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STANDALONE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01-01-2021 TO 31-12-2021
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 31 December 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.

XTPL S.A. forms the XTPL Group ("**Group**", "**XTPL Group**"). This document contains the standalone financial statements of XTPL.

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. ("**Subsidiary**", "**Subsidiary Undertaking**", "**XTPL Inc.**", "**TPL**").

This report ("**Report**") contains standalone financial statements of XTPL S.A. for the period from 1 January 2021 to 31 December 2021 ("**Reporting Period**") prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date ("**Report Date**") is 26 April 2022. 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**").

"**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 PLN thousands.

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Selected standalone figures and key information about the Issuer

1 Selected standalone figures

Figures in PLN thousand	1 January–31 December 2021		1 January–31 December 2020	
	PLN	EUR	PLN	EUR
Net revenue from the sale of products and services	2,086	456	64	14
Revenue from grants	2,616	571	2,230	497
Profit (loss) on sales	-264	-58	-534	-119
Profit (loss) before tax	-6,598	-1,441	-8,182	-1,829
Profit (loss) after tax	-6,598	-1,441	-8,182	-1,829
Depreciation/amortization	585	128	401	90
Net cash flows from operating activities	-3,652	-798	-5,394	-1,206
Net cash flows from investing activities	-2,011	-439	-1,312	-293
Net cash flows from financing activities	-158	-35	12,849	2,872
Figures in PLN thousand	31 December 2021		31 December 2020	
Equity	5,288	1,150	10,737	2,327
Short-term liabilities	5,923	1,288	1,097	238
Long-term liabilities	1,616	351	3,198	693
Cash and cash equivalents	4,473	973	10,298	2,232
Short-term receivables	1,845	401	735	159
Long-term receivables	449	98	33	7

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>Country:</u>	Poland
<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>Country of registration:</u>	Poland
<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 Company has the status of a public company. Since 20 February 2019, its shares have been listed on the regulated (parallel) market operated by the Warsaw Stock Exchange.

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

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

Management Board:

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

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

Supervisory Board:

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

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

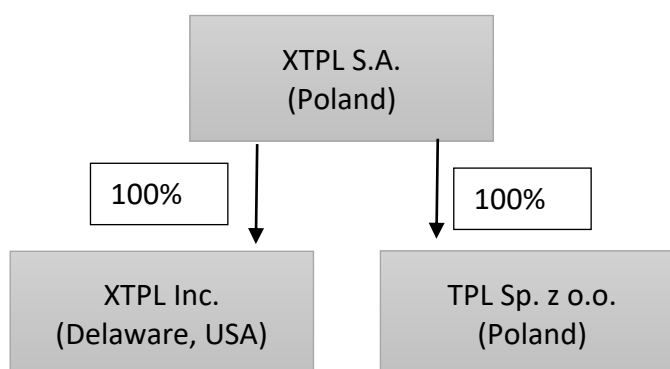
Audit Committee:

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

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

As required by the Best Practice for GPW Listed Companies 2021, on 26 May 2021, the Company's Supervisory Board changed the Chairman of the Audit Committee. Piotr Lembas was appointed to this role, replacing Wiesław Rozłucki. In accordance with Principle 2.9 of the Best Practice 2021: "The chairman of a supervisory board should not combine his function with managing the work of the supervisory board's audit committee". Wiesław Rozłucki remained a member of the Audit Committee.

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



Annual standalone financial statements

3 Annual standalone financial statements

3.1 Period covered by the financial statements

These financial statements cover the period of 12 months ended 31 December 2021 and the data as of that date.

3.2 Comparable data

The statement of comprehensive income, the statement of cash flows and the statement of changes in equity cover the data for the 12 months ended 31 December 2021 as well as comparative data for the period of 12 months ended 31 December 2020. The statement of financial position covers the data presented as at 31 December 2021, and comparative data as at 31 December 2020.

3.3 Identification of consolidated financial statements

These are unconsolidated financial statements. As at 31 December 2021, the entity had two subsidiaries and prepares consolidated financial statements, which are presented in a separate document.

3.4 Notes

Notes are an integral part of these financial statements.

3.5 Foreign currency transactions

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

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

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

At the end of each reporting period:

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

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;

3.5.1 FX rates

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

	2021 January–December		2020 January–December	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for balance sheet items	4.5994	4.0600	4.6148	3.7584
for profit or loss and cash flow items	4.5775	3.8757	4.4742	3.9045

3.6 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) approved by the EU. Taking into account the ongoing IFRS implementation process in the EU, as regards the Company’s operations there is no difference between the already implemented IFRS and the IFRS approved by the EU for the financial year ended 31 December 2020. IAS and IFRS include the standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (IFRIC).

3.6.1 New and amended IFRSs

Presented below are new or amended provisions of IASs/IFRSs and IFRIC interpretations that were adopted in the EU and applied by the Group since 1 January 2022:

- Amendments to:
 - IFRS 3 Business Combinations (published on 14 May 2020) – applicable to reporting periods commencing on or after 1 January 2022;
 - IAS 16 Property, Plant and Equipment (published on 14 May 2020) – applicable to reporting periods commencing on or after 1 January 2022;
 - IAS 37 Provisions, Contingent Liabilities and Contingent Assets (published on 14 May 2020) – applicable to reporting periods commencing on or after 1 January 2022;
 - Annual improvements to IFRSs in 2018–2020 (published on 14 May 2020) – applicable to reporting periods commencing on or after 1 January 2022.

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

Presented below are new or amended provisions of IASs/IFRSs and IFRIC interpretations that were already issued by the International Accounting Standards Board and were approved by the EU, but have not been implemented yet:

- IFRS 17 Insurance Contracts (published on 18 May 2017), including amendments to IFRS 17 Insurance Contracts (published on 25 June 2020) – applicable to reporting periods commencing on or after 1 January 2023;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (published on 12 February 2021) – applicable to reporting periods commencing on or after 1 January 2023;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates (published on 12 February 2021) – applicable to reporting periods commencing on or after 1 January 2023.

The following standards and interpretations have been issued by the International Accounting Standards Board, but have not been approved by the EU yet:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – deferral of the effective date (published on 23 January 2020 and 15 July 2020, respectively) – applicable to reporting periods commencing on or after 1 January 2023;
- Amendments to IAS 12 Income Tax: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (published on 7 May 2021) – applicable to reporting periods commencing on or after 1 January 2023;
- Amendments to IFRS 17 Insurance Contracts: Initial application of IFRS 17 and IFRS 9 Comparative Information (published on 9 December 2021) – applicable to reporting periods commencing on or after 1 January 2023.

The effective dates are the dates arising from the standards published by the International Financial Reporting Board. The effective dates of the standards in the European Union may differ from the effective dates arising from the standards and are announced upon the adoption of the standards by the European Union.

3.7 Going concern

These financial statements have been prepared on the assumption that the Company will continue in operation for at least 12 months after the balance sheet date.

When assessing the Company's ability to continue as a going concern, the Management Board takes into account the current cash position, commercialization progress and sales plans, ongoing projects co-funded by the European Union, the ability to meet obligations, and possible plans to obtain further funding.

July 2022 is the redemption date of convertible bonds with a nominal value of PLN 3,600 thousand. The current share price of the Company is lower than the bond-to-equity conversion value. For this reason, the Company's Management Board started talks with the bondholders aimed at extending the maturity date and possibly changing the interest rate of the bonds convertible into shares. Two of three bondholders, representing 94% of the debt (i.e. PLN 3,378 thousand by nominal value), expressed their willingness to sign an agreement amending the terms of the issue. The investors who confirmed their willingness to conclude an agreement changing the terms are significant and long-term shareholders of the Company: the ACATIS fund and the Deutsche Balaton fund. Administrative activities aimed at finalizing the agreement are currently underway, although the agreement itself has not been signed yet. The remaining 6% of the debt will be repaid by the Company on the original maturity date.

