revenue from grants		605	893
Cost of sales		1,687	1,926
Research and development expenses	15	1,687	1,926
Cost of finished goods sold		–	–
Gross profit (loss)		-939	-990
General and administrative expenses	15	3,531	4,704
Other operating income		1	136
Other operating costs		–	14
Operating profit (loss)		-4,469	-5,572
Financial revenues		17	104
Financial expenses		196	3
Profit/ loss before tax		-4,648	-5,471
Income tax		4	1
Net profit (loss) on continued operations		-4,652	-5,472
Discontinued operations		-	-
Net profit (loss) on discontinued operations		–	–
Net profit (loss) on continued and discontinued operations		-4,652	-5,472
Profit (loss) attributable to non-controlling interests		–	–
Profit (loss) attributable to shareholders of the parent		-4,652	-5,472
Other comprehensive income		1	-90
Items that can be transferred to profit or loss in subsequent reporting periods		1	-90
FX differences arising on conversion of foreign affiliates		1	-90
Items that will not be transferred to profit or loss in subsequent periods		-	-
Total comprehensive income		-4,651	-5,562
Total comprehensive income attributable to non-controlling shareholders		–	–
Total comprehensive income attributable to the parent company		-4,651	-5,562
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-2.29	-2.87
Diluted		-2.29	-2.87

On continued and discontinued operations			
Ordinary		-2.29	-2.87
Diluted		-2.29	-2.87
number of shares		2,029,222	1,904,222

3.3 Interim condensed consolidated statement of changes in equity

STATEMENT OF CHANGES								
IN EQUITY	Share capital	Supplementary capital	Own shares	Reserve capital	FX differences arising on translation	Retained profit (loss carried forward)	Non-controlling interests	Total
As at 1 January 2021	203	16,311	-8	1,901	48	-8,070	-	10,385
Comprehensive income:	-	-	-	-	1	-4,652	-	-4,651
Profit (loss) after tax	-	-	-	-	-	-4,652	-	-4,652
Other comprehensive income	-	-	-	-	1	-	-	1
Transactions with owners:	-	-8,182	-	1,149	-	8,182	-	1,149
Issue of shares	-	-	-	-	-	-	-	-
Incentive scheme	-	-	-	1,149	-	-	-	1,149
Distribution of profit	-	-8,182	-	-	-	8,182	-	-
As at 30 June 2021	203	8,129	-8	3,050	49	-4,540	-	6,883
As at 1 January 2020	190	18,726	-	12,150	10	-24,169	-	6,907
Comprehensive income:	-	-	-	-	-90	-5,472	-	-5,562
Profit (loss) after tax	-	-	-	-	-	-5,472	-	-5,472
Other comprehensive income	-	-	-	-	-90	-	-	-90
Transactions with owners:	-	-11,652	-	-1,802	-	24,678	-	11,224
Issue of shares	-	-	-	9,250	-	-	-	9,250
Incentive scheme	-	-	-	1,974	-	-	-	1,974
Distribution of profit	-	-11,652	-	-13,026	-	24,678	-	-
As at 30 June 2020	190	7,074	-	10,348	-80	-4,963	-	12,569

3.4 Interim condensed consolidated statement of cash flows

STATEMENT OF CASH FLOWS	NOTE	1.01.2021	1.01.2020
		-	-

		30.06.2021	30.06.2020
		PLN'000	PLN'000
Cash flows from operating activities			
Profit (loss) before tax		-4,648	-5,471
Total adjustments:		2,595	2,065
Depreciation/amortization		154	257
FX gains (losses)		2	-93
Interest and profit distributions (dividends)		39	-13
Profit (loss) on investing activities		-	-1
Change in the balance of provisions		107	45
Change in the balance of inventories		-291	-
Change in the balance of receivables		-56	232
Change in short-term liabilities, except bank and other loans		350	-309
Change in prepayments/accruals		1,141	-27
Income tax paid		-	1
Other adjustments		1,149	1,974
Total cash flows from operating activities	16	-2,053	-3,406
Cash flows from investing activities			
Inflows		-	57
Disposal of tangible and intangible assets		-	2
Repayment of long-term loans		-	50
Interest on financial assets		-	5
Outflows		1,534	3
Acquisition of tangible and intangible fixed assets		1,534	3
Total cash flows from investing activities	16	-1,534	54
Cash flows from financing activities			
Inflows		-	9,250
Contributions to capital		-	9,250
Bank and other loans		-	-
Other financial inflows		-	-
Outflows		319	1
Repayment of bank and other loans		315	-
Finance lease payments		-	1
Interest		4	-
Total cash flows from financing activities	16	-319	9,249
Total cash flows from investing activities		-3,906	5,897
Change in cash and cash equivalents:		-3,907	5,898
– change in cash due to FX differences		1	-1
Cash and cash equivalents at the beginning of the period		10,478	4,207
Cash and cash equivalents at the end of the period, including:		6,571	10,104
– restricted cash		-	-

