CONSOLIDATED HALF-YEARLY REPORT

FOR THE FIRST HALF OF 2019

XTPL S.A.

Wroclaw, 27 September 2019

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

shaping global nanofuture

LETTER FROM CEO

Dear Shareholders,

Half-year of intensive work to build XTPL's value is behind us. During this time, we consistently implemented the actions necessary to move to the next stages of commercialization of our business. We decided, among others, on adopting licensing as a business model for the implementation of nano-printing technology on the display market for the use in open defect repair. The analyzes showed that this model is beneficial for XTPL and at the same time preferred by the majority of potential customers interested in acquiring our solution. The XTPL technology will enable industrial yield improvement of modern production lines in the display sector - which is why the producers show great interest in this solution. We have taken care of the highest level in terms of intellectual property protection, which is to guarantee for our company the safe commercialization and appropriate position during the negotiations of license agreements.

In the smart glass area, i.e. in the second application field, on which we are currently focusing, we have carried out the next stages of validation of our technology. We are currently in the 3rd phase of an advanced proof of concept project for a leading American manufacturer in this industry. Ultimately, the implementation of the XTPL's solution is expected to significantly improve the functional characteristics of the partner's products and open new market segments for him. The technological success of this project is therefore in the interest of both, our company and the potential customer. Confirmation by the current tests of the effectiveness of XTPL's technology may result in joint development of production solutions using our know-how and intellectual property based on e.g. the Joint Development Agreement - JDA.

For companies from the deep tech sector the most important asset is the developed technology and thus it must be effectively protected. That is why XTPL strongly focuses on expanding the patent cloud. Financing activities in this area was one of the main goals of the issue of shares carried out in July this year, thanks to which the company's account received over PLN 10 million. The work of our team has allowed for significant acceleration in the field of intellectual property protection. In the first half of 2019, we filed 4 new international patent applications, which means that the company has 9 in total at this moment. We plan threefold increase of this number by the end of 2020, and this is just the beginning of building our patent portfolio in different application fields.

We are aware that our development depends on the timing of implementation, and this largely depends on the commitment of a strong team of specialists from many fields. We invest in this area, and the tool supporting us in achieving this strategic goal is the new motivation program adopted by the shareholders in April this year for company's key employees. Its pillars are share options (with an exercise price of PLN 165), representing a maximum 10 percent of company's capital as well as existing XTPL's shares. In the current period, we have settled the previous incentive program in accordance with the resolution of the General Meeting of Shareholders of April this year, recognizing its cost at the level of PLN 11.5 million. This is a one-off event which does not affect the company's cash or liabilities, as well as its development prospects.

Commitment to the strong development of a global network of specialists and experts resulted in the second quarter of this year, among others, in joining the board of XTPL Inc. by Hiroshi Menjo. The Japanese have been developing technology companies in Japan and Silicon Valley for over 30 years. With his support, we want to effectively establish relationships in demanding and key markets for us in Japan, South Korea and China.

XTPL is a technological company that invests resources in building capacity for future growth. Currently, the further development of existing technology, efficiency in the field of intellectual property protection as well as obtaining financing enabling the conduct of both these processes is of the greatest importance for building XTPL's value. As a company, we fulfill our obligations here and gradually finalize subsequent stages of the commercialization. XTPL successfully closed a private issue of shares worth over PLN 10 million and increased the level of financing operating costs from subsidies by 33% y / y. Operating costs are also under strict control - at the end of the first half of this year, without taking into account one-off event, they amounted to PLN 6.7 million. Their level is mainly due to the number of international patent applications, the expansion of business development structures in Poland and the United States, and the strengthening of the technological team necessary to achieve significant progress in the preparation of our technology for industrial implementation.

It is worth looking at XTPL with the long term perspective. The company's breakthrough technology has already been verified and confirmed by several potential partners. Market success is a function of time and engaged capital. I believe that our consistent actions, among others, in the area of business development, will be noticed by investors whose trust and support is crucial in the process of building our company's long-term value.