In the unlikely event of full redemption of the bonds, the Company will use debt, specific or bridge financing, mainly based on contracted and future sales and contracted grants under publicly funded development projects.

Taking into account the above assumptions, the Management Board confirms that the Company has secured funds to continue its business for the following 12 months.

The impact of the pandemic and the war in Ukraine on the Company's operations was described in Note 65 and Note 66 of the report, respectively.

3.8 Approval of the financial statements

This financial report for the period from 1 January 2021 to 31 December 2021 was approved for publication by the XTPL Management Board on 26 April 2022.

3.9 Annual unconsolidated statement of financial position

ASSETS PLN '000	NOTE	31.12.2021	31.12.2020
Non-current assets		5,845	3,891
Property, plant and equipment	4,5,6,7,8,9	2,615	988
Intangible assets	1,2,3	2,781	2,870
Long-term receivables	13	449	33
Current assets		6,982	11,141
Inventories		560	90
Trade receivables	18	1,359	4
Other receivables	19	486	731
Cash and cash equivalents	20	4,473	10,298
Other assets		104	18
Total assets		12,827	15,032

EQUITY AND LIABILITIES PLN '000	NOTE	31.12.2021	31.12.2020
Total equity		5,288	10,737
Share capital	23	203	203
Supplementary capital		8,129	16,311
Reserve capital		3,926	2,777
Retained earnings, including:		-6,970	-8,554
- <i>current period result</i>		-6,598	-8,182
Long-term liabilities		1,616	3,198
Long-term financial liabilities	25	242	3,198
Deferred income in respect of grants	30	1,374	–
Short-term liabilities		5,923	1,097
Trade liabilities	26	1,093	373
Short-term financial liabilities	29	3,383	–
Other liabilities	27	981	724
Deferred income in respect of grants	30	466	–
Total equity and liabilities		12,827	15,032

3.10 Annual unconsolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME PLN '000	NOTE	01.01.2021 12.12.2021	- 01.01.2020 12.12.2020
Continued operations			
Sales	39	4,702	2,294
Research and development revenue	41	7	34
Revenue from the sale of products	41	2,079	30
Revenue from grants	39	2,616	2,230
Cost of sales	42	4,966	2,828
Research and development expenses		4,463	2,828
Cost of finished goods sold		503	–
Gross profit (loss)		-264	-534
General and administrative expenses	42	6,065	7,331
Other operating income	46	66	199
Other operating costs	47	31	11
Operating profit (loss)		-6,294	-7,677
Financial revenues	48	13	150
Financial expenses	49	317	655
Profit/ loss before tax		-6,598	-8,182
Income tax	16.28	–	–
Net profit (loss) on continued operations		-6,598	-8,182
Discontinued operations		-	-
Net profit (loss) on discontinued operations			
Net profit (loss) on continued and discontinued operations		-6,598	-8,182
Other comprehensive income		-	-
Total comprehensive income		-6,598	-8,182
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-3.25	-4.03
Diluted		-3.18	-3.94
On continued and discontinued operations			
Ordinary		-3.25	-4.03
Diluted		-3.18	-3.94
number of shares to calculate ordinary profit (loss) per share		2,029,222	2,029,222
number of shares to calculate diluted profit (loss) per share *		2,077,870	2,077,870

* number of shares including the bond-to-equity conversion

3.11 Annual unconsolidated statement of changes in equity

STATEMENT OF CHANGES					
IN EQUITY PLN '000	Share capital	Supplementary capital	Reserve capital	Loans received	Total
As at 1 January 2021	203	16,311	2,777	-8,554	10,737
Comprehensive income:	-	-	-	-6,598	-6,598
Profit (loss) after tax	-	-	-	-6,598	-6,598
Other comprehensive income	-	-	-	-	-
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	-
Value of conversion rights under convertible bonds	-	-	-	-	-
As at 31 December 2021	203	8,129	3,926	-6,970	5,288
As at 1 January 2020	190	18,726	13,026	-25,050	6,892
Comprehensive income:	-	-	-	-8,182	-8,182
Profit (loss) after tax	-	-	-	-8,182	-8,182
Other comprehensive income	-	-	-	-	-
Transactions with owners:	13	-2,415	-10,249	24,678	12,027
Issue of shares	13	9,237	-	-	9,250
Incentive scheme	-	-	2,345	-	2,345
Distribution of profit	-	-11,652	-13,026	24,678	-
Value of conversion rights under convertible bonds	-	-	432	-	432
As at 31 December 2020	203	16,311	2,777	-8,554	10,737

3.12 Annual unconsolidated statement of cash flows

	01.01.2021 — 31.12.2021	01.01.2020 — 31.12.2020
STATEMENT OF CASH FLOWS PLN '000		
Cash flows from operating activities		
Profit (loss) before tax	-6,598	-8,182
Total adjustments:	2,946	2,788
Depreciation/amortization	585	401
FX gains (losses)	-16	34
Interest and profit distributions (dividends)	66	-119
Profit (loss) on investing activities	214	586
Change in the balance of provisions	-89	16
Change in the balance of inventories	-470	-90
Change in the balance of receivables	-1,315	404
Change in short-term liabilities, except bank and other loans	1,068	-817
Change in other assets	-86	28
Change in the balance of grants to be settled	1,840	—
Income tax paid	—	—
Incentive scheme valuation	1,149	2,345
Total cash flows from operating activities	-3,652	-5,394
Cash flows from investing activities		
Inflows	507	57
Disposal of tangible and intangible assets	507	1
Repayment of long-term loans	—	50
Interest on financial assets	—	6
Outflows	2,518	1,369
Acquisition of tangible and intangible fixed assets	2,124	892
Acquisition of financial assets	—	—
Long-term loans granted	394	476
Other investment outflows	—	—
Total cash flows from investing activities	-2,011	-1,312
Cash flows from financing activities		
Inflows	-	12,850
Contributions to capital	—	9,250
Bank and other loans	—	—
Issue of bonds	—	3,600
Outflows	158	1
Acquisition of own shares	—	—
Payment of dividend	—	—
Repayment of bank and other loans	—	—
Lease payments	152	—
Interest	6	1
Total cash flows from financing activities	-158	12,849
Total cash flows from investing activities	-5,821	6,143
Change in cash and cash equivalents:	-5,825	6,145
— change in cash due to FX differences	-4	2
Cash and cash equivalents at the beginning of the period	10,298	4,154
Cash and cash equivalents at the end of the period	4,477	10,298

3.13 Notes

Note 1 Intangible assets

INTANGIBLE ASSETS PLN '000	31.12.2021	31.12.2020
Acquired concessions, patents, licenses and similar rights	15	8
Intellectual property rights	–	–
Completed development	2,766	–
In-process development expenditure	–	2,862
Total (net)	2,781	2,870
Previous write-off	1,365	1,163
Total (gross)	4,146	4,033

All intangible assets are the property of the Company; none of these assets are used based on any rental, lease or a similar contract. The intangible assets are not used as collateral. As at 3 December 2021, the Company 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.

PLN '000

Costs of completed development, including	
Salaries	1,187
External services	820
Materials	807
Other	137
Impairment allowances on capitalized expenditure	–
Total	2,951

In-process development completed during the current reporting period are described in Note 15 of this report.