3.5 Notes

Note 1 Intangible assets

OTHER INTANGIBLE ASSETS	figures in PLN thousand	30.06.2020	31.12.2020
Acquired concessions, patents, licenses and similar rights		21	8
Intellectual property rights		–	–
In-process development expenditure		2,951	2,862
Total (net)		2,972	2,870
Previous write-off		1,174	1,163
Total (gross)		3,807	4,033

All intangible assets are the property of the Group; none of these assets are used based on any rental, lease or a similar contract. The intangible assets are not used as collateral by the Group. As at 30 June 2021, the Group did not have any agreements whereby it would be required to purchase any intangible assets. In 2021 and 2020, no impairment charges were posted for intangible assets.

Note 2. Property, plant and equipment and significant acquisitions

PROPERTY, PLANT AND EQUIPMENT	figures in PLN thousand	30.06.2021	31.12.2020
Technical equipment and machines		283	256
Vehicles		–	–
Other fixed assets		564	168
Tangible assets under construction		1 418	564
Total (net)		2,266	988
Previous write-off		1,530	1,373
Total (gross)		3,796	2,361

Fixed assets under construction include expenses related to the construction of prototype printing device as part of the subsidy project implemented and devices intended for rental / sale. All tangible assets are the property of the Group; none of these assets are used based on any rental, lease or a similar contract. The Group did not use its tangible assets as collateral. In 2021 and 2020, no impairment charges were posted for tangible assets.

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS	figures in PLN thousand	01.01.2021 - 30.06.2021	01.01.2020 - 31.12.2020
3D printer		107	–
XTPL printers		–	92
Computer sets		23	18
Confocal microscope		400	–
Pressure control system and other		15	–
Anti-vibration system and laminar chamber		–	–
Office equipment		4	–
Total significant acquisitions		549	110

Note 3. Significant liabilities on account of purchase of tangible assets

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

As at 30 June 2021, the Group companies did not have any agreements whereby they would be required to purchase any tangible assets.

Note 4. Changes in the classification of financial assets as a result of a change in the purpose or use of these assets

In the reporting period no changes were made in the classification of financial assets.

Note 5. Impairment allowance for financial assets, tangible assets, intangible assets or other assets and reversal of the impairment allowance

In the reporting period no impairment allowances for financial assets, tangible assets, intangible assets or other assets were created or reversed.

Note 6. Long-term receivables

Long-term receivables	figures in PLN thousand	30 June 2021	31 December 2020
Loans granted		–	–
Security deposits		32	33
Shares		–	–
Total long-term receivables		32	33

Note 7. Write-down of inventories to their net recoverable amount and reversal of the write-down

In the reporting period no write-down for inventories was created or reversed.

Note 8. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	figures in PLN thousand	01.01.2021 - 30.06.2021	01.01.2020 - 31.12.2020
Balance at the beginning of the period		318	302
increased/ created		112	749
utilization		–	63
release		2	670
Balance at the end of the period		428	318

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

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

Note 9. Types and amounts of changes in estimates presented in prior interim periods of the present financial year or changes to estimates presented in prior financial years

In the reporting period no changes in estimates were made.

Note 10. Significant liabilities on account of purchase of tangible assets

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

Note 11. Correction of errors from previous periods

In the first half of 2021, no corrections were made on account of errors from previous periods.

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

In the reporting period no transfers took place between individual fair value hierarchy levels in respect of financial instruments.