Sincerely,

Dr. Filip Granek

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Financial highlights

1 Selected unconsolidated figures

Figures in PLN thousand	1 January – 30 June 2019		1 January – 30 June 2018	
	PLN	EUR	PLN	EUR
Net revenue from sales	1,592	371	1,256	296
Profit (loss) on sales	-2,965	-691	-221	-52
Profit (loss) before tax	-15,894	-3,707	-2,587	-610
Profit (loss) after tax	-15,914	-3,711	-2,547	-601
Depreciation/amortization	286	67	252	59
Net cash flows from operating activities	-3,835	-894	-2,459	-580
Net cash flows from investing activities	-1,596	-372	-1,196	-282
Net cash flows from financing activities	796	186	-14	-3
Figures in PLN thousand	30 June 2019		31 December 2018	
Owner's equity	4,615	1 085	8,937	2,079
Short-term liabilities	2,107	399	1,031	240
Long-term liabilities	-	-	1	0
Cash and cash equivalents	899	211	5,537	1,288
Short-term receivables	518	122	486	113
Long-term receivables	1,810	426	233	54

2 Selected consolidated figures

Figures in PLN thousand	1 January – 30 June 2019		1 January – 30 June 2018*	
	PLN	EUR	PLN	EUR
Net revenue from sales	1,592	371	1,256	296
Profit (loss) on sales	-2,965	-691	-221	-52
Profit (loss) before tax	-16,960	-3,955	-2,587	-610
Profit (loss) after tax	-16,582	-3,939	-2,547	-601
Depreciation/amortization	286	67	252	59
Net cash flows from operating activities	-5 ,326	-1,242	-2,459	-580
Net cash flows from investing activities	-52	-12	-1,196	-282
Net cash flows from financing activities	796	-7	-14	-3
Figures in PLN thousand	30 June 2019		31 December 2018	
Owner's equity	3,086	726	8,937	2,079
Short-term liabilities	2,167	413	1,031	240
Long-term liabilities	-	-	1	0
Cash and cash equivalents	954	224	5,537	1,288
Short-term receivables	518	122	486	113
Long-term receivables	262	62	233	54

* in 2018, the Issuer did not form a corporate group and did not publish consolidated financial statements. Unconsolidated data were indicated as comparative data.

Management Board's Report

3 Management Board's Report

3.1 Key information about the Issuer

Business name:	XTPL Spółka Akcyjna
Registered Office:	Wrocław
Address:	Stabłowicka 147, 54-066 Wrocław
KRS:	0000619674
NIP:	9512394886
REGON:	361898062
Registry Court:	District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register
Share capital:	PLN 190,422.20, fully paid up
Phone number:	+48 71 707 22 04
Website:	www.xtpl.com
Email:	investors@xtpl.com

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

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

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

Management Board:
As of 30 June 2019 and as of the date of publication of the report, the Management Board performed its duties in the following composition:

• Filip Granek – Management Board President
• Maciej Adamczyk – Management Board Member

Supervisory Board:
As of 30 June 2019 and as of the date of publication of the report, the Supervisory Board performed its duties in the following composition:

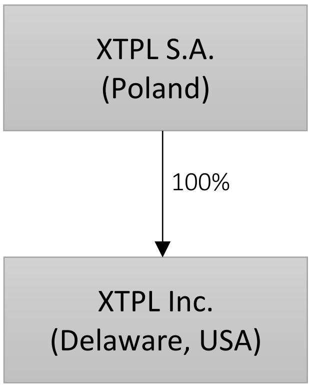
• Wiesław Rozłucki – Chairman of the Supervisory Board – an independent SB member
• Bartosz Wojciechowski – Deputy Chairman of the Supervisory Board
• Konrad Pankiewicz
• Sebastian Młodziński
• Piotr Lembas – an independent SB member

Audit Committee:
As of 30 June 2019 and as of the date of the report, the Audit Committee performed its duties in the following composition:
• Wiesław Rozłucki – Chairman of the Audit Committee – independent AC member
• Sebastian Młodziński
• Piotr Lembas – independent AC member

3.2 XTPL Group

3.2.1 Group structure

Structure of XTPL Group as at 30 June 2019 and as at the date of publication of the report:



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

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

No changes occurred in the organization of the corporate group since the previous financial report.

3.2.2 Branches

Not applicable. Neither the parent company nor its subsidiary have any branches.

3.2.3 Non-arm's length transactions with related entities

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

3.2.4 Proceedings before courts and other bodies

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

3.2.5 Guarantees given

Not applicable. Neither the Issuer nor its subsidiary provided any guarantees in the reporting period.

3.2.6 Events occurring after the balance sheet date

3.2.6.1 Closing of the issue of shares in private placement:

On 19 July 2019 (ESPI Current Report 31/2019), the Company advised about ending subscription of its series S shares. The share issue generated proceeds of PLN 10.14 million for XTPL, and provided for a specified range of shares to be taken up through a private placement. Investors acquired more than 78,000 new shares, i.e. the maximum pool from the range of 68–78 thousand shares included in this share capital increase within the authorized capital. The issue price of one series S share was PLN 130 per share. The final range of the shares issued was wider than the Company originally expected. The newly issued shares constitute less than 5% of the increased share capital of the Company. The proceeds are to be used to promote the Company’s further development, especially in the Southeast Asian market, and to strengthen the patent portfolio. Amendments to the Articles of Association of XTPL S.A. with respect to the share capital in connection with the issue of series S shares were registered on 29 August 2019 (ESPI Current Report No. 39/2019).