Note 2. Change in intangible assets by type

As at 31.12.2021

CHANGE IN INTANGIBLE ASSETS BY TYPE (except intangible assets under development)	Acquired concessions, patents, licenses and similar rights	Intellectual property rights	Completed development	Total intangible assets
Gross value of intangible assets at the beginning of the period	76	1,095	–	1,171
Increases	24	–	2,951	2,975
Acquisition	24	–	2,951	2,975
Decreases	–	–	–	–
Gross value of intangible assets at the end of the period	100	1,095	2,951	4,146
Accumulated amortization at the beginning of the period	69	1,095	–	1,163
Increases	16	–	184	200
amortization for the current year	16	–	184	200
Decreases	–	–	–	–
Accumulated amortization at the end of the period	85	1,095	184	1,365
impairment allowances at the beginning of the period	–	–	–	–

impairment allowances at the end of the period	–	–	–	–
Net value of intangible assets at the end of the period	15	-	2,766	2,781

As at 31.12.2020

CHANGE IN INTANGIBLE ASSETS BY TYPE (except intangible assets under development) PLN '000	Acquired concessions, patents, licenses and similar rights	Intellectual property rights	Total intangible assets
Gross value of intangible assets at the beginning of the period	76	1,095	1,171
Increases	-	-	-
Acquisition	–	–	–
Decreases	-	-	-
Gross value of intangible assets at the end of the period	76	1,095	1,171
Accumulated amortization at the beginning of the period	54	987	1,041
amortization for the current year	15	108	123
Increases	-	-	-
Decreases	-	-	-
Accumulated amortization at the end of the period	69	1,095	1,163
impairment allowances at the beginning of the period	-	-	-
impairment allowances at the end of the period	-	-	-
Net value of intangible assets at the end of the period	8	-	8

Note 3. Amortization of intangible assets

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

ITEM IN THE STATEMENT OF COMPREHENSIVE INCOME PLN '000	Year ended 31.12.2021	Year ended 31.12.2020
Research and development expenses	200	16
Cost of finished goods sold	–	–
General and administrative expenses	–	107
Total	200	123

Note 4. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT PLN '000	31.12.2021	31.12.2020
Tangible assets, including:	889	424
technical equipment and machines	279	256
vehicles	–	–
other tangible assets	610	168
Tangible assets under construction	1,727	564
Property, plant and equipment	2,615	988

Tangible assets under construction include expenditure related to the construction of the prototype printing device as part of a grant-funded project. No tangible assets are used as collateral. In 2021 and 2020, no impairment charges were posted for tangible assets.

TANGIBLE ASSETS LEASED	2021-12-31			2020-12-31		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
technical equipment and machines	81	–	81	–	–	–
other tangible assets	344	–	344	–	–	–
Total	425	-	425	-	-	-

Note 5. Tangible assets on balance sheet – ownership structure

TANGIBLE ASSETS ON BALANCE SHEET (OWNERSHIP STRUCTURE) PLN '000	31.12.2021	31.12.2020
Own	2,190	988
used based on any rental, lease or a similar contract, including:	425	–
finance lease	–	–
Total tangible assets on the balance sheet	2,615	988

Note 6. Changes in fixed assets by type

As at 31.12.2021

CHANGES IN TANGIBLE ASSETS BY TYPE PLN '000	technical equipment and machines	vehicles	other tangible assets	Total tangible assets
(except for tangible assets under construction)				
Gross value of at the beginning of the period	1,190	91	516	1,797
Increases	253	-	526	779
acquisition	253	–	526	779
Decreases	-	-	-	-
Gross value at the end of the period	1,443	91	1,042	2,576
Accumulated depreciation at the beginning of the period	933	91	348	1,373
Increases	222	-	84	385
depreciation for the current period	222	–	84	385
decreases	-	-	-	-
Accumulated depreciation at the end of the period	1,155	91	432	1,758
impairment allowances at the beginning of the period	-	-	-	-
impairment allowances at the end of the period	-	-	-	-
Net value of tangible assets at the end of the period	278	-	610	888

As at 31.12.2020

CHANGES IN TANGIBLE ASSETS BY TYPE PLN '000	technical equipment and machines	vehicles	other tangible assets	Total tangible assets
(except for tangible assets under construction)				
Gross value of at the beginning of the period	1,080	91	516	1,687

Increases	110	-	-	110
acquisition	110	-	-	110
Decreases	-	-	-	-
Gross value at the end of the period	1,190	91	516	1,797
Accumulated depreciation at the beginning of the period	692	90	258	1,041
Increases	241	1	90	332
depreciation for the current period	241	1	90	332
decreases	-	-	-	-
Accumulated depreciation at the end of the period	933	91	348	1,373
impairment allowances at the beginning of the period	-	-	-	-
impairment allowances at the end of the period	-	-	-	-
Net value of tangible assets at the end of the period	256	-	168	424

Note 7. Depreciation of tangible assets

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

ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME PLN '000	Year ended 31.12.2021	Year ended 31.12.2020
Research and development expenses	352	271
Cost of finished goods sold	7	-
General and administrative expenses	26	7
Total	385	278

Note 8. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS PLN '000	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
XTPL printers, 3D	145	92
Computer sets	66	18
Server with software	130	-
Pressure control system and other	22	-
Confocal microscope	400	-
Office equipment	4	-
Total significant acquisitions	767	110

The expenditure is spent on building laboratory printers – demonstrators of the technology offered by XTPL S.A., and on development of the UPD technology.

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

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

Note 10. Investment properties

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

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

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

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

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

Note 13. Long-term receivables and long-term investments

Long-term receivables PLN '000	31.12.2021	31.12.2020
Loans granted	416	–
Security deposits	33	33
Shares in the subsidiary	–	–
Total long-term receivables	449	33

In 2020, the Company's Management Board posted an impairment allowance for 100% of the shares in the subsidiary XTPL Inc. (PLN 19 thousand) due to the stage entity's development.

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.

Note 14. Capital expenditure

CAPITAL EXPENDITURE INCURRED PLN '000	01.01.2021 31.12.2021	- 01.01.2020 31.12.2020
– including on environmental protection	–	–
Expenditures on tangible assets under construction	1,163	836
Tangible assets purchased	848	110
Intangible assets purchased	113	–
Investments in properties	–	–
Total investments in non-financial fixed assets	2,124	946
Loans granted	394	476
Acquisition of treasury bills	–	–
Acquisition of shares	–	–
Total investments in financial fixed assets	394	476
Total capital expenditure	2,518	1,422

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

Intangible fixed assets – completed development – book value of PLN 2,951 thousand.

As required by IAS 36 Impairment of Assets, the Company's Management Board carried out an impairment test for the Company's assets: cost of completed development – by comparing their carrying amount with recoverable amount. As part of the procedure, the management tested all the previous assumptions underlying the decisions to recognize the development expenditure as an asset. The probability and value of future economic benefits were verified. The test was based on a 5-year forecast, with discount rate of 12.63%. The discount rate includes a risk-free rate based on 10Y treasury bonds, a market risk premium based on A. Damodaran's calculations, 1Y WIBOR + commercial banks' margin, and a beta calculated on the basis of the Company's quotations. The discount rate also takes into account the specific risk of the Company and the premium for the type of assets. The Company did not include the residual value in the test model.

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

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

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

change in WACC						
11,13%	11,63%	12,13%	12,63%	13,13%	13,63%	14,13%
39 000	38 259	37 536	36 831	36 142	35 469	34 813

Loan granted to the subsidiary.

Due to the results of the subsidiary XTPL Inc. as the Balance Sheet Date, the Management Board of XTPL S.A. assessed the value of the loans granted to the subsidiary in terms of impairment of assets. The Management Board is of the opinion that the probability of XTPL Inc. obtaining revenues as a result of a license agreement signed by the subsidiary in 2021–2022 is low, and for this reason decided to create an impairment allowance for the loan value, i.e. PLN 214 thousand.

