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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01-01-2022 TO 31-12-2022
XTPL GROUP

Wrocław, 26 April 2023

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 2022 ("**Balance Sheet Date**"), the share capital of XTPL S.A. amounted to PLN 202,922.20 and consisted of 2,029,222 shares with a nominal value of PLN 0.10 each ("**Shares**").

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

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

Unless indicated otherwise, the source of data in the Report is XTPL S.A. The Report publication date ("**Report Date**") is 26 April 2023. As at the Report Date, the share capital of XTPL S.A. amounted to PLN 202,922.20 and consisted of 2,029,222 shares with a nominal value of PLN 0.10 each ("**Shares**").

In this Report, the consolidated financial statements mean the consolidated financial statements (including the Parent Company and the Subsidiaries) for the period from 1 January to 31 December 2022 (the "**Reporting Period**") prepared in accordance with the International Financial Reporting Standards approved for application in the EU.

"**Regulation on current and periodic reports**" means 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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XTPL S.A.
Stabłowicka 147
54-066 Wrocław, Poland
xtpl.com

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Selected consolidated figures and key information about the Issuer

1 SELECTED CONSOLIDATED FIGURES

Figures in PLN thousand	1 January–31 December 2022		1 January–31 December 2021	
	PLN	EUR	PLN	EUR
Net revenue from the sale of products and services	10,042	2,142	2,086	456
Revenue from grants	2,775	592	2,616	571
Profit (loss) on sales	5,985	1,277	-80	-17
Profit (loss) before tax	-2,118	-452	-6,574	-1,436
Profit (loss) after tax	-2,137	-456	-6,574	-1,436
Depreciation/amortization	1,004	214	585	128
Net cash flows from operating activities	4,724	1,008	-3,804	-831
Net cash flows from investing activities	-2,435	-519	-1,617	-353
Net cash flows from financing activities	-833	-178	-474	-104
Figures in PLN thousand	31 December 2022		31 December 2021	
Equity	3,975	848	4,983	1,083
Short-term liabilities	7,087	1,511	5,947	1,293
Long-term liabilities	6,447	1,375	1,616	351
Cash and cash equivalents	6,010	1,281	4,580	996
Short-term receivables	2,588	552	1,855	403
Long-term receivables	44	9	33	7

2 KEY INFORMATION ABOUT THE ISSUER

Business name:	XTPL Spółka Akcyjna
Registered Office:	Wrocław, Polska
Address:	Stabłowicka 147, 54-066 Wrocław, Polska
Country:	Polska
KRS:	0000619674
NIP:	9512394886
REGON:	361898062
Registry Court:	Sąd Rejonowy dla Wrocławia-Fabrycznej we Wrocławiu, VI Wydział Gospodarczy KRS
Country of registration:	Polska
Share capital:	202 922,20 PLN wpłacony w całości
Phone number:	+48 71 707 22 04
Website:	www.xtpl.com
Email:	investors@xtpl.com
Place of business:	Stabłowicka 147, 54-066 Wrocław, Polska
Activity Code:	7219Z Other research and experimental development on natural sciences and engineering

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

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

The presented consolidated financial statements cover the period of 12 months from 1 January to 31 December 2022.

Management Board

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

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

Supervisory Board:

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

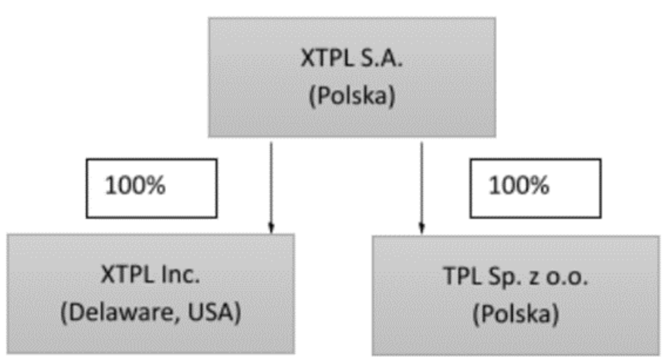
- Wiesław Rozłucki, PhD – Chairman of the Supervisory Board – an independent Supervisory Board Member
- Bartosz Wojciechowski, PhD – Deputy Chairman of the Supervisory Board
- Andrzej Domański – Deputy Chairman of the Supervisory Board, independent member of the Supervisory Board
- Beata Turlejska-Zduńczyk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

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



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Annual consolidated financial statements

3 ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

3.1 Period covered by the financial statements

These financial statements cover the period of 12 months ended 31 December 2022 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 2022 as well as comparative data for the period of 12 months ended 31 December 2021. The statement of financial position covers the data presented as at 31 December 2022, and comparative data as at 31 December 2021.

3.3. Identification of consolidated financial statements

These are consolidated financial statements. As at 31 December 2022, the Parent Company had two subsidiaries.

3.4 Foreign currency transactions

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

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

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

At the end of each reporting period:

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

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;
- balance sheet valuation of cash assets and liabilities other than derivative instruments expressed in foreign currencies are recognized in profit or loss.

3.4.1 FX rates

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

	2022 January–December		2021 January–December	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for balance sheet items	4.6899	4.4018	4.5994	4.0600
for profit or loss and cash flow items	4.6883	4.4679	4.5775	3.8757

3.5 Basis of preparation

These consolidated 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 Group'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 2022. IAS and IFRS include the standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee (IFRIC).

3.5.1 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:

- IFRS 17 Insurance Contracts (published on May 18, 2017) including amendments to IFRS 17 (published on June 25, 2020) - applicable to reporting periods beginning on or after January 1, 2023, or later,
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Code of Practice 2: Disclosure of Accounting Principles (published on February 12, 2021) - applicable to reporting periods beginning on or after January 1, 2023,
- Amendments to IAS 8 Accounting Principles, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (published on February 12, 2021) - applicable to reporting periods beginning on or after January 1, 2023,
- Amendments to IAS 12 Income tax: Deferred tax relating to assets and liabilities arising from a single transaction (published on May 7, 2021) - applicable to reporting periods beginning on or after January 1, 2023, or later,

Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 - Comparative information (published on December 9, 2021) - applicable to reporting periods beginning on or after January 1, 2023.

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

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 short-term or long-term Date (issued on January 23, 2020);

- Classification of liabilities as short-term or long-term - deferral Effective date (issued on July 15, 2020) and

- Long-term liabilities covered by covenants (issued on October 31, 2022),

applicable to reporting periods beginning on or after January 1, 2024.

Amendments to IFRS 16 Leases: Lease Liabilities in a Sale and Leaseback Transaction (published on September 22, 2022) - applicable to reporting periods beginning on or after January 1, 2024.

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.