3.2.6.2 Licensing as a technology commercialization model:

On 21 August 2019 (ESPI Current Report No. 38/2019), XTPL announced that it had adopted licensing as a method whereby it will commercialize its technology in the display market for use in open defect repair. This Management Board’s decision was an outcome of the talks with partners interested in acquiring the Company's technology, and analyzes confirming the advantages of such a model. In the Issuer’s opinion, licensing gives a possibility of using the existing potential of the future licensee to prepare the technology effectively for industrial implementation. Such work usually involves testing the solution in several cycles under production conditions. Quite importantly, in this model, it is the licensee that is responsible for all aspects related to the sale of the final product (logistics, distribution and customer support). In this case, the final product will be devices for the production of displays with modules for open defect repair based on XTPL’s unique technology.

The licensing model adopted by XTPL requires that appropriate preparations are made and that the subject of the license – intellectual and industrial property and unique know-how – is globally protected. For this reason, the Company is planning to intensify its work to expand the patent cloud.

Licensing is the preferred model for most of the potential clients who are interested in purchasing the solution offered by XTPL. The Issuer is in talks about commercialization of its technology with several large players. Among them are leading suppliers of production lines for the display sector (potential direct clients of the technology Company).

3.2.6.3 Forecasts concerning the number of patent applications

On 5 September 2019 (ESPI Current Report No. 40/2019) XTPL announced its plans regarding the number of patent applications that the Company plans to prepare and submit to obtain protection for its technology. The Issuer plans to submit 26 patent applications in the period from 1 September

2019 to 31 December 2020. They will concern both the base technology developed by the company and application fields to be commercialized in the first place.

In the opinion of the Management Board, for a deep tech company (like the Issuer), protected intellectual and industrial property is a product and can constitute a source of competitive advantage – and its safe commercialization is possible provided it is fully protected in selected international markets. For this reason, an appropriate level of intellectual and industrial property protection will ensure the Company a good negotiating position before the first commercial contracts are signed.

Delivery of plans connected with submitting patent applications may have a significant impact on assessment of the prospect of commercialization of the technology for various application fields, and thus on the Company's revenue position and long-term growth. Appropriate protection of the technology developed by the Issuer and consistent expansion of the patent cloud is aimed at ensuring achievement of key interests of XTPL, which fits with the development strategy pursued by the Company and may affect the valuation of the Issuer by investors.

3.3 Description of operations and basic products

XTPL operates in the nanotechnology segment. XTPL develops and commercializes its globally innovative platform technology of ultra-precise printing of nanomaterials, protected by an international patent application. The XTPL method has a chance to be groundbreaking. This is because of a combination of several features: it is an additive method, which ensures significant time and material savings and allows the advantages of printing – such as scalability, cost effectiveness, simplicity and speed – to be used in the production of advanced devices thanks to unprecedented precision and without a need to use electric field.

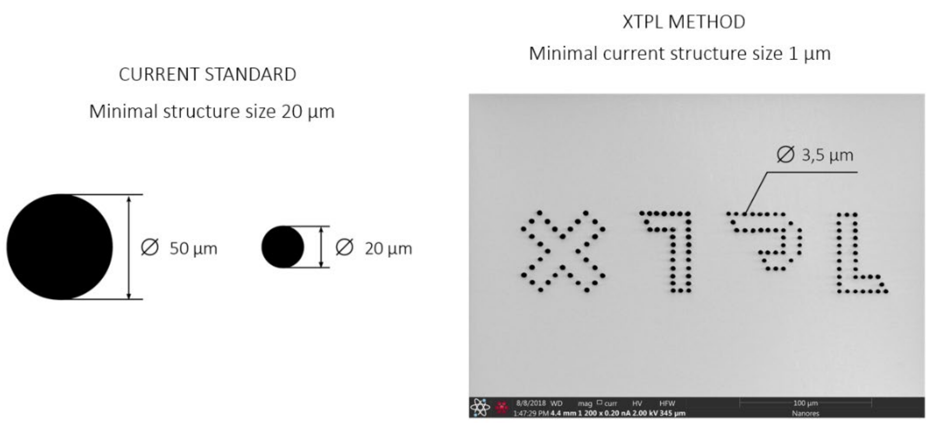


Figure 1 Example illustrating precision of the XTPL solution. Mircodots, used in inter alia the semiconductors and sensors sectors, now usually have a diameter of 50 µm (micrometers), not less than 20 µm. By now, XTPL has managed to achieve structures of a mere 1 µm, while working on further reduction of this parameter.