Note 16. Total deferred tax assets and liabilities

Deferred income tax assets due to negative temporary differences PLN '000	Statement of financial position as at		Impact on the statement of comprehensive income
	31.12.2021	31.12.2020	01.01.2021 - 31.12.2021
Due to differences between the carrying amount and the tax value:			
Accruals for unused annual leaves	26	10	16
Total deferred tax assets	26	10	16
Offset against the deferred tax liability	-26	-10	-16
Net deferred tax assets	–	–	–

Deferred tax liability due to positive temporary differences PLN '000	Statement of financial position as at		Impact on the statement of comprehensive income
	31.12.2021	31.12.2020	01.01.2021 - 31.12.2021
Due to differences between the carrying amount and the tax value:			
Interest on loans and deposits	13	10	-3
Leased tangible assets	13	–	-13
Total deferred tax liability	26	10	-16
Offset against the deferred tax assets	-26	-10	16
Net deferred tax liability	–	–	–

Negative temporary differences and tax losses for which no deferred tax asset was recognized in the statement of financial position:	Recognition basis assets as at 31.12.2021	Recognition basis assets as at 31.12.2020	Date of expiry of negative temporary differences, tax losses
In respect of:			
Salaries	78	77	–
Accruals for unused annual leaves	20	33	–
Provision for the cost external services	227	63	–
Tax losses	30,470	29,230	2022 / 2026

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

Note 17. Inventories

INVENTORIES PLN '000	31.12.2021	31.12.2020
Materials	438	–
Work in progress	122	–
<i>Impairment allowance on inventories</i>	–	–
Total	560	–

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

Note 18. Trade receivables

TRADE RECEIVABLES PLN '000	31.12.2021	31.12.2020
Trade receivables, including:	1,359	4
Up-to-date	1,359	4

Overdue	–	–
- up to 180 days	–	–
- up to a year	–	–
- over a year	–	–
including claimed in court	–	–
Total gross trade receivables	1,359	4
Impairment allowances on receivables	–	–
Total net trade receivables	1,359	4
– from related parties	–	–

Note 19. Other receivables

OTHER RECEIVABLES PLN '000	31.12.2021	31.12.2020
Other receivables, including:		
Statutory receivables (except income tax)	351	209
Other receivables	135	317
including claimed in court	–	–
Short-term loans granted	–	205
Total gross other receivables	486	731
Impairment allowances on receivables	–	–
Total net other receivables	486	731
– from related parties	–	205

Note 20. Cash and cash equivalents

CASH AND CASH EQUIVALENTS PLN '000	31.12.2021	31.12.2020
Cash, including:	4,473	10,298
– cash on hand	–	–
– cash in bank	4,473	10,298
Other cash (short term deposits)	–	–
Other cash assets	–	–
Total cash and other cash assets	4,473	10,298

Note 21. Restricted cash, including cash in the VAT account

As at the Balance Sheet Date, the Company had cash of PLN 117 thousand in its VAT account. In addition, restricted cash also includes PLN 436 thousand worth of funds blocked in favor of a lessor, and PLN 1,372 thousand as funds held in grant accounts.

Note 22. Assets held for sale

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

Note 23. Share capital

CHANGE IN SHARE CAPITAL PLN '000	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
Balance at the beginning of the period	203	190
Increases	–	13
Decreases	–	–
Balance at the end of the period	203	203

Note 24. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS PLN '000	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Balance at the beginning of the period	318	302
increased/ created	150	749
utilization	–	63
release	239	670
Balance at the end of the period	229	318

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

Note 25. Long-term financial liabilities

Long-term financial liabilities PLN '000	31.12.2021	31.12.2020
Bonds	–	3,198
Lease liabilities	242	–
Balance at the end of the period	242	3,198

Note 26. Trade liabilities

SHORT-TERM TRADE LIABILITIES PLN '000	31.12.2021	31.12.2020
due to related parties	–	–
due to other entities	1,093	373
Total short term trade liabilities	1,093	373

Note 27. Other short-term liabilities

OTHER SHORT-TERM LIABILITIES PLN '000	31.12.2021	31.12.2020
Short term liabilities:		

statutory obligations, except income tax	498	203
employee benefits	475	333
purchase of non-financial (investment) fixed assets	–	–
in respect of business travel costs	–	164
Other	8	24
Total other short-term liabilities, excluding provisions	981	724

Note 28. Obligations in respect of employee benefits

OBLIGATIONS IN RESPECT OF EMPLOYEE BENEFITS PLN '000	31.12.2021	31.12.2020
Short term liabilities:		
remuneration	246	179
payments for unused annual leave	229	154
Other	–	–
Total:	475	333

Note 29. Short-term financial liabilities

Short-term financial liabilities PLN '000	31.12.2021	31.12.2020
Bonds	3,270	–
Lease liabilities	113	–
Balance at the end of the period	3,383	-

LEASE OBLIGATIONS PLN '000	Minimum lease payments		Current value of minimum lease payments	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Lease obligations, payable:				
up to one year	122	–	113	–
up to 1 month	10	–	9	–
1 to 3 months	20	–	19	–
3 to 6 months	31	–	28	–
6 to 12 months	61	–	57	–
1 to 5 years inclusive	245	–	242	–
Above 5 years	–	–	–	–
Total:	367	-	355	-
Less: costs to be incurred in subsequent periods	12	–	–	–
Current value of minimum lease payments	355	-	355	-
Long term lease obligations (payable over more than 12 months)	–	–	242	–
Short-term lease obligations (payable up to 12 months)	–	–	113	–

In 2021, the Company incurred PLN 10 thousand in costs related to the lease of low-value assets and PLN 402 thousand in costs on account of short-term leases. In the current reporting period, the Company did not incur costs related to variable lease payments not included in the measurement of lease liabilities.

Bonds PLN '000	31.12.2021	31.12.2020
Nominal value	3,600	3,600
Interest accrued	102	30
Value of conversion rights	-432	-432
Balance at the end of the period	3,270	3,198

In accordance with Resolution No. 04/06/2020 of the Extraordinary General Meeting of XTPL SA of 8 June 2020 on the issue of bonds convertible into series U shares and the conditional increase of the share capital by issuing series U shares, depriving the shareholders of the entire preemptive rights in relation to convertible bonds and series U shares, on 30 July 2020, the Management Board of XTPL S.A. adopted a resolution on the allocation of 48,648 series A registered bonds convertible into series U shares of the Company with a nominal value of PLN 74 per bond, with a total nominal value of PLN 3,599,952. The bonds were issued at a price equal to their nominal value. The bonds are subject to redemption on 30 July 2022. The interest rate on the Bonds is fixed and amounts to 2% per annum, calculated on the nominal value of the Bonds starting from the allocation date (excluding that date) to the redemption date or early redemption date (including that date) and will be paid on one of those dates. As part of conversion of the Bonds into the Issuer's series U shares, there will be one U series 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 request the conversion of the Bonds into series U shares not earlier than 1 (one) month prior to the redemption date and not later than 11 (eleven) business days prior to the redemption date. The Issuer is not entitled to redeem all or part of the Bonds before the redemption date. The Bonds will not be listed on the regulated market or in an alternative trading system. The bonds are not secured. The bonds were offered pursuant to Article 33(1) of the Bonds Act of 15 January 2015, as amended, and Article 1(4)(a) and (b) of Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC by offering the Bonds to investors selected by the Management Board of the Company – but fewer than 149 – without drawing up an issue prospectus or an information memorandum.

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

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

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

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

Note 30. Deferred income in respect of grants

Description PLN '000	31.12.2021	31.12.2020
Long-term, including:	1,374	-
– grants to assets	1,374	–
– advance payments on R&D	–	–
Short-term, including:	466	-

– grants to assets	54	–
– advance payments on R&D	412	–
Total	1,840	–

Note 31. Information on default on any bank and other loans or a breach of material provisions of bank and other loan agreements where no remedial actions have been taken before the end of the reporting period

None in the Reporting Period.