3.6 Going concern

These financial statements have been prepared on the assumption that the Group will continue in operation for at least 12 months after the balance sheet date.
When assessing the Group's and the Group companies' ability to continue as a going concern, the Parent Company's 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.
The Management Board estimates that the Company's core activity and its organic growth are funded on an ongoing basis from sales and grant proceeds. As at 31 December 2022, the financing of the Company's current operations can be ensured by its cash position, the schedule of grant projects and, above all, active customer orders at the beginning of 2023. Growing sales and grant proceeds should also secure the possible repayment of bonds convertible into shares with a nominal value of PLN 3,378 thousand to be redeemed on 30 January 2024. However, the current trend of the Parent Company's share price is significantly higher than the conversion rate of the bonds. For this reason, in the Management Board's opinion, the conversion, rather than redemption of the convertible bonds, is the more likely scenario.
The Group wishes to continue participating in subsequent grant programs that can largely finance its internal R&D. The Group's Management Board also considers the possibility of a significant acceleration of the Group's growth as a result of the finalization of one of the nine ongoing projects with industrial partners. The Management Board assumes that the growth will be financed with debt, equity or a grant project, or a combination of those sources.
Taking into account the above assumptions, the Management Board confirms that the Group has secured funds to continue its business for the following 12 months.
The impact of the pandemic and the war in Ukraine on the Group's operations was described in Note 3.12.66 and Note 3.12.67 of the report, respectively.

3.7 Approval of the financial statements

This financial report for the period from 1 January 2022 to 31 December 2022 was approved for publication by the XTPL Management Board on 26 April 2023.

3.8 Annual consolidated statement of financial position

ASSETS PLN '000	NOTE 3.12	31.12.2022	31.12.2021
Non-current assets		**7,781**	**5,429**
Property, plant and equipment	4,5,6,7,8,9	4,298	2,615
Intangible assets	1,2,3	3,439	2,781
Long-term receivables	13	44	33
Current assets		**9,728**	**7,117**
Inventories		948	560
Trade receivables	18	786	1,369
Other receivables	19	1,802	486
Cash and cash equivalents	20	6,010	4,580
Other assets		182	122
Total assets		**17,509**	**12,546**

EQUITY AND LIABILITIES PLN '000	NOTE	31.12.2022	31.12.2021
Total equity		**3,975**	**4,983**
Share capital	23	203	203
Supplementary capital		1,531	8,129
Own shares	23	-4	-8
Reserve capital		4,172	3,050
FX differences arising on translation		74	70
Retained earnings		-2,001	-6,461
Long-term liabilities		**6,447**	**1,616**
Long-term financial liabilities	25	3,573	242
Deferred income in respect of grants	30	2,874	1,374
Short-term liabilities		**7,087**	**5,947**
Trade liabilities	26	1,441	1,116
Short-term financial liabilities	29	336	3,383
Other liabilities	27	3,021	983
Deferred income in respect of grants	30	2,289	465
Total equity and liabilities		**17,509**	**12,546**

3.9 Annual consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME PLN '000	NOTE	01.01.2022 - 12.12.2022	01.01.2021 - 12.12.2021
Continued operations			
Sales	39	**12,817**	**4,702**
Revenues from the sale of products and services	41	10,042	2,086
Revenue from grants	39	2,775	2,616
Cost of sales	42	**6,832**	**4,782**
Research and development expenses		6,081	4,279
Cost of finished goods sold		751	503
Gross profit (loss)		**5,985**	**-80**
General and administrative expenses	42	7,777	6,274
Other operating income	46	-	66
Other operating costs	47	11	32
Write-off of goodwill of related parties		-	–
Operating profit (loss)		**-1,803**	**-6,320**
Financial revenues	48	6	1
Financial expenses	49	321	255
Profit/ loss before tax		**-2,2,118**	**-6,574**
Income tax	16.28	19	–
Net profit (loss) on continued operations		**-2,137**	**-6,574**
Discontinued operations		-	**–**
Net profit (loss) on discontinued operations		–	-
Net profit (loss) on continued and discontinued operations		**-2,137**	**-6,574**
Profit (loss) attributable to non-controlling interests		–	–
Profit (loss) attributable to shareholders of the parent		-2,137	-6,574
Other comprehensive income		**4**	**22**
Items that can be transferred to profit or loss in subsequent reporting periods		**4**	**22**
FX differences arising on conversion of foreign affiliates		4	22
Items that will not be transferred to profit or loss in subsequent periods		-	**–**
Total comprehensive income		**-2,133**	**-6,552**
Total comprehensive income attributable to non-controlling shareholders		-	-
Total comprehensive income attributable to the parent company		**-2,133**	**-6,552**
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-1.05	-3.24
Diluted		-1.02	-3.16
On continued and discontinued operations			
Ordinary		-1.05	-3.24
Diluted		-1.02	-3.16
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 *		2,074,877	2,077,870

* number of shares reflecting the conversion of convertible bonds into shares

3.10 Annual consolidated statement of changes in equity

STATEMENT OF CHANGES IN EQUITY PLN '000	Share capital	Supplementary capital	Own shares	Reserve capital	FX differences arising on translation	Retained earnings	Non-controlling interests	Total
As at 1 January 2022	**203**	**8,129**	**-8**	**3,050**	**70**	**-6,461**	**–**	**4,983**
Comprehensive income:	**–**	**–**	**-**	**–**	**4**	**-2,137**	**–**	**-2,133**
Profit (loss) after tax	–	–	–	–	-	-2,137	-	-2,137
Other comprehensive income	–	–	-	-	4	-	-	4
Transactions with owners:	**–**	**-6,598**	**4**	**1,122**	**–**	**6,598**	**–**	**1,126**
Issue of shares	–	–	–	–	–	–	–	–
Incentive scheme	–	–	-	1,149	-	–	-	1,122
Distribution of profit	-	-6,598	-	–	-	6,598	-	-
Bond valuation	-	–	-	-27	-	–	-	-27
Take-over of control over a related party	–	-	–	–	–	–	–	-
Transactions in purchased own shares	-	-	4	-	-	-	-	4
As at 31 December 2022	**203**	**1,531**	**-4**	**4,172**	**74**	**-2,001**	**–**	**3,975**
As at 1 January 2021	**203**	**16,311**	**-8**	**1,901**	**48**	**-8,069**	**–**	**10,386**
Comprehensive income:	**–**	**–**	**–**	**–**	**22**	**-6,574**	**–**	**-6,552**
Profit (loss) after tax	–	–	–	–	–	-6,574	–	-6,574
Other comprehensive income	–	–	–	–	22	–	–	22
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	–	–	–	–	–	–	–	–
Take-over of control over a related party	–	–	–	–	–	–	–	–
As at 31 December 2021	**203**	**8,129**	**-8**	**3,050**	**70**	**-6,461**	**–**	**4,983**

3.11 Annual consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS PLN '000 PLN	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Cash flows from operating activities		
Profit (loss) before tax	**-2,118**	**-6,574**
Total adjustments:	**6,842**	**2,770**
Depreciation/amortization	1,004	585
Write-off of goodwill	–	-
FX gains (losses)	29	27
Interest and profit distributions (dividends)	140	77
Profit (loss) on investing activities	-	-
Change in the balance of provisions	43	-89
Change in the balance of inventories	-387	-470
Change in the balance of receivables	-743	-1,324
Change in short-term liabilities, except bank and other loans	2,361	1,060
Change in other assets	-58	-84
Change in the balance of grants to be settled	3,324	1,839
Incentive scheme valuation	1,149	1,149
Income tax paid	-20	-
Total cash flows from operating activities	**4,724**	**-3,804**
Cash flows from investing activities		
Inflows	**171**	**507**
Disposal of tangible and intangible assets	169	507
Repayment of long-term loans	-	-
Interest on financial assets	2	-
Other investment inflows	-	-
Outflows	**2,606**	**2,124**
Acquisition of tangible and intangible fixed assets	2,606	2,124
Total cash flows from investing activities	**-2,435**	**-1,617**
Cash flows from financing activities		
Inflows	-	**–**
Contributions to capital	-	-
Bank and other loans	–	–
Issue of bonds	-	-
Outflows	**833**	**474**
Repayment of bank and other loans	-	316
Finance lease payments	531	152
Redemption of debt securities	221	-
Interest	81	6
Total cash flows from financing activities	**-833**	**-474**
Total cash flows from investing activities	**1,456**	**-5,895**
Change in cash and cash equivalents:	**1,430**	**-5,898**
– change in cash due to FX differences	26	-3
Cash and cash equivalents at the beginning of the period	**4,583**	**10,477**
Cash and cash equivalents at the end of the period	**6,039**	**4,582**

3.12 Notes

Notes are an integral part of these financial statements.