Due to its platform character, this solution will find application in the broadly understood printed electronics industry.

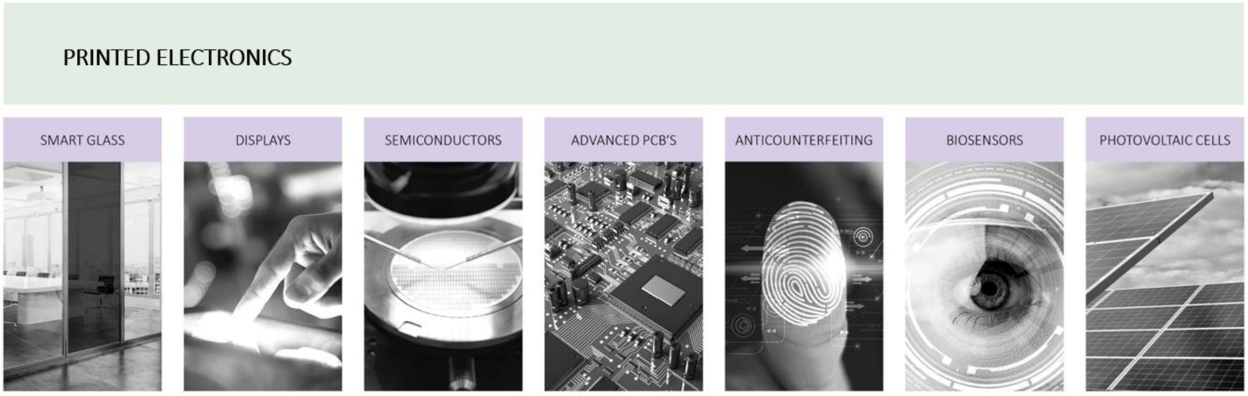


Figure 2 Application fields chosen for potential implementation of XTPL technology within the broad market of printed electronics.

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

Figure 3 Removing local defects in conductive structure is needed in most cases as conductive electrodes are used in semi-finished products whose production cost is a significant part (even 50%–70%) of the cost of the final product. The XTPL solution ensures precise, fast and effective open defect repair, significantly increasing the efficiency of advanced production lines.

The second potential application field for XTPL is the market of smart glass, i.e. glass that changes its transparency depending on external conditions. For this sector XTPL intends to develop a solution that will significantly shorten the time of this conversion, which will significantly improve the usability of such products, and may also usher the industry into new, not yet supported market segments.

Figure 4 Change in voltage converts smart glass from light to dark and vice versa. To enable the flow of current, smart glass has embedded conductive structures. However, they need to be extremely fine to be invisible to the human eye, while maintaining excellent conductive parameters. XTPL technology allows conductive, transparent lines (1–5 µm) to be printed on glass, thus facilitating progress in this sector.

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

3.4 Business model

XTPL has developed an advanced technology for ultra-precise printing of nanomaterials. It develops and commercializes the technology in a way dedicated to a specific application field, using one of three models:

a. Licensing – the Company develops a technological solution dedicated to a particular application field, which is licensed to a partner who on its basis builds devices that allow the technology to be used in industry; in this case, the Company generates revenue from license fees based on the sale of devices in which the developed technology was implemented;

b. Strategic partnership – the Company develops a technological solution dedicated to a particular application field and commercializes it in cooperation with a strategic partner with whom a joint venture agreement is signed; commercialization tasks are divided between the partners in accordance with their competencies and potential. In this case, the Company participates in profits achieved through the joint venture;

c. Sale of a comprehensive solution – the Company develops a technological solution dedicated to a particular application field and uses subcontractors to manufacture the solution on the basis of its own unique IP; in this model, the Company is solely responsible for setting up distribution channels and for managing the sales and support processes; the comprehensive solution is sold to the end-customer; The Company generates revenues from the sale of printing heads and nanoinks.

The choice of the optimal business model depends on the specific application field where the Company offers its solution.

At this stage, XTPL is in business talks with two groups of interested partners. The Company's direct potential clients are manufacturers of machinery for a particular sector of production lines. These devices are bought and implemented on production lines at end customers: final producers of advanced electronics (e.g. displays). Both groups of entities are important for XTPL as the Company needs to obtain the fullest information about the requirements that its technology must meet so it can be effectively integrated with the partners' systems.