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

Category	Book value		Fair value		
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	
Financial assets					
Loans granted	WwgZK	422	–	422	–
Trade receivables	WwgZK	15	4	15	4
Other receivables	WwgZK	562	527	562	527
Cash and cash equivalents	WwgZK	6,571	10,325	6,571	10,325
Total		7,570	10,856	7,570	10,856
Financial liabilities					
Lease liabilities	according to IFRS 16	–	–	–	–
Interest bearing borrowings	PZFwgZK	–	316	–	316
Bond liabilities	WwWGpWF	3,234	3,198	3,234	3,198
Trade liabilities	PZFwgZK	651	401	651	401

Other liabilities	PZFWgZK	937	724	937	724
Total		4,822	4,639	4,822	4,639

Abbreviations used:

WwgZK – measured at amortized cost

PZFWgZK – Other liabilities measured at amortised cost

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

Fair value of financial instruments that the Group held as at 30 June 2021 and 31 December 2020 was not materially different from the values presented in the financial statements for the respective years:

- with regard to short-term instruments, the potential effect of the discount is not material;
- the instruments relate to the transactions concluded on market terms.

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

Note 14. Net revenue from sales

NET REVENUE FROM SALES	figures in PLN thousand	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
Revenue from research and development services		7	20
Revenue from the sale of products		136	23
Revenue from grants		605	893
Total net revenue from sales		748	936

The total value of grants obtained in the reporting period amounted to PLN 1,722 thousand. zloty. Out of this figure, PLN 203 thousand represents advances to be settled in future periods, recognized under liabilities in the statement of financial position, and PLN 914 thousand in respect of refund of costs incurred for the construction of a tangible asset, which in accordance with IFRS 20 "Grants" constitutes a grant in relation to assets, and is also recognized as at the balance sheet date in the liabilities of the statement of financial position. Grants in relation to depreciable assets will be recognized in the Group's profit or loss over the subsequent periods in proportion to the recognition of depreciation charges on those assets.

Note 15. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
Depreciation/ amortization, including		243	285
– depreciation of tangible assets		233	169
– amortization of intangible assets		10	116
Use of raw materials and consumables		390	422
External services		1,582	1,706
Cost of employee benefits		2,999	4,101

Taxes and charges	25	29
Other costs by type	67	113
Value of goods and materials sold	–	–
Total costs by type, including:	5,486	6,656
Items reported as research and development costs	1,687	1,926
Items reported as general and administrative expenses	3,531	4,703
Change in finished goods	88	27

Recognition of costs related to the valuation of the incentive scheme in the total amount of PLN 1,149 thousand (PLN 240 thousand recognized in the cost of research & development, and PLN 909 thousand in general and administrative expenses) has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the Group's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

Note 16. Explanations to the statement of cash flows

	figures in PLN thousand	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
PBT presented in the statement of comprehensive income		-4,648	-5,471
PBT presented in the statement of cash flows		-4,648	-5,471
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS			
Realized interest on financing activities		3	-5
Realized interest on investing activities		–	–
Unrealized interest on financing activities		–	–
Unrealized interest on financing activities		36	-8
Total interest and dividends:		39	-13
CHANGE IN THE BALANCE OF RECEIVABLES			
Change in the balance of trade receivables		-11	-10
Other receivables		-45	242
Total change in the balance of receivables		-56	232

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
Change in the balance of trade liabilities	247	-405
Other liabilities	103	96
Total change in the balance of liabilities:	350	-309

Cash and cash equivalents at the end of the period	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
Statement of cash flows	6,571	10,104
Statement of financial position	6,571	10,103

The amount of PLN 1,149 thousand presented in the statement of cash flows as “other adjustments” refers to the cost of remuneration included in the statement of comprehensive income in respect of the valuation of the incentive scheme.

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

Note 17. Related party transactions

01.01.2021 - 30.06.2021	figures in PLN thousand	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		–	–	–	–
Loans granted		–	–	–	–
Financial expenses – interest on loans		–	–	–	–

01.01.2020 - 30.06.2020	figures in PLN thousand	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		–	–	–	2
Loans granted		–	–	–	–
Financial expenses – interest on loans		–	–	–	8

* the item includes persons who have the authority and responsibility for planning, managing and controlling the company's activities