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

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

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

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

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

PLN '000	Category	Book value		Fair value	
		31	31	31	31
		December 2021	December 2020	December 2021	December 2020
Financial assets					
Loans granted	WwgZK	416	205	416	205
Trade receivables	WwgZK	1,359	4	1,359	4
Other receivables	WwgZK	486	527	486	527
Cash and cash equivalents	WwgZK	4,473	10,298	4,473	10,298
Total		6,734	11,034	6,734	11,034
Financial liabilities					
Bond liabilities	WwWGpWF	3,270	3,198	3,270	3,198
Lease liabilities	according to IFRS 16	355	—	355	—
Trade liabilities	PZFwgZK	1,093	373	1,093	373
Other liabilities	PZFwgZK	982	724	982	724
Total		5,700	4,295	5,700	4,295

Abbreviations used:

WwgZK – Measured at amortized cost

PZFwgZK – Other liabilities measured at amortised cost

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

Fair value of financial instruments that the Company held as at the Balance Sheet Date and 31 December 2020 was not materially different from the values presented in the financial statements. This is because:

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

Bond liabilities were 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 Company. At the initial recognition, the value of the complex financial instrument was assigned to equity and to liabilities.

Note 34. Capital management

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

CAPITAL MANAGEMENT PLN '000	31.12.2021	31.12.2020
Bonds issued	3,270	3,199
Trade and other liabilities	2,074	1,097
Less cash and cash equivalents	-4,473	-10,298
Net debt	871	-6,002
Equity	5,288	10,737
Equity and net debt	6,159	4,735
Leverage	14%	-127%

Note 35. Description of the post-employment benefit plan

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

Note 36. Proposed profit distributions (loss cover) for the financial year

The Company's Management Board proposes to cover the reporting period's net loss of PLN 6,598 thousand from the supplementary capital.

Note 37. Explanations to the statement of cash flows

	01.01.2021	01.01.2020
PLN '000	-	-
	31.12.2021	31.12.2020
PBT presented in the statement of comprehensive income	-6,598	-8,182
PBT presented in the statement of cash flows	-6,598	-8,182
INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	-	-
	31.12.2021	31.12.2020
Realized interest on financing activities	6	1
Realized interest on investing activities	-	-5
Unrealized interest on financing activities	72	30

Unrealized interest on investing activities	-12	-145
Total interest and dividends:	66	-119
	-	-
CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2021 -	01.01.2020 -
	31.12.2021	31.12.2020
Change in the balance of trade receivables	-1,355	-3
Other receivables	40	407
Total change in the balance of receivables	-1,315	404
	-	-
CHANGE IN THE BALANCE OF LIABILITIES	01.01.2021 -	01.01.2020 -
	31.12.2021	31.12.2020
Change in the balance of trade liabilities	720	-644
Other liabilities	348	-173
Total change in the balance of liabilities:	1,068	-817
	-	-
Cash and cash equivalents at the end of the period	01.01.2021 -	01.01.2020 -
	31.12.2021	31.12.2020
Statement of cash flows	4,477	10,298
Statement of financial position	4,473	10,298
	01.01.2021	01.01.2020
Inflows from grants	-	-
	31.12.2021	31.12.2020
- to operations	2,616	2,230
- to assets	1,427	-
- advance payments not settled	412	-
Total inflows from grants	4,455	2,230

The difference between the balance of cash presented in the statement of financial position as at 31 December 2021 and the value of cash presented in the statement of cash flows results from the exchange rate differences relating to the valuation of cash held in the Company's bank accounts.

Note 38. Related party transactions

2021	PLN '000	to subsidiaries	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		180	-	-	-
Loans granted		393	-	-	-
Financial expenses – interest on loans		12	-	-	-

2020	PLN '000	to associates	to joint ventures	to key management personnel*	to other related entities **
Purchase of services		—	—	—	180
Loans granted		476	—	—	—
Financial expenses – interest on loans		129	—	—	16

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

** the item includes entities linked through key management

Terms of related party transactions

Sales to and purchases from related parties are made on an arm's length basis. Any overdue liabilities/ receivables existing at the end of the period are interest-free and settled on cash or non-cash basis. The company does not charge late interest from other related entities. Receivables from or liabilities to related parties are not covered by any guarantees given or received. They are not secured in any other way either. At the end of the Reporting Period, i.e. on 31 December 2021, the Company created an impairment allowance for the loan granted to the related party XTPL Inc., covering the principal amount and interest. 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 39. Net revenue from sales

NET REVENUE FROM SALES PLN '000	01.01.2021 31.12.2021	- 01.01.2020 31.12.2020
Research and development revenue	7	34
Revenue from the sale of products	2,079	30
Revenue from grants	2,616	2,230
Total net revenue from sales	4,702	2,294

Note 40. Information about seasonality of business and cycles

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

Note 41. Operating segments

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

As at the Reporting Date, the Company distinguished three product groups:

- Delta Printing System laboratory printers;
- 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 PLN '000	01.01.2021 31.12.2021	- 01.01.2020 31.12.2020
Sale and lease of printers	1,986	—

Nanoinks	93	30
Research and development services	7	34
TOTAL	2,086	64

In its statement of financial position, the Company presents PLN 1,351 thousand in respect of trade receivables and PLN 122 thousand relating to expenditure on work in progress. The above amounts relate to the segment of laboratory printers – the Delta Printing System.

Note 42. Operating costs

OPERATING COSTS PLN '000	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Depreciation/ amortization, including	585	673
– depreciation of tangible assets	385	332
– amortization of intangible assets	200	123
Use of raw materials and consumables	1,862	673
External services	3,643	3,231
Cost of employee benefits	4,905	5,676
Taxes and charges	82	55
Other costs by type	165	123
Value of goods and materials sold	–	–
Total costs by type, including:	11,242	10,431
Items reported as research and development costs	4,463	2,828
Items reported as cost of finished goods sold	503	–
Items reported as general and administrative expenses	6,065	7,331
Change in finished goods	122	–
Cost of producing services for internal needs of the entity	89	272

Note 43. Employment

As at the Balance Sheet Date: 35 people

At the end of 2020: 22 people

Note 44. Cost of employee benefits

COST OF EMPLOYEE BENEFITS PLN '000	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Salaries under employment contracts	2,724	2,178
Salaries under civil law contracts, including contracts for specific work	390	643
Social security and other benefits	641	510
Costs of the incentive scheme	1,149	2,345
Total	4,905	5,676

Note 45. Incentive scheme

In the reporting period, in the statement of comprehensive income the Company recognized the cost the incentive scheme for employees and collaborators based on the Company's shares, in the portion relating to the period ended 31 December 2020. The date of recognition of costs was the moment when the persons covered by the scheme were offered the purchase of the shares (i.e. 2021). 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 costs related to 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 Company's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the company's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

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

STANDALONE STATEMENT OF COMPREHENSIVE INCOME	WITHOUT THE INCENTIVE SCHEME PLN '000	WITH THE INCENTIVE SCHEME PLN '000
Continued operations		
Sales	4,702	4,702
Research and development revenue	7	7
Revenue from the sale of products	2,079	2,079
Revenue from grants	2,616	2,616
Cost of sales	4,726	4,966
Research and development expenses	4,223	4,463
Cost of finished goods sold	503	503
Gross profit (loss)	-24	-264
General and administrative expenses	5,156	6,065
Other operating income	66	66
Other operating costs	31	31
Operating profit (loss)	-5,145	-6,294
Financial revenues	13	13
Financial expenses	317	317
Profit/ loss before tax	-5,449	-6,598
Income tax	—	—
Net profit (loss) on continued operations	-5,449	-6,598