3.5 Target markets

XTPL intends to commercialize its technology in many segments of the broadly understood printed electronics market. According to IDTechEx, the value of the global market of printed, flexible and organic electronics was USD 31.7 billion in 2018. In 2029, the market is forecast to grow to USD 77.3 billion, with a CAGR at 8.4% in 2018–2029

Chart: Value of the global market of printed, flexible and organic electronics in 2013–2018 and forecast for 2029 (USD billion) Source IDTechEx

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

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

Defects in conductive structures (broken metallic connections) are a serious challenge for manufacturers from many industries. The defects are one of the reasons for dead pixels occurring in high resolution matrices. The technologies for repairing these structure available in the market today have serious limitations, are complicated and costly. The XTPL nanoprinting technology will enable open defect repair already at the production stage, reducing costs, ensuring precision and speed that none of the existing methods can offer.

Market readiness: integration with the potential partner's technological process

Market partner: an identified group of entities, including both manufacturers of production lines for the display sector (XTPL's direct customers) as well as final display manufacturers (end customers for XTPL technology).

Smart glass sector:

Smart glass is designed in such a way as to change transparency depending on the degree of external illumination. The technology developed by the XTPL allows ultra-thin, invisible structures with excellent conductivity parameters to be precisely printed on glass. The main benefit expected after potential implementation of XTPL technology in the production process for this sector is faster conversion of glass from light to dark and vice versa, which will significantly improve the usability of this type of products, and will open the door for manufacturers from this sector to new, previously not supported market segments (e.g. automotive).

Market readiness of XTPL: 3rd phase of the advanced Proof of Concept (PoC)

Market partner: identified (United States)

An important element that fosters development of the electronics market is the growing number of new applications of printed, flexible and organic electronics in various fields. Ultimately, the Company will seek to ensure that its technology can be used in many existing areas of the printed electronics industry or – thanks to the unprecedented precision of printing – will lead to the emergence of new areas within this sector. The Company seeks to develop its technology in such a way that it can be used to manufacture complex and complicated devices with cheap and scalable printing methods.

Subsequent, already identified and pre-verified application areas include:

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

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

3.6 Material achievements or failures

3.6.1.1 Finalization of the second phase of the proof-of-concept project for a US manufacturer from the smart glass industry

In Q1 this year, the Issuer’s R&D team completed the second phase of the proof-of-concept project for a leading US manufacturer from the smart glass industry. This is another phase of the validation project, more advanced than the previous ones. The parties also made arrangements to determine the scope of the next validation stage, which most probably will take place in Q3 2019. The value of the smart glass market in 2026 is estimated to reach USD 4.25 billion (Source: n-tech Research: Smart Windows Materials Market 2017–2026). Establishment of commercial cooperation with the sector leader may in the future result in this sector having a major share in XTPL’s revenue structure.

3.6.1.2 Reference visit at a potential partner from China – a global manufacturer of equipment for the production of displays:

The negotiations, started in June 2018, of a contract with a China-based global manufacturer of equipment for the production of displays (ESPI 8/2018 current report), following a multi-stage proof-of-concept project, resulted in a reference visit by the partner's representative at the Issuer's head office. The visit took place in December 2018. Its successful outcome coupled with fulfilment of technological expectations resulted in XTPL leaders being invited to pay a return visit to China in Q1 2019. The purpose of the visit was to collect and jointly analyze feedback from end users (customers of the potential client) in relation to the effects of the presented technological trials in the area of open defect repair. As a result of the commenced work, a document was created setting out final requirements for the dedicated industrial printing head. Based on this document, the previous commercial proposals submitted by XTPL will be revised.

3.6.1.3 Starting business talks with further entities interested in XTPL technology in the context of open defect repair:

In the first quarter of 2019, the business development team established new business contacts with other entities interested in implementing the ultra-precise printing in the open defect repair process. The potential clients include, among others, an Asian manufacturer of displays, interested in using the technology developed by the Issuer to repair defects in its new line of displays produced in QLED technology. The high level of advancement of the XTPL technology achieved over recent months in the context of open defect repair, the proven expertise and a high degree of preparedness for industrial implementation gave a strong momentum to the talks.

3.6.1.4 Submission of further patent applications:

In the period from January to June 2019, five new international patent applications were registered, covering further layers of intellectual property obtained in the area of nanoprinting. This is the outcome of a research project, completed in December last year, in relation to the ultra-precise deposition and the ink used in the process. All the four applications were submitted in cooperation with K&L Gates, an experienced US-based law firm. The applications ensure security for the Company and its disruptive technology. They will be one of the pillars of XTPL value. In the opinion of the Company’s Management Board, industrial property may also have a positive impact on the ongoing and future commercialization talks.

3.6.1.5 Debut on the