3.12.1 Intangible assets

INTANGIBLE ASSETS PLN '000	31.12.2022	31.12.2021
Acquired concessions, patents, licenses and similar rights	2	15
Intellectual property rights	–	–
Completed development	2,398	2,766
In-process development expenditure	1,039	-
Total (net)	**3,439**	**2,781**
Previous write-off	**1,745**	**1,365**
Total (gross)	**5,184**	**4,146**

All intangible assets are the property of the Group; none of these assets are used based on any rental, lease or a similar contract. The intangible assets are not used as collateral by the Group. As at 31 December 2022, the Group did not have any agreements whereby it would be required to purchase any intangible assets. In 2022 and 2021, no impairment charges were posted for intangible assets.

	PLN '000
Costs of completed development, including	
Salaries	540
External services	330
Materials	93
Other	76
Impairment allowances for capitalized expenditure	–
Total	**1,039**

In-process development completed during the current reporting period are described in Note 3.12.15 of this report.

3.12.2 Change in intangible assets by type

As at 31.12.2022

PLN '000 **(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	**100**	**1,095**	**2,951**	**4,146**
Increases	–	–	–	–
Acquisition	–	–	–	–
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	**85**	**1,095**	**184**	**1,364**
Increases	**13**	**–**	**369**	**381**
amortization for the current year	13	–	369	381
Decreases	**–**	**–**	**–**	**–**
Accumulated amortization at the end of the period	**98**	**1,095**	**553**	**1,745**
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	**2**	**–**	**2,398**	**2,400**

As at 31.12.2021

PLN '000 **(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**

3.12.3 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 31.12.2022	Year ended 31.12.2021
Research and development expenses	381	200
Cost of finished goods sold	–	–
General and administrative expenses	–	–
Total	**381**	**200**

3.12.4 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT PLN '000	31.12.2022	31.12.2021
Tangible assets, including:	1,415	889
technical equipment and machines	280	279
vehicles	–	–
other tangible assets	1,135	610
Tangible assets under construction	2,882	1,727
Property, plant and equipment	**4,297**	**2,615**

Tangible assets under construction include expenditure related to the construction of the prototype printing devices as part of grant projects No tangible assets are used as collateral. In 2022 and 2021, no impairment charges were posted for tangible assets.

TANGIBLE ASSETS LEASED	**2022-12-31**			**2021-12-31**		
	Gross value	**Depreciation**	**Net value**	**Gross value**	**Depreciation**	**Net value**
technical equipment and machines	225	55	170	81	–	81
other tangible assets	1,098	209	889	344	–	344
Total	**1,323**	**264**	**1,059**	**425**	**–**	**425**

3.12.5 Tangible assets on balance sheet – ownership structure

TANGIBLE ASSETS ON BALANCE SHEET (OWNERSHIP STRUCTURE) PLN '000	31.12.2022	31.12.2021
Own	3,238	2,190
used based on any rental, lease or a similar contract, including:	1,059	425
finance lease	–	–
Total tangible assets on the balance sheet	**4,297**	**2,615**

3.12.6 Changes in tangible assets by type

As at 31.12.2022

CHANGES IN TANGIBLE ASSETS BY TYPE PLN '000 **(except for tangible assets under construction)**	technical equipment and machines	vehicles	other tangible assets	Total tangible assets
Gross value of at the beginning of the period	**1,443**	**91**	**1,042**	**2,576**
Increases	**338**	**1**	**1,067**	**1,405**
acquisition	338	1	1,067	1,405
Decreases	**92**	**–**	**204**	**296**
Gross value at the end of the period	**1,690**	**92**	**1,905**	**3,686**

Accumulated depreciation at the beginning of the period	**1,165**	**91**	**432**	**1,688**
Increases	**288**	**1**	**353**	**642**
depreciation for the current period	288	1	353	642
decreases	**44**	**–**	**15**	**59**
Accumulated depreciation at the end of the period	**1,409**	**92**	**769**	**2,271**
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	**280**	**–**	**1,135**	**1,415**

As at 31.12.2021

CHANGES IN TANGIBLE ASSETS BY TYPE PLN '000 **(except for tangible assets under construction)**	technical equipment and machines	vehicles	other tangible assets	Total tangible assets
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**

3.12.7 Depreciation of tangible assets

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

ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME PLN '000	Year ended 31.12.2022	Year ended 31.12.2021
Research and development expenses	524	352
Cost of finished goods sold	10	7
General and administrative expenses	88	26
Total	**622**	**385**

3.12.8 Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS PLN '000	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
XTPL printers, 3D	–	145
Computer sets	197	66
Rheometer	162	–
Laser measuring system	144	–
Centrifuge	592	–
Anti-vibration system	46	–
Server with software	–	130
Pressure control system and other	15	22
Confocal microscope	–	400
Other laboratory equipment	71	–
Office equipment	–	4
Total significant acquisitions	**1,227**	**767**

The expenditure was spent on building a laboratory printer – a demonstrator of the technology offered by XTPL S.A., and on development of the UPD technology.

3.12.9 Significant liabilities on account of purchase of tangible assets

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

3.12.10 Investment properties

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

3.12.11 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.

3.12.12 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.

3.12.13 Long-term receivables

Long-term receivables PLN '000	31.12.2022	31.12.2021
Loans granted	–	–
Security deposits	44	33
Total long-term receivables	**44**	**33**

3.12.14 Capital expenditures

CAPITAL EXPENDITURE INCURRED PLN '000	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
– including on environmental protection		
Expenditures on tangible assets under construction	1,155	1,163
Tangible assets purchased	412	848
Intangible assets purchased	–	113
Costs of completed development	1,039	–
Investments in properties	–	–
Total investments in non-financial fixed assets	**2,606**	**2,124**
Loans granted	134	394
Acquisition of treasury bills	–	–
Acquisition of shares	–	–
Total investments in financial fixed assets	**134**	**394**
Total capital expenditure	**2,740**	**2,518**

3.12.15 Impairment allowance for financial assets, tangible assets, intangible assets or other assets and reversal of the impairment allowance

Intangible fixed assets – completed development: Delta Printing System - net carrying amount of PLN 2,398 thousand.
As required by IAS 36 Impairment of Assets, the Parent 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 10.93%. 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						
9,43%	**9,93%**	**10,43%**	**10,93%**	**11,43%**	**11,93%**	**12,43%**
37 193	36 462	35 052	**34 373**	33 711	33 065	32 434

Intangible assets – in-process development: laboratory printers in a glove box – book value of PLN 197 thousand.