** the item includes entities linked through key management

Terms of related party transactions

Sales to and purchases from related parties are made on an arm's length basis. Any overdue liabilities/ receivables existing at the end of the period are interest-free and settled on cash or non-cash basis. The Group does not charge late interest from other related entities. Receivables from or liabilities to related parties are not covered by any guarantees given or received. They are not secured in any other way either. At the end of the reporting period, i.e. 30 June 2021, the Group did not create any allowances for doubtful receivables from related parties. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

Note 18. Deferred tax assets

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.06.2021	31.12.2020	01.01.2021 - 30.06.2021
Due to differences between the tax value and the carrying amount:			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	–	–	–
Accruals for unused annual leaves	14	10	4
Provision for the cost external services	–	–	–
Total deferred tax assets	14	10	4
Set-off with a deferred tax liability	-14	-10	-4
Net deferred tax assets	-	-	-

Note 19. Objectives and rules of financial risk management

The Group is exposed to risk in each area of its operations. With understanding of the threats that originate through the Company's exposure to risk and the rules for managing these threats the Group can run its operations more effectively. Financial risk management includes the processes of identification, assessment, measurement and management of this risk. The main financial risks to which the Group is exposed include:

Market risks:

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

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

MARKET RISK

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

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

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

PRICE RISK

In the period from January to June 2021, the Group did not invest in any debt instruments and, therefore, is not exposed to any price risk.

CURRENCY RISK

The Group is exposed to currency risk in respect of the transactions it concludes. Such risk arises when the Company makes purchases in currencies other than the valuation currency.

INTEREST RATE RISK

Deposit transactions are made with institutions with a strong and stable market position. The instruments used – short-term, fixed-rate transactions – ensure full security.

LIQUIDITY RISK

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

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

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

CREDIT RISK

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

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

Note 20. Material settlements on account of court cases

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

Note 21. Information about changes in the economic position and operating conditions which might have a material impact on the fair value of the Group's financial assets and liabilities, whether those assets and liabilities are recognized at fair value or at adjusted purchase price (amortized cost)

In the first half of 2021, no significant changes were identified in the economic position or operating conditions which would have a material impact on the fair value of the Group's financial assets and liabilities.

Note 22. Information about changes in contingent liabilities and contingent assets and non-disclosed liabilities arising from contracts in relation to the last reporting period

Contingent liabilities granted by the Parent Company were in the form of promissory notes together with promissory note declarations to secure the contracts for co-financing projects financed by the EU as well as a bank loan agreement. The change in the value of contingent liabilities in relation 31 December 2020 amounts to PLN 1,722 thousand. It is caused by the payment of the next two tranches of subsidies totalling PLN 1,722 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	30.06.2021	31.12.2020
Promissory notes	10,109	8,387
Total contingent liabilities	10,109	8,387

Note 23. Incentive scheme

In the reporting period, in the statement of comprehensive income the Group recognized the cost the incentive scheme for employees and collaborators based on the Parent Company's shares, in the portion relating to the period ended 31 December 2020. 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 1,149 thousand and was fully taken to the profit or loss of the current period.

Recognition of the scheme's costs of PLN 1,149 thousand has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

Note 24. Information about seasonality of business and cycles

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

Note 25. Extraordinary factors which occurred in the reporting period with an indication of their impact on the financial statements

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

Note 26. Information on issue, redemption and repayment of debt and equity securities

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

Note 27. Dividend paid or declared, in total and per share, with a division into ordinary and preference shares

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

Note 28. Operating segments

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

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

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

SALES REVENUE BY SEGMENTS	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
Nanoinks	28	20
Printer sale/ lease	108	–
Research and development services	7	23
TOTAL	143	43

Note 29. Information about the influence of changes in the composition of the entity during the interim period, any business combinations, acquisition or loss of control over subsidiaries, long-term investments, restructures or discontinued businesses.

During the first half of 2021, there were no changes in the composition of XTPL Group as compared to the previous reporting periods.

Note 30. Information on default on any bank and other loans or a breach of material provisions of bank and other loan agreements where no remedial actions have been taken before the end of the reporting period

No such events occurred in the reporting period.

Note 31. Date of approval of the financial statements for publication

This financial report for the period from 1 January 2021 to 30 June 2021 was approved for publication by the Parent Company's Management Board on 28 September 2020.