Note 46. Other operating income

OTHER OPERATING INCOME PLN '000	01.01.2021– 31.12.2021	01.01.2020– 31.12.2020
Gain on disposal of non-financial fixed assets	—	2
Provision released	—	—
Reversal of impairment allowances on assets	—	—
Other income:	66	197

damages and penalties received	–	–
COVID-19 anti-crisis shield	–	175
reimbursement of court costs	–	–
expired settlements	31	–
Other	35	22
Total other operating income	66	199

Note 47. Other operating costs

OTHER OPERATING COSTS PLN '000	01.01.2021– 31.12.2021	01.01.2020– 31.12.2020
Loss on disposal of non-financial fixed assets	–	–
Provision released	–	–
Creation of impairment allowances on assets	–	–
Other costs:	31	11
penalties, fines, damages	–	–
donations	–	–
expired settlements	30	–
Other	1	11
Total other operating costs	31	11

Note 48. Financial revenues

FINANCIAL REVENUES PLN '000	01.01.2021– 31.12.2021	01.01.2020– 31.12.2020
Interest on bank accounts	–	5
Interest on bank accounts	12	145
<i>including from related parties</i>	12	129
FX gains	1	–
Total net financial revenues	13	150

Note 49. Financial expenses

FINANCIAL EXPENSES PLN '000	01.01.2021– 31.12.2021	01.01.2020– 31.12.2020
Expenses in respect of leases	–	1
Interest expense in respect of bonds	72	30
Costs of bank fees	31	4
Interest expense in respect of a loan received	–	–
FX losses	–	32
Creation of impairment allowances on assets	214	588
Total financial expenses	317	655

Note 50. Reconciliation of the effective tax rate

RECONCILIATION OF THE EFFECTIVE TAX RATE PLN '000	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
Gross profit/(loss) before tax on continued operations	-6,598	-8,182
Profit/(loss) before tax on discontinued operations	—	—
Profit/(loss) before tax	-6,598	-8,182
Tax at the Polish statutory rate of 19%	-1,254	-1,555
Unrecognized deferred tax assets in respect of tax loss	1,009	1,521
Non-tax deductible costs	854	526
Increase in tax costs	—	—
Non-taxable revenues	-609	-492
Tax at the effective tax rate	—	—
Income tax (charge) recognized in the statement of comprehensive income	—	—
Income tax attributable to discontinued operations	—	—

Note 51. Discontinued operations

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

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

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

Note 53. Correction of errors from previous periods

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

Note 54. Tax settlements

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

Note 55. Hedge accounting

The Company does not use hedge accounting.

Note 56. Objectives and rules of financial risk management

The Company 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 Company 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 Company 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 company 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 Company 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 primarily dependent on the Company's internal situation and market conditions.

PRICE RISK

In the Reporting Period, the Company did not invest in any debt instruments and, therefore, is not exposed to any price risk.

CURRENCY RISK

The Company 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, mainly in USD, GBP and EUR.

Part of the Company's settlements is denominated in foreign currencies. As at 31 December 2021, the Company has assets denominated in foreign currencies, which include trade receivables. The value of the Company's liabilities in foreign currencies as at the balance sheet date relates to trade liabilities. Therefore, there is a risk related to the negative impact of FX changes on the financial results achieved by the Company. In order to mitigate the possible effects of exchange rate fluctuations, the Company monitors the current exchange rates on an ongoing basis.

Rate prevailing on the last day of the year:	31.12.2021	31.12.2020
1 EUR / 1 PLN	4.5994	4.6148
1 USD / 1 PLN	4.0600	3.7584
1 GBP / 1 PLN	5.4846	5.1327

Average rate, calculated as the arithmetic mean of the rates applicable on the last day of each month in the period:	01.01.2021 31.12.2021	01.01.2020 31.12.2020
1 EUR / 1 PLN	4.5775	4.4742
1 USD / 1 PLN	3.8757	3.9045
1 GBP / 1 PLN	5.3308	5.0240

Presented below is the estimated impact on the Company's financial result of a potential adverse change in the value of PLN in relation to EUR, GBP and USD in relation to the carrying amounts as at 31 December 2021:

	As at 31.12.2021 in currency	As at 31.12.2021 in PLN	Estimated rate change in %	Effects of changes in exchange rates in PLN
Trade receivables in currency:				
GBP	114	625	+/- 5%	+/- 31
EUR	11	51	+/- 5%	+/- 3
USD	1	3	+/- 5%	-
Trade liabilities in currency:				
GBP	3	17	+/- 5%	+/- 1
EUR	35	162	+/- 5%	+/- 8
USD	1	3	+/- 5%	-

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. Consequently, the recent interest rate hikes do not affect the Company's operations. Consequently, the Company did not apply interest rate hedges, considering that interest rate risk is not significant for its business.

LIQUIDITY RISK

The Company 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 Company seeks to maintain a balance between continuity and flexibility of financing by using different sources of financing, such as lease agreements.

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

In the reporting period, an overdraft of PLN 300 thousand was available to the Company. However, the facility was used rarely and for a short term only.

The table below shows the Company's financial obligations as at 31 December 2021 and comparative data as at 31 December 2020 by maturities based on contractual non-discounted payments.

2021-12-31	On demand	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Bond obligations	-	-	3,702	-	-	3,702
Lease obligations	-	28	85	242	-	355
Trade and other liabilities	-	2,024	50	-	-	2,074
Total	-	2,052	3,837	242	-	6,131

2020-12-31	On demand	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Bond obligations	–	–	–	3,630	–	3,630
Lease obligations	–	–	–	–	–	–
Trade and other liabilities	–	1,097	–	–	–	1,097
Total	–	1,097	–	3,630	–	4,727

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 Company:

- cooperates with banks and financial institutions with a known financial position and established reputation
- analyzes the financial position of its counterparties based on publicly available data as well as through business intelligence agencies

Note 57. Material settlements on account of court cases

At the reporting date there are no court proceedings pending whose value would be considered material. Furthermore, in Reporting Period no material settlements were made on account of court cases.

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

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

Note 59. Information about changes in contingent liabilities and contingent assets and non-disclosed liabilities arising from contracts in relation to the last reporting period

Contingent liabilities granted by the 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 to 31 December 2020 amounts to PLN 4,822 thousand. It is caused by the payout of further tranches of grants totalling PLN 4,455 thousand, and conclusion of lease agreements with their related obligations of PLN 367 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 PLN '000	31.12.2021	31.12.2020
Promissory notes	13,209	8,387
Total contingent liabilities	13,209	8,387

Note 60. Extraordinary factors which occurred in the Reporting Period with an indication of their impact on the financial statements

In the Reporting Period, no extraordinary events occurred that would affect the financial statements.

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

Not applicable.

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

Management Board:

Name	Role	2021	2020
Filip Granek	CEO	699	432
Salary under employment contract		360	360
Incentive scheme valuation		339	72
Jacek Olszański	Management Board Member	478	211
Salary under employment contract		275	120
Incentive scheme valuation		203	91

The value of remuneration includes remuneration under the employment contract and valuation of the incentive scheme.

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 5,000 shares of the Issuer and 2,000 subscription warrants for 2020, as well as 5,000 shares and 3,000 subscription warrants for 2021.

Jacek Olszański – Management Board Member

Receives remuneration based on an employment contract at PLN 30,000 gross monthly. In the reporting period, the remuneration amounts were changed on the back of achievement of the goals set by the Supervisory Board. From 1 January 2021 to 30 June 2021, the remuneration of the Management Board Member was PLN 20,000 gross per month; in the period from 1 July 2021 to 30 November 2021, the remuneration was PLN 25,000 gross per month, and from 1 December 2021, the remuneration was PLN 30,000 gross per month.

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 3,000 shares of the Issuer and 2,000 subscription warrants for 2020, as well as 5,000 shares and 3,000 subscription warrants for 2021.