As required by IAS 36 Impairment of Assets, the Parent Company's Management Board carried out an impairment test for the Company's assets: cost of in-process 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 10.93%. 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						
9,43%	**9,93%**	**10,43%**	**10,93%**	**11,43%**	**11,93%**	**12,43%**
1 457	1 357	1 260	**1 166**	1 075	986	900

Intangible assets – in-process development: printers/ printing heads for operating on large substrates – book value of PLN 842 thousand

As required by IAS 36 Impairment of Assets, the Parent Company's Management Board carried out an impairment test for the Company's assets: cost of in-process 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 10.93%. 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						
9,43%	**9,93%**	**10,43%**	**10,93%**	**11,43%**	**11,93%**	**12,43%**
3 078	2 927	2 779	**2 636**	2 498	2 363	2 233

3.12.16 Total deferred tax assets and liabilities

Deferred income tax assets due to negative temporary differences PLN '000	Statement of financial position as at 31.12.2022	31.12.2021	Impact on the statement of comprehensive income 01.01.2022 - 31.12.2022
Due to differences between the carrying amount and the tax value:			
Accruals for unused annual leaves	51	26	25
Provision for remuneration	6	–	6
Loan valuation	6	–	6
Total deferred tax assets	**63**	**26**	**37**
Offset against the deferred tax liability	-63	-26	-37
Net deferred tax assets	**–**	**–**	**–**

Deferred tax liability caused by positive temporary differences PLN '000	Statement of financial position as at 31.12.2022	31.12.2021	Impact on the statement of comprehensive income 01.01.2022 - 31.12.2022
Due to differences between the carrying amount and the tax value:			
Interest on loans and deposits	-	13	13
Leased tangible assets	63	13	-50
Total deferred tax liability	63	26	-37
Offset against the deferred tax assets	-63	-26	37
Net deferred tax liability	–	–	–

Negative temporary differences, tax losses on which deferred tax assets were not recognized in the statement of financial position:	The basis for creating an asset at the end period 31.12.2022	The basis for creating an asset at the end period 31.12.2021	Date of expiry of negative temporary differences, tax losses
On the basis of			
Remuneration	79	78	-
Provision for unused leave	-	20	-
Provisions for external service costs	531	227	-
Tax losses	25,307	30,470	2023 / 2027r.

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

3.12.17 Inventories

INVENTORIES PLN '000	31.12.2022	31.12.2021
Materials	733	438
Work in progress	213	122
Finished products	2	–
Impairment allowance on inventories	-	-
Total	**948**	**560**

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

3.12.18 Trade receivables

TRADE RECEIVABLES PLN '000	31.12.2022	31.12.2021
Trade receivables, including:	786	1,369
Up-to-date	786	1,369
Overdue	–	–
– up to 180 days	–	–
– up to a year	–	–
– over a year	–	–
including claimed in court	–	–
Total gross trade receivables	786	1,369
Impairment allowances on receivables	–	–
Total net trade receivables	786	1,369
– from related parties	–	–

3.12.19 Other receivables

OTHER RECEIVABLES PLN '000	31.12.2022	31.12.2021
Other receivables, including:		
Statutory receivables (except income tax)	543	351
Other receivables	1,259	135
including claimed in court	-	–
Short-term loans granted	-	–
Total gross other receivables	**1,802**	**486**
Impairment allowances on receivables	-	–
Total net other receivables	1,802	486
– from related parties	-	-

3.12.20 Cash and cash equivalents

CASH AND CASH EQUIVALENTS PLN '000	31.12.2022	31.12.2021
Cash, including:	6,010	4,580
– cash on hand	–	–
– cash in bank	6,010	4,580
Other cash (short term deposits)	–	–
Other cash assets	–	–
Total cash and other cash assets	**6,010**	**4,580**

3.12.21 Restricted cash, including cash in the VAT account

As at the Balance Sheet Date, the Group did not have any cash in its VAT account. Restricted cash presented by the Group also includes PLN 992 thousand worth of funds blocked in favor of a lessor, and PLN 951 thousand as funds held in grant accounts.

3.12.22 Assets held for sale

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

3.12.23 Share capital

CHANGE IN SHARE CAPITAL PLN '000	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Balance at the beginning of the period	**203**	**203**
Increases	–	–
Decreases	–	–
Balance at the end of the period	**203**	**203**

3.12.24 Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS PLN '000	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Balance at the beginning of the period	**229**	**318**
increased/ created	152	150
utilization	–	–
release	109	239
Balance at the end of the period	**272**	**229**

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

3.12.25 Long-term financial liabilities

Long-term financial liabilities PLN '000	31.12.2022	31.12.2021
Bonds	3,180	-
Lease liabilities	393	242
Balance at the end of the period	**3,573**	**242**

Bonds PLN '000	31.12.2022	31.12.2021
Nominal value	3,378	3,600
Interest accrued	206	102
Value of conversion rights	-405	-432
Balance at the end of the period	**3,180**	**3,270**

In accordance with Resolution No. 04/06/2020 of the Extraordinary General Meeting of XTPL S.A. of 8 June 2020 on the issue of bonds convertible into series U shares, and a conditional share capital increase by issuing series U shares, depriving shareholders of all their preemptive rights to the convertible bonds and series U shares, on 30 July 2020 the Management Board of XTPL S.A. adopted a resolution on the allocation of 48,648 series A registered bonds convertible into the Company's series U shares with a nominal value of PLN 74 per bond, and a total nominal value of PLN 3,599,952. The bonds were issued at an issue price equal to their nominal value. The bonds are 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 unsecured. The Bonds were offered under Article 33(1) of the Bonds Act of 15 January 2015, as amended, and Article 1(4)(a) and (b) of Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, by making a Bond purchase proposal to maximum 149 investors selected by the Company's Management Board, without preparing a prospectus or an information memorandum.

On 6 July 2022, the Issuer concluded an agreement with the bondholder to purchase 2,993 series A bonds of the Company convertible into series U shares for the purpose of their redemption. The Issuer communicated this fact in ESPI current report no. 20/2022, referring to ESPI No. 12/2022 of 25 May 2022. In consideration for the purchase of the Bonds, the Issuer was to pay the bondholder PLN 230,122.83, which included the nominal value of the purchased Bonds of PLN 221,482 and interest of PLN 8,640.83. The sale price of the Bonds included all receivables resulting from the purchased Bonds.

After the settlement of the Bond purchase transaction, the Issuer redeemed the Bonds and submitted an application for their deregistration from the securities register kept by the Central Securities Depository of Poland. After the Bond redemption, the total number of issued and not redeemed Series A convertible bonds of the Company is 45,655.

On 20 July 2022, the Parent Company's Management Board issued ESPI Current Report No. 23/2022, advising that the Company had entered into an agreement on changing the terms of the Bond issue with two bondholders holding all issued and unredeemed Company's series A bonds convertible to series U shares – 45,655 bonds with a total nominal value of PLN 3,378,470, registered in the securities register kept by the National Depository for Securities S.A. under No. ISIN PLO228300011.