Note 32. Deferred tax liability

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.06.2021	31.12.2020	01.01.2021 - 30.06.2021
In respect of:			
Interest on loans and deposits	14	10	-4
Total deferred tax liability	14	10	-4
Set-off with deferred tax assets	-14	-10	4
Net deferred tax liability	—	—	—

Note 33. Events after the balance sheet date that have not been reflected in the interim financial statements

Sales of the Delta Printing System printer

On 2 July 2021, the Company accepted and confirmed an order from Karlsruher Institut für Technologie - Lichttechnisches Institut for delivery of the Company's technology demonstrator: Delta Printing System printer, which is tantamount to concluding a sales agreement. The Company will deliver and commission the device by the end of 2021. The Institute will use it for research and development related to modern light-emitting materials.

Conclusion of an agreement for distribution of XTPL's technological solutions in Great Britain and Ireland

On 6 July 2021 an agreement was signed between the Company and Semitronics Sales Ltd. based in the UK providing for distribution of the Issuer's technological solutions in Great Britain and Ireland. Under the agreement, Semitronics will be the distributor of XTPL's technological solutions in the British and Irish market. Thanks to the cooperation with the Semitronics, the Company's technology and products will continue to gather momentum in R&D centers, scientific institutions and technological corporations operating in Great Britain and Ireland. The partnership will also increase awareness and visibility of the Issuer's solutions among global market players.

Additional information

4 Additional information

4.1 General information and basis of preparation

The consolidated financial statements of XTPL Group cover the period of six months ended 30 June 2021, and the comparative data for the period of six months ended 30 June 2020, and as at 31 December 2020, and were prepared using the historical cost convention.

The financial statements have been prepared on the assumption that the Group will continue in operation for at least a year from the Balance Sheet Date.

Given the Group's market development stage (the Group does not yet generate significant revenues from the sale of products and services, and its activity is financed primarily from equity and grants, and from the issue of convertible bonds), the ability to continue operations depends to a large extent on the ability to raise further financing, primarily through the issue of shares to finance subsequent stages of commercialization of the technology developed by the Group. Late in June/ early in July, XTPL S.A. successfully conducted a financial round, as a result of which it raised PLN 9,250 thousand from the issue of shares and PLN 3,600 thousand from the issue of bonds convertible into shares. The total amount raised in the financial round was PLN 12,850 thousand. Taking into account the above and the fact that the Group is currently implementing two projects co-financed by the NCBR (grant of PLN 19,370 thousand), and given the proceeds from commercialization, which will increase significantly from Q4 2021, the Management Board of the Parent Company does not see any risk to the continuation of the Company's business during the next 12 months.

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

The financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Company's financial statements for the year ended 31 December 2020.

The financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting and in accordance with the Finance Minister's Ordinance on current and financial information.

4.2 Currency of the financial statements

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

4.3 Exchange rates used in the financial statements

exchange rates used in the financial statements	2021 – January – June		2020 – January – June/ December 2020	
	EUR	USD	EUR	USD
for balance sheet items	4.5208	3.8035	4.6148	3.7584
for profit or loss and cash flow items	4.5472	3.7815	4.4413	4.0214

4.4 Description of significant accounting principles

For the purpose of preparing the interim condensed financial statements, the same accounting principles and calculation methods have been used as in the last annual financial statements, and in the last quarterly financial statements prepared as at 31 March 2021 (report for Q1 2021 of 27 May 2021).

Signatures of all Management Board members

Filip GraneK
Chairman of the
Management Board



Jacek Olszański
Member of the
Management Board



Person responsible for preparing the consolidated financial statements

Wrocław, 28 September 2021

Other

5 Management Board's statements

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

Signatures of all Management Board members

Filip GrANEK
Chairman of the
Management Board

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

Jacek Olszański
Member of the
Management Board

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

Wrocław, 28 September 2021

6 Management Board's statement on the statutory auditor

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

Signatures of all Management Board members

Filip GraneK
Chairman of the
Management Board



Jacek Olszański
Member of the
Management Board



Wrocław, 28 September 2021

7 Management Board's opinion

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

8 Approval for publication

The half-yearly report for the first half of 2021 ended on 30 June 2021 was approved for publication by the Management Board of the Parent Company on 28 September 2021.

Signatures of all Management Board members

Filip Granek
Chairman of the
Management Board

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

Jacek Olszański
Member of the
Management Board

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

Wrocław, 28 September 2021