Supervisory Board:

Name	Role	2021	2020
Wiesław Rozłucki	Chairman of the Supervisory Board	96.0	96.0
Bartosz Wojciechowski	Deputy Chairman of the Supervisory Board	24.0	14.0

Andrzej Domański	Deputy Chairman of the Supervisory Board	24.0	3.7
Piotr Lembas	Supervisory Board Member	12.0	12.0
Herbert Wirth	Supervisory Board Member	12.0	6.0
Beata Turlejska-Zduńczyk	Supervisory Board Member	12.0	11.7

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

Audit Committee:

Name	Role	2021	2020
Piotr Lembas*	Chairman of the Audit Committee	12.0	12.0
Wiesław Rozłucki**	Audit Committee Member	12.0	12.0
Herbert Wirth	Audit Committee Member	12.0	10.9
Andrzej Domański	Audit Committee Member	12.0	1.2

*Audit Committee Member until 26 May 2021

** until 26 May 2021, Audit Committee Chairman

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

Note 63. Transactions with the audit firm

On 8 July 2021, the Issuer concluded an agreement on audit of the unconsolidated 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 unconsolidated 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 2021 to 31 December 2021**.
2. audit of the consolidated financial statements of the XTPL Group prepared in accordance with IFRSs/IASs for the period from **1 January 2021 to 31 December 2021**.
3. limited review of the half-yearly unconsolidated financial statements of **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **1 January 2021 to 30 June 2021**.
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 2021 to 30 June 2021**.
5. audit of the unconsolidated financial statements of the **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **1 January 2022 to 31 December 2022**.
6. audit of the consolidated financial statements of the **XTPL Group** prepared in accordance with IFRSs/IASs for the period from **1 January 2022 to 31 December 2022**.
7. limited review of the half-yearly unconsolidated financial statements of **XTPL S.A.** prepared in accordance with IFRSs/IASs for the period from **1 January 2022 to 30 June 2022**.

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 2022 to 30 June 2022**.

The remuneration for the above services is:

- a. item 1 – net remuneration of **PLN 30,000.00** + VAT and ensuring the continuity of service.
- b. item 2 – net remuneration of **PLN 16,000.00** + VAT and ensuring the continuity of service.
- c. item 3 – net remuneration of **PLN 15,000.00** + VAT and ensuring the continuity of service.
- d. item 4 – net remuneration of **PLN 10,000.00** + VAT and ensuring the continuity of service.
- e. item 5 – net remuneration of **PLN 30,000.00** + VAT and ensuring the continuity of service.
- f. item 6 – net remuneration of **PLN 16,000.00** + VAT and ensuring the continuity of service.
- g. item 7 – net remuneration of **PLN 15,000.00** + VAT and ensuring the continuity of service.
- h. item 8 – net remuneration of **PLN 10,000.00** + VAT and ensuring the continuity of service.

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. 09/05/2021 of the Supervisory Board of XTPL S.A. of 26 May 2021 regarding the selection of an audit firm that will carry out statutory audits and interim reviews of XTPL's financial statements for two years.

The agreement was amended to include audit of compliance of financial statements in the ESEF format and increased the remuneration as below:

- re b – by PLN 4,000 net + VAT;
- re f – by PLN 4,000 net + VAT.

In the financial year 2020, the Issuer's standalone and consolidated financial statements were also audited by 4Audyt sp. z o.o.

In addition, under the agreement of 10 May 2021, 4AUDYT sp. z o.o. assessed the Issuer's report on remuneration for 2019–2020.

Remuneration for this service was PLN 11,000 + VAT.

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

Conclusion of an agreement for distribution of the Issuer's technological solutions with merconics GmbH & Co. KG

On 4 January 2022 an agreement was signed between the Issuer and Merconics GmbH & Co. KG based in Germany, providing for distribution of the Issuer's technological solutions in selected European countries. Under the agreement, merconics will be the distributor of XTPL's technological solutions in Europe, including on the German, Austrian, French and Swiss markets. The purpose of the cooperation is to support the Issuer in expanding the range of applications for the Company's technology and products at R&D centers, scientific institutions and technological corporations. The partnership will also increase awareness and visibility of the Issuer's solutions among global market players. Merconics is a reputable European distributor active in the area of advanced manufacturing and analytical equipment for the semiconductor sector. For more than 15 years, it has been providing its clients – global OEMs (Original Equipment Manufacturers) – with the highest quality breakthrough technologies. Their portfolio includes solutions from brands such as Bruker, Veeco, NovaCetrix or Optomec.

Start of cooperation with Nano Dimension to develop a new generation conductive nanoink for industrial applications in the Client's products designed for the production of PCBs

On 10 January 2022, the Company entered into a cooperation agreement with the Israeli company Nano Dimension Ltd. whereby the Company will develop a special formulation of conductive ink based on metallic nanoparticles with high conductivity intended for industrial applications in the Client's products designed for the production of PCBs.

Nano Dimension Ltd. is a NASDAQ-listed provider of intelligent machines for the fabrication of Additively Manufactured Electronics (AME). Nano Dimension is implementing a globally innovative system of PCB production based on ink-jet printing methods.

In connection with the Agreement, XTPL will develop, on a commercial basis, a special formulation of conductive ink for the devices manufactured and supplied by Nano Dimension.

Patent protection obtained from the Japanese Patent Office

On 4 January 2022, the Issuer received information that the Japanese Patent Office had granted the Company a patent for its method of forming lines of several hundred nanometers using the XTPL-developed silver nanoink. The patent was granted in response to the patent application "Bottom-up method for forming wire structures upon a substrate". The final formal requirement for obtaining the patent is to pay the patent fee by 3 February 2022. Should the requirement not be met, the Company will communicate this in a separate current report.

The application procedure for this patent was initiated on 22 March 2016. This is also the date when patent protection started. Moreover, the Company's portfolio includes 24 patent applications.

Outside of Japan, the patent application is already protected in the United States, China and Germany. The Issuer is taking steps to obtain protection in other countries, including Israel, Vietnam and Taiwan.

Conclusion of an agreement for distribution of the Issuer's technological solutions in India

18 February 2022, an agreement was signed between the Issuer and Vertex Global Solutions based in Mumbai (India), providing for distribution of XTPL's technological solutions. Under the Agreement, Vertex will be the distributor of XTPL's technological solutions in the Indian market. The purpose of the cooperation is to introduce the Issuer's technologies and products to the specified market, as well as to increase the awareness and visibility of the Company's solutions among global players present in that market.

Vertex specializes in providing innovative solutions for industrial manufacturers of displays, semiconductors and organic photovoltaic cells. The firm's founders have over 25 years of experience in the industry. India ranks among global leaders in terms of research and development prospects. It has a large base of educated employees and a rapidly growing internal market.

Project of a consortium that includes the Issuer recommended for co-financing by the European Commission

On 21 March 2022, the Company's Management Board received information that the project "Building Active MicroLED displays By Additive Manufacturing" developed by a consortium to which the Issuer belongs had been recommended for co-financing in the competition HORIZONCL4-2021-DIGITAL-EMERGING-01-31 – Research and Innovations Actions (RIA) organized by the European Commission under the Horizon Europe Framework Programme (HORIZON). The consortium also includes:

- ALEDIA (France)
- BARCO NV (Belgium)
- QustomDot BV (Belgium)
- X DISPLAY COMPANY TECHNOLOGY LIMITED (Ireland)
- X-CELEPRINT LIMITED (Ireland)
- and the University of Stuttgart (Germany).

The project is designed to develop an innovative technology for the production of flexible microLED displays using precise additive printing technologies.

- Total Project value: EUR 4,293,263.75;
- The Issuer's participation in the Project: EUR 429,812.50;
- Recommended co-financing for the Issuer: EUR 429,812.50;
- Implementation period: 24 months.