Based on the second sentence of Article 7(1) sentence 2 of the Bond Act of 15 January 2015 and under the concluded Agreements, the terms of the Bonds were changed as follows:

a) redemption date: the redemption date of the Bonds was changed from 30 July 2022 to 30 January 2024;
b) interest rate: the interest rate on the Bonds (which from the Bond allocation date to 30 July 2022 is fixed and amounts to 2% per annum) is calculated on the nominal value of the Bonds, and as of 31 July 2022 to the redemption date or to the early redemption date will be 5% p.a., calculated on the nominal value of the Bonds. Other terms of the Bonds issue remain unchanged.

The change of the terms of the issue of the Bonds was previously approved by the General Meeting of the Company by Resolution no. 03/06/2022 of the Extraordinary General Meeting of the Company of 21 June 2022 on changing resolution No. 04/06/2020 of the Extraordinary General Meeting of 8 June 2020 on the issue of bonds convertible into series U shares, and a conditional share capital increase by issuing series U shares, depriving shareholders of all their preemptive rights to the convertible bonds and series U shares, and on amending the Articles of Association, which was communicated by the Issuer in ESPI Current Report No. 16/2022 of 21 June 2022.

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

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

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

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

3.12.26 Trade liabilities

SHORT-TERM TRADE LIABILITIES PLN '000	31.12.2022	31.12.2021
due to related parties	–	–
due to other entities	1,441	1,116
Total short term trade liabilities	**1,441**	**1,116**

3.12.27 Other short-term liabilities

OTHER SHORT-TERM LIABILITIES PLN '000	31.12.2022	31.12.2021
Short term liabilities:		
statutory obligations, except income tax	490	498
employee benefits	673	475
purchase of non-financial (investment) fixed assets	–	–
in respect of business travel costs	–	–
advance payments received	1,845	
Other	14	10
Total other short-term liabilities, excluding provisions	**3,021**	**983**

3.12.28 Obligations in respect of employee benefits

OBLIGATIONS IN RESPECT OF EMPLOYEE BENEFITS PLN '000	31.12.2022	31.12.2021
Short term liabilities:		
remuneration	401	246
payments for unused annual leave	272	229
Other		-
Total:	**673**	**475**

3.12.29 Short term financial liabilities

Short-term financial liabilities PLN '000	31.12.2022	31.12.2021
Bonds	–	3,270
Lease liabilities	336	113
Balance at the end of the period	**336**	**3,383**

LEASE OBLIGATIONS PLN '000	Minimum lease payments		Current value of minimum lease payments	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Lease obligations, payable:				
up to one year	384	122	336	113
up to 1 month	25	10	20	9
1 to 3 months	50	20	41	19
3 to 6 months	75	31	62	28
6 to 12 months	234	61	213	57
1 to 5 years inclusive	405	245	393	242
Above 5 years	-	–	-	–
Total:	**789**	**367**	**729**	**355**
Less: costs to be incurred in subsequent periods	60	12	-	-
Current value of minimum lease payments	**729**	**355**	**729**	**355**
Long term lease obligations (payable over more than 12 months)		-	393	242
Short-term lease obligations (payable up to 12 months)		-	336	113

In 2022, the Capital Group incurred PLN 13 thousand of costs related to the leasing of low-value assets and PLN 674 thousand of costs related to lease agreements concluded, the subject of which is not fixed assets included in the balance sheet. The Group did not incur costs related to variable lease fees not included in the valuation of lease liabilities in the current reporting period

3.12.30 Deferred income in respect of grants

Description PLN '000	31.12.2022	31.12.2021
Long-term, including:	**2,874**	**1,374**
– grants to assets	2,874	1,374
– advance payments on R&D	-	-
Short-term, including:	**2,289**	**465**
– grants to assets	-	53
– advance payments on R&D	2,289	412
Total	**5,163**	**1,839**

3.12.31 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.

3.12.32 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.

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

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

3.12.34 Fair value of the individual classes of financial assets and liabilities

PLN '000	Category	Book value		Fair value	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial assets					
Loans granted	WwgZK	–	–	–	–
Trade receivables	WwgZK	786	1,369	786	1,369
Other receivables	WwgZK	1,802	486	1,802	486
Cash and cash equivalents	WwgZK	6,010	4,580	6,010	4,580
Total		**8,598**	**6,435**	**8,598**	**6,435**
Financial liabilities					
Interest bearing bank and other loans	PZFwgZK	–	–	–	–
Bond liabilities	WwWGpWF	3,180	3,270	3,180	3,270
Lease liabilities	according to IFRS 16	729	355	729	355
Trade liabilities	PZFwgZK	1,441	1,116	1,441	1,116
Other liabilities	PZFwgZK	3,021	983	3,021	983
Total		**8,371**	**5,722**	**8,371**	**5,722**

Abbreviations used:

WwgZK – Measured at amortized cost

PZFwgZK – Other liabilities measured at amortized cost

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

Fair value of financial instruments that the Group held as at the Balance Sheet Date and 31 December 2021 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 Parent Company. At the initial recognition, the value of the complex financial instrument was assigned to equity and to liabilities.

3.12.35 Capital management

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

CAPITAL MANAGEMENT PLN '000	31.12.2022	31.12.2021
Interest bearing borrowings	–	–
Bonds issued	3,180	3,270
Lease liabilities	729	355
Trade and other liabilities	4,462	2,099
Less cash and cash equivalents	-6,010	-4,580
Net debt	2,361	1,144
Equity	3,975	4,982
Equity and net debt	6,606	6,126
Leverage	36%	19%

3.12.36 Description of the post-employment benefit plan

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

3.12.37 Proposed profit distributions (loss cover) for the financial year

The Parent Company's Management Board proposes to cover the net loss of PLN 2,257 thousand incurred by the Parent Company in the reporting period from the reserve capital.

3.12.38 Explanations to the statement of cash flows

PLN '000	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
PBT presented in the statement of comprehensive income	-2,118	-6,574
PBT presented in the statement of cash flows	-2,118	-6,574

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Realized interest on financing activities	81	6
Realized interest on investing activities	-2	–
Unrealized interest on financing activities	61	71
Unrealized interest on investing activities	-	-
Total interest and dividends:	140	**77**
	-	-

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Change in the balance of trade receivables	583	-1,365
Other receivables	-1,325	405
Total change in the balance of receivables	-742	**402**
	-	-

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Change in the balance of trade liabilities	324	712
Other liabilities	2,037	348
Total change in the balance of liabilities:	2,361	**1,060**
	-	-

Cash and cash equivalents at the end of the period	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Statement of cash flows	6,039	4,582
Statement of financial position	6,010	4,580

Inflows from grants	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
– to operations	2,775	2,616
– to assets	1,757	1,427
– advance payments not settled	1,384	412
Total inflows from grants	**5,916**	**4,455**

The difference between the balance of cash presented in the statement of financial position as at 31 December 2022 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 bank accounts.

3.12.39 Related party transactions

2022	PLN '000	To associates	To joint ventures	To key management personnel*	To other related entities **
Purchase of services		–	–	–	–
Loans granted		–	–	–	–
Financial expenses – interest on loans		–	–	–	-

2021	PLN '000	To associates	To joint ventures	To key management personnel*	To other related entities **
Purchase of services		–	–	–	-
Loans received		–	–	–	–
Financial expenses – interest on loans		–	–	–	–

** the item includes persons who have the authority and responsibility for planning, managing and controlling the parent company's activities*
*** the item includes entities linked through key management*

Terms of related party transactions

Sales to and purchases from related parties are made on an arm's length basis. Any overdue liabilities/ receivables existing at the end of the period are interest-free and settled on cash or non-cash basis. The Group entities do not charge late interest from other related entities. Receivables from or liabilities to related parties are not covered by any guarantees given or received. They are not secured in any other way either.

3.12.40 Net revenue from sales

NET REVENUE FROM SALES PLN '000	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Research and development revenue	6,704	7
Revenue from the sale of products	3,338	2,079
Revenue from grants	2,775	2,616
Total net revenue from sales	**12,817**	**4,702**

3.12.41 Information about seasonality of business and cycles

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

3.12.42 Operating segments

The Group's reporting segments are based on product groups.
As at the Reporting Date, the Group 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	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Sale and lease of printers	2,960	1,986
Nanoinks and other consumables	378	93
Research and development services	6,704	7
TOTAL	**10,042**	**2,086**

As at 31 December 2022, the Group shows in the statement of financial position an amount of PLN 782 thousand relating to receivables for supplies and services, an amount of PLN 213 thousand corresponding to expenses incurred for production in progress and PLN 1 845 thousand relating to advances received for deliveries. The above amounts apply to Delta Printing System lab printers

3.12.43 Operating costs

OPERATING COSTS	PLN '000	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Depreciation/ amortization, including		1,003	585
– depreciation of tangible assets		622	385
– amortization of intangible assets		381	200
Use of raw materials and consumables		2,926	1,862
External services		4,565	3,804
Cost of employee benefits		6,414	4,905
Taxes and charges		184	86
Other		648	209
Value of goods and materials sold		-	-
Total costs by type, including:		**15,740**	**11,451**
Items reported as research and development costs		6,081	4,463
Items reported as cost of finished goods sold		751	503
Items reported as general and administrative expenses		7,777	6,274
Change in finished goods		92	122
Cost of producing services for internal needs		1,039	89

3.12.44 Employment

As at the Balance Sheet Date: 45 people

At the end of 2021: 35 people

3.12.45 Cost of employee benefits

COST OF EMPLOYEE BENEFITS PLN '000	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Salaries under employment contracts	4,180	2,724
Salaries under civil law contracts, including contracts for specific work	289	390
Social security and other benefits	796	641
Costs of the incentive scheme	1,149	1,149
Total	**6,414**	**4,905**

3.12.46 Incentive scheme

In the reporting period, in the statement of comprehensive income the Group recognized the cost the incentive scheme for employees and collaborators based on the Parent Company's shares, in the portion relating to the period ended 31 December 2021. 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. 2022. The cost of the scheme (fair value of the shares issued) was estimated at PLN 1,149 thousand and was fully taken to the profit or loss of the current period.

Recognition of the costs of the incentive scheme of PLN 1,149 thousand (PLN 345 thousand recognized in the cost of research & development, and PLN 804 thousand in general and administrative expenses) has no impact on the Group's assets or financial position, or its ability to service its obligations. The scheme's costs are a non-cash in nature, and reflect the value of shares transferred (net of their purchase price paid by scheme participants). This transaction did not cause any changes in the measurement of assets, the level of equity or the Group's ability to generate revenues in the future. The shares transferred also did not cause additional dilution of the existing stock as they had been issued in the first half of 2017 (and were intended for the incentive scheme).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	WITHOUT THE INCENTIVE SCHEME PLN`000	WITH THE INCENTIVE SCHEME PLN`000
Continued operations		
Sales	**12,817**	**12,817**
Revenues from the sale of products and services	10,042	10,042
Revenue from grants	2,775	2,775
Cost of sales	**6,487**	**6,832**
Research and development expenses	5,736	6,081
Cost of finished goods sold	751	751
Gross profit (loss)	**6,330**	**5,985**
General and administrative expenses	6,973	7,777
Other operating income	–	–
Other operating costs	11	11
Write-off of goodwill	–	–
Operating profit (loss)	**-654**	**-1,803**
Financial revenues	6	6
Financial expenses	321	321
Profit/ loss before tax	**-969**	**-2,118**
Income tax	19	19
Net profit (loss) on continued operations	**-988**	**-2,137**

3.12.47 Other operating income

OTHER OPERATING INCOME	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Gain on disposal of non-financial fixed assets	–	–
Provision released	–	–
Reversal of impairment allowances on assets	–	–
Other income:	–	31
damages and penalties received	–	–
COVID-19 anti-crisis shield	–	–
reimbursement of court costs	–	–
expired settlements	–	31
Other	–	35
Total other operating income	–	**66**

3.12.48 Other operating costs

OTHER OPERATING COSTS	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Loss on disposal of non-financial fixed assets	–	–
Provision released	–	–
Creation of impairment allowances on assets	–	–
Other costs:	–	30
penalties, fines, damages	–	–
Donations	–	–
Expired settlements	–	30
Other	11	2
Total other operating costs	**11**	**32**

3.12.49 Financial revenues

FINANCIAL REVENUES	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Interest on bank accounts	6	–
Interest on bank accounts	–	–
FX gains	–	1
Total net financial revenues	**6**	**1**

3.12.50 Financial expenses

FINANCIAL EXPENSES	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Financial expenses in respect of finance leases	61	–
Interest expense in respect of bonds	113	72
Costs of bank fees	31	31
Interest expense in respect of a loan received	11	133
FX losses	105	19
Total financial expenses	321	**255**

3.12.51 Reconciliation of the effective tax rate

RECONCILIATION OF THE EFFECTIVE TAX RATE	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Gross profit/(loss) before tax on continued operations	-2,118	-6,574
Profit/(loss) before tax on discontinued operations	-	–
Profit/(loss) before tax	-2,118	**-6,574**
Tax at the Polish statutory rate of 19%	-402	-1,249
Unrecognized deferred tax assets in respect of tax loss	-	1,004
Non-tax deductible costs	963	854
Increase in tax costs		–
Non-taxable revenues	-561	-609
Tax at the effective tax rate	-	–
Income tax (charge) recognized in the statement of comprehensive income	-	–
Income tax attributable to discontinued operations	-	–

3.12.52 Discontinued operations

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

3.12.53 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.

3.12.54 Correction of errors from previous periods

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

3.12.55 Tax settlements

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

3.12.56 Hedge accounting

The Group does not use hedge accounting.

3.13.57 Objectives and rules of financial risk management

The Group is exposed to risk in each area of its operations. With understanding of the threats that originate through the Company's exposure to risk and the rules for managing these threats the Group can run its operations more effectively. Financial risk management includes the processes of identification, assessment, measurement and management of this risk. The main financial risks to which the Group is exposed include:
Market risks:
• The risk of changes in market prices (price risk)
• The risk of changes in foreign exchange rates (currency risk)
• The risk of changes in interest rates (interest rate risk)
• Liquidity risk
• Credit risk.

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

MARKET RISK
The Group actively manages the market risk to which it is exposed. The objectives of the market risk management process are to:
• limit the volatility of pre-tax profit/loss
• increase the probability of achievement of the budget plan
• maintain the Group in good financial condition
• support the strategic decision-making process in the area of investment activity, taking into account the sources of investment financing

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

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

CURRENCY RISK

The Group is exposed to currency risk in respect of the transactions it concludes. Such risk arises when the Group makes purchases in currencies other than the valuation currency, mainly in USD, GBP and EUR.
Part of the Group's settlements is denominated in foreign currencies. As at 31 December 2021, the Group has assets denominated in foreign currencies, which include trade receivables. The value of the 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 Group. In order to mitigate the possible effects of exchange rate fluctuations, the Group monitors the current exchange rates on an ongoing basis.