Agreement signed by the Issuer with the University of Brescia relating to strategic cooperation in the field of new generation bioelectronics

On 22 March 2022, XTPL signed a strategic cooperation agreement with the Department of Information Engineering/ Dipartimento di Ingegneria dell'Informazione from the University of Brescia in Italy. The purpose of the cooperation is to work together on development of new generation organic and biodegradable biological sensors using the Company-developed electronics printing technology.

Settlement of the incentive scheme

On 31 March 2022, 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 22,105 shares and 50,000 warrants.

The valuation of the financial instruments granted in 2022 is PLN 1,149, and will be included in the financial data for 2022.

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

As a result of the COVID-19 pandemic and due to administrative constraints, the Company developed a number of procedures that are triggered depending on the risk level. 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. Teamwork tools are also used to ensure work efficiency. Technological work is continued at the Company's headquarters while maintaining all sanitary requirements announced by state institutions. 95% of the Team members have been vaccinated.

The procedures do not inhibit business development. XTPL conducts proactive sales support activities, also through a network of distributors. All deliveries and installations of devices at clients' sites are carried out in line with the requirements in force in the target country.

Note 66. Impact of the war in Ukraine on the Issuer's operations

The war in Ukraine did not change XTPL's operating model. The Company has not been affected by any impact of the conflict on the printed electronics market. In addition, the Company:

- is not dependent on any raw material/ component supplies from the regions of Russia, Belarus or Ukraine;
- does not conduct sales activities on the above markets; likewise, the Company's business strategy does not envisage sales to those countries going forward;
- does not have any on-site or remote collaborators from those countries;
- is exporter of goods denominated mainly in EUR, so it is not exposed to negative effects of depreciation of the zloty;
- has not received any information from business partners from countries other than those mentioned above about their plans to introduce changes in their business activities that could adversely affect XTPL.

The Company has identified the risk that the conflict might impact its operations indirectly by affecting the global economy in terms of:

- reduced availability of raw materials and the related lower availability of materials and components;
- supply chain difficulties due to limitations in air transport.

3.14 Uniform description of the Company's significant accounting principles

3.14.1 Intangible assets

Intangible assets are recognized if:

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

The identification criteria is met if:

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

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

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

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

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

An intangible asset is recognized if, and only if:

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

Before starting the second stage of work on intangible assets, the Company's Management Board assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset, both on the income and cost side, including by estimating availability of the means needed to complete, use and generate benefits from the asset.

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

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

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

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

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

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

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

Intangible assets used by the Company with their useful lives:

Licenses for computer programs	2 to 5 years	T h e C
Intellectual property rights (know-how)	5 years	
Completed development	During the period of using the development results	
company has no intangible assets with an indefinite useful life.		

3.14.2 Tangible assets

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

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

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

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

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

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

Technical equipment and machines: 4 to 15 years

Vehicles: 3 to 10 years

Other tangible assets: 2 to 4 years

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

3.14.3 Tangible assets under construction

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

3.14.4 Financial instruments

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

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

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

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

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

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

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

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

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

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

3.14.5 Impairment of financial assets

Interest carried at amortized cost

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

3.14.5.1 Loans granted and receivables from related parties

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

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

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

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

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

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

3.14.5.2 Trade receivables

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

3.14.5.3 Cash

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

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

3.14.6 Leases

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

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

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

Tangible assets used on the basis of lease contracts are depreciated over the anticipated period of their useful life.

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

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

3.14.7 Foreign currency transactions

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

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

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

At the end of each reporting period:

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

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;

3.14.8 Accruals

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

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

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

Unearned revenues are measured at nominal value.

3.14.9 Equity

The Company's equity is divided into:

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

3.14.10 Provisions

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

3.14.11 Bank loans and other loans received

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

3.14.12 Borrowing costs

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

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

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

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

3.14.13 Current and deferred tax

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

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

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

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

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

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

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

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

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

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

3.14.14 Revenue recognition

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

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

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

3.14.14.1 Revenues from the sale of services (products)

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

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

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

3.14.14.2 Revenue from the sale of goods and materials

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

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

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

3.14.14.3 Interest

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

3.14.15 Grants

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

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

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

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. They are not credited directly to equity.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognized as income of the period in which it becomes receivable as the above fact has been disclosed.

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, which is recognized and measured in accordance with IFRS 9 "Financial Instruments", i.e. at the amount of the difference between the initial carrying amount of the loan determined in accordance with IFRS 9 and the inflows received.

The grant is accounted for in accordance with IAS 20 "Accounting for government grants and disclosure of government assistance".

The Company estimates the probability of having to return the received grants. Depending on the adopted estimate, grants received may be recognised in the profit or loss in the year when the grant-funded expenses were incurred or treated as deferred income until a reasonable certainty is obtained that the funding will not have to be returned.

The Company distinguishes the following types of risk attached to the return of grants:

Risks related to projects:

- The Company refuses to submit to or obstructs an inspection, or fails to comply with the post-inspection recommendations within the stated deadline;
- During an inspection carried out by authorized institutions, errors or deficiencies were found in the submitted documentation and they were not remedied within the prescribed period;
- The Company fails to submit a payment application on time;
- The Company fails to correct the payment application within the prescribed period or submits an application containing significant deficiencies or errors;
- The Company fails to submit information or explanations about the project;
- The Company uses the funding contrary to its intended purpose; will obtain any undue or excessive amount of the grant;
- The Company uses the funding in breach of applicable procedures;
- Continued implementation of the project by the Company is impossible or unreasonable;
- The Company discontinues the project or implements it in a manner incompatible with the contract or law;
- No progress is observed in project implementation in relation to the deadlines specified in the grant application, which might give rise to a reasonable expectation that the project will not be implemented in full or its goal will not be achieved.

The Company has the above risks under control. The Company ensures implementation of projects in accordance with the applicable guidelines and grant agreements. The Company monitors progress of projects on an ongoing basis. Where a project cannot be continued, the Company reports this to relevant institutions as soon as possible after becoming aware of this fact. The Company declares that it will not breach any conditions under the control of the Management Board.

3.14.16 Contingent liabilities

A contingent liability is defined as:

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

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

3.14.17 Incentive scheme

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

The purpose of the incentive scheme is to:

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

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

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

3.14.18 Management Board's estimates

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

3.14.18.1 Accruals for unused annual leaves

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

3.14.18.2 Useful lives of tangible assets

Each year, the Company's Management Board verifies the residual value, depreciation method and useful lives of the fixed assets which are subject to depreciation. As at 31 December 2021, the Management Board is of the opinion that the useful lives of assets applied by the Company for purposes of depreciation reflect the expected period of future economic benefits from these assets.

3.14.18.3 Deferred tax assets and liabilities

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

3.14.18.4 Asset impairment test

In accordance with the requirements of IAS 36, the Company monitors its assets in terms of impairment on an ongoing basis. At the time of a decision to start a new development project, the Company assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset, both on the income and cost side, including by estimating availability of the means needed to complete, use and generate benefits from the asset. Where there is no certainty as to the possibility of obtaining future economic benefits, technical capability or an intention to complete the development or availability of funds to complete the development or a possibility of a reliable estimate of the expenditure incurred, then development costs are recognized in the statement of comprehensive income in

the period in which they were incurred (under costs of ordinary activities). At the end of each reporting period, the Company tests all previous assumptions regarding in-process development. Where there are any indications of impairment, the Company will assess the recoverable amount of the assets affected and will post relevant impairment allowances. Impairment tests are carried out to ensure that assets are carried at a value not exceeding their recoverable amount. The recoverable amount is the higher of:

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

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

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

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

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

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

Signatures:

Filip Granek
CEO

Jacek Olszański
Management Board Member

Person responsible for maintaining books of account Edward Czuchajewski
Chief Accountant

Wrocław, 26 April 2022