Rate prevailing on the last day of the year:	31.12.2022	31.12.2021
1 EUR / 1 PLN	4.6899	4.5994
1 USD / 1 PLN	4.4018	4.0600

Average rate, calculated as the arithmetic mean of the rates applicable on the last day of each month in the period:	01.01.2022 31.12 2022	01.01.2021 31.12 2021
1 EUR / 1 PLN	4.6883	4.5775
1 USD / 1 PLN	4.4679	3.8757

Presented below is the estimated impact on the Group’s financial result of a potential adverse change in the value of PLN in relation to EUR and USD in relation to the carrying amounts as at 31 December 2022:

	As at 31.12.2022 in currency	As at 31.12.2022 in PLN	Estimated rate change in %	Effects of changes in exchange rates in PLN
Trade receivables in currency:				
EUR	2	9	+/- 5%	+/- 1
USD	177	791	+/- 5%	+/- 39
Trade liabilities in currency:				
EUR	5	23	+/- 5%	+/- 2
USD	10	45	+/- 5%	+/- 2

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 Group's operations. Consequently, the Group did not apply interest rate hedges, considering that interest rate risk is not significant for its business.

LIQUIDITY RISK

The Group monitors the risk of a lack of funds using the periodic liquidity planning tool. This tool takes into account the maturity dates of both investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operating activities.
The Group seeks to maintain a balance between continuity and flexibility of financing by using different sources of financing, such as lease agreements.
The Group is exposed to financing risk due to the possibility that it in the future it will not receive sufficient cash to fund commercialization of its research and development projects.
In the reporting period, an overdraft of PLN 300 thousand was available to the Parent Company. However, the facility was used by the Group rarely and for a short term only.

The table below shows the Company's financial obligations as at 31 December 2022 and comparative data as at 31 December 2021 by maturities based on contractual non-discounted payments.

2022-12-31	**On demand**	**Below 3 months**	**3 to 12 months**	**1 to 5 years**	**Above 5 years**	**Total**
Bond obligations	-	-	-	3,585	-	**3,585**
Lease obligations	-	75	309	405	-	**789**
Trade and other liabilities	-	2,617	-	-	-	**2,617**
Total	-	**2,692**	**309**	**3,990**	**-**	**6,991**

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	-	30	92	245	-	**367**
Trade and other liabilities	-	2,049	50	-	-	**2,099**
Total	**-**	**2,079**	**3,844**	**245**	**-**	**6,168**

CREDIT RISK

In order to mitigate the credit risk related to cash and cash equivalents deposited in banks, loans granted, deposits paid in respect of rental contracts and performance security as well as trade credit, the Group:
• cooperates with banks and financial institutions with a known financial position and established reputation
• analyzes the financial position of its counterparties based on publicly available data as well as through business intelligence agencies

3.12.58 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.

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

In the 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 Group's financial assets and liabilities.

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

Contingent liabilities granted by the Parent Company were in the form of promissory notes together with promissory note declarations to secure the contracts for co-financing projects financed by the EU as well as a bank loan agreement.

The change in the value of contingent liabilities in relation 31 December 2021 is PLN 4,659 thousand. It is caused by the payout of further tranches of grants totaling PLN 4,285 thousand, conclusion of lease agreements with their related obligations of PLN 374 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 materialization 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	31.12.2022	31.12.2021
Promissory notes	19,125	13,209
Total contingent liabilities	**19,125**	**13,209**

3.12.61 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.

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

Not applicable.

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

Management Board of the Parent Company

Name	Role	2022	2021
Filip Granek	CEO	**612**	**699**
Salary under employment contract		360	360
Incentive scheme valuation		252	339
Jacek Olszański	Management Board Member	**612**	**478**
Salary under employment contract		360	275
Incentive scheme valuation		252	203

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 3,000 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.
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 of the Parent Company:

Name	Role	2022	2021
Wiesław Rozłucki. PhD	Chairman of the Supervisory Board	96.0	96.0
Bartosz Wojciechowski, PhD	Deputy Chairman of the Supervisory Board	24.0	24.0
Andrzej Domański	Deputy Chairman of the Supervisory Board	24.0	24.0
Piotr Lembas	Supervisory Board Member	12.0	12.0
Beata Turlejska	Supervisory Board Member	12.0	12.0
Prof. Herbert Wirth	Supervisory Board Member	12.0	12.0

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

Audit Committee of the Parent Company:

Name	Role	2022	2021
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	12.0
Andrzej Domański	Audit Committee Member	12.0	12.0

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

3.12.64 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 standalone 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
b. item 2 – net remuneration of **PLN 16,000.00** + VAT
c. item 3 – net remuneration of **PLN 15,000.00** + VAT
d. item 4 – net remuneration of **PLN 10,000.00** + VAT
e. item 5 – net remuneration of **PLN 30,000.00** + VAT
f. item 6 – net remuneration of **PLN 16,000.00** + VAT
g. item 7 – net remuneration of **PLN 15,000.00** + VAT
h. item 8 – net remuneration of **PLN 10,000.00** + VAT

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

The auditor was selected by the Supervisory Board by resolution No. 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.

3.12.65 Events after the balance sheet date that have not been reflected in the financial statements

Date	Event	Current Report
4 January 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center South China University of Technology from Guangzhou, China.	ESPI Current Report No. 1/2023 of 4 January 2023
19 January 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center University of Electronic Science and Technology of China from Chengdu.	ESPI Current Report No. 3/2023 of 19 January 2023
6 February 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center Beijing Institute of Technology from Beijing.	ESPI Current Report No. 5/2023 of 6 February 2023
8 March 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center School of Integrated Circuits, Guangdong University of Technology.	ESPI Current Report No. 6/2023 of 8 March 2023
8 March 2023	The Company received information that it was granted patent by the Malaysian Patent Office for its method of forming lines <1 micrometer wide using the XTPL-developed silver nanoink (patent application: "Bottom-up method for forming wire structures upon a substrate".	ESPI Current Report No. 7/2023 of 10 March 2023

	The application procedure for this patent was initiated on 22 March 2016. This is also the date when patent protection started for the invention.	
9 March 2023	Block transaction involving the sale of 50,000 shares by Sebastian Młodziński, and a decrease of his stake in the Company's share capital from 10.650% to 8.186%.	ESPI Current Report No. 8/2023 of 13 March 2023
14 March 2023	The Company received information about the validation of a patent by the German Patent and Trade Mark Office for the method of precise control of the position of the printhead and control of the distance between the printhead and the substrate. The patent was granted in response to the patent application "Methods of detecting and adjusting contact of a micro-structural fluid ejector to a substrate and method of detecting a fault condition in fluid flow from a micro-structural fluid ejector onto a substrate". The application procedure for this patent was initiated on 15 March 2019.	ESPI Current Report No. 9/2023 of 14 March 2023
16 March 2023	The Company received information about the conditional granting of a patent by the Chinese Patent Office for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application "Method of printing fluid". The application procedure for this patent was initiated on 1 February 2019.	ESPI Current Report No. 10/2023 of 17 March 2023
17 March 2023	The Company received information about the conditional granting to the Company by the United States Patent and Trademark Office a patent for the method of characterizing and optimizing ink flow in the printing head. The patent was granted in response to the patent application "Method of estimating an output diameter of a capillary tube, and related methods". The application procedure for this patent was initiated on 12 February 2020.	ESPI Current Report No. 11/2023 of 17 March 2023
17 March 2023	The Company received information about the conditional granting of a patent by the Chinese Patent Office for the printing apparatus used for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application "Fluid printing apparatus". The application procedure for this patent was initiated on 1 February 2019.	ESPI Current Report No. 12/2023 of 20 March 2023.
21 March 2023	The Company received information about the conditional granting of a patent by the Japan Patent Office for the method of Ultra-Precise Deposition. The patent was granted in response to the patent application "Method of printing fluid". The application procedure for this patent was initiated on 1 February 2019.	ESPI Current Report No. 13/2023 of 22 March 2023.

29 March 2023	On 29 on March 2023, the parties to the Agreement (Nano Dimension and XTPL) agreed that the key elements of the fourth stage of development works as part of the technological phase of the activities specified in the Agreement were successfully implemented. The parties agreed that accepting the key works at this stage triggers the payment for the Company in the amount corresponding to the completed elements and in accordance with their valuation. The related revenue will be recognized in Q1 2023 and will significantly influence the financial results for that period. The parties also agreed to continue work on the remaining elements of the fourth stage of research and development in accordance with the Agreement and began jointly defining subsequent phases of commercial cooperation, including further orders to develop a method for producing a special formulation of electrically conductive ink for industrial use in the Customer's products dedicated for the production of PCBs.	ESPI Current Report No. 14/2023 of 30 March 2023.
11 April 2023	The Company confirmed another order placed by Yi Xin HK Technology Co., Ltd, based in China, for the delivery of the Delta Printing System. The end buyer of the device will be a leading Chinese R&D center University of Tianjin.	ESPI Current Report No. 15/2023 of 11 April 2023.

3.12.66 Impact of the SARS-CoV-2 pandemic on the Group's operations

As a result of the COVID-19 pandemic and due to administrative constraints, the Group developed a number of procedures that are triggered depending on the risk level. The Group is well prepared for remote work. The 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 Parent 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. The Group 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.

3.12.67 Impact of the war in Ukraine on the Group'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 in 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 war 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.

3.12.68 Buyback of own shares

None.

3.13 Uniform description of the Group's significant accounting principles

3.13.1 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 in 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 Group; and

b. the cost of the asset can be measured reliably.

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

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

All research completed in the financial year is 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 Group obtain future economic benefits that can be assigned to the given assets component, while meeting the remaining conditions indicated below, the Management Board decides to start development.

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

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

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

The in-process development expenditure is an item of intangible 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 Group with their useful lives:

Licenses for computer programs	2 to 5 years
Intellectual property rights (know-how)	5 years
Completed development	During the period of using the development results

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

3.13.2 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 subsidy together with depreciation of such assets.

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

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

Technical equipment and machines: 4 to 15 years

Vehicles: 3 to 10 years

Other tangible assets: 2 to 4 years

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

3.13.3 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.

3.13.4 Financial instruments

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

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

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

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

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

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

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

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

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

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

3.13.5 Impairment of financial assets

Assets carried at amortized cost

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

3.13.5.1 Loans granted and receivables from related parties

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

Stage 1 – where credit risk has not increased significantly since initial recognition and where 12-month expected credit loss (ECL) is recognized.
Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognized.
Exposures classified to stage 1 have impairment allowances determined based on an individually set rating, repayment profile and assessment of recovery from collateral.
For exposures classified to stage 2, the amount of impairment allowance is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future losses on account of uncollected receivables), discounted using the effective interest rate.
Impairment allowances are reversed when the present value of the estimated future cash flows is higher than the net assets employed, and a positive balance of payments with the entity concerned is expected to be achieved within the next 12 months.

3.13.5.2 Trade receivables

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

3.13.5.3 Cash

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

3.13.6 Leases

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

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

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

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

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

The Group 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.

3.13.7 Inventories

Inventories are assets intended for sale in the ordinary course of business, in the course of production or intended for sale in the form of materials, or auxiliary materials intended for consumption in production or in connection with the provision of services.

Due to the nature of inventories and their purpose, inventories are divided into the following groups:

- materials
- finished and semi-finished products
- products in progress
- goods

The Group performs the initial valuation of inventories at purchase price or production cost.

Cena nabycia, koszt wytworzenia obejmują wszystkie koszty zakupu, koszty przetworzenia oraz inne koszty The purchase price and production cost include all purchase costs, processing costs and other costs incurred in bringing the inventories to their current location and condition.

Inventories are shown at purchase prices/manufacturing costs, but not higher than net selling prices (equal to selling prices less the costs of adapting the inventories for sale and making the sale). In the event of an increase in the value of inventories for which write-downs were previously made, reversal of these write-downs is required.

3.13.8 Foreign currency transactions

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

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

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

At the end of each reporting period:

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

Foreign exchange gains and losses arising from:

- settlement of transactions in a foreign currency;
- balance sheet valuation of cash assets and liabilities other than derivative instruments expressed in foreign currencies are recognized in profit or loss.

3.13.9 Accruals

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

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

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

Unearned revenues are measured at nominal value.

3.13.10 Equity

The Group's equity is divided into:

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

3.13.11 Reserves

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

3.13.12 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.

3.13.13 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.

3.13.14 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.

3.13.15 Revenue recognition

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

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

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

3.13.15.1 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.

3.13.15.2 Revenue from the sale of goods and materials

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

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

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

3.13.15.3 Interest

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

3.13.16 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 Group estimates the probability of having to return the received grants. Depending on the adopted estimate, grants received may be recognized 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 Group distinguishes the following types of risk attached to the return of grants:

Risks related to projects:

- The Group 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 Group fails to submit a payment application on time;
- The Group fails to correct the payment application within the prescribed period or submits an application containing significant deficiencies or errors;
- The Group fails to submit information or explanations about the project;
- The Group uses the funding contrary to its intended purpose; will obtain any undue or excessive amount of the grant;
- The Group uses the funding in breach of applicable procedures;
- Continued implementation of the project by the Company is impossible or unreasonable;
- The Group 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 Group has the above risks under control. The Group ensures implementation of projects in accordance with the applicable guidelines and grant agreements. The Group monitors progress of projects on an ongoing basis. Where a project cannot be continued, the Group reports this to relevant institutions as soon as possible after becoming aware of this fact. The Group declares that it will not breach any conditions under the control of the Parent Company's Management Board.

3.13.17 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.

3.13.18 Incentive scheme

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

3.13.19 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.

3.13.19.1 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.

3.13.19.2 Useful lives of tangible assets

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

3.13.19.3 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 realized 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.

3.13.19.4 Asset impairment tests

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

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

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

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

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

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

At the end of the reporting periods presented, in the opinion of the Parent Company's Management Board there were no indications of impairment of tangible or intangible assets. As at the balance sheet date, in accordance with the International Accounting Standard 36 "Impairment of Assets", the 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 Management Board President	Jacek Olszański Management Board Member

Signature of the person responsible for the preparation of the consolidated financial statements

Edward Czuchajewski
Chief Accountant

Wrocław, 26 April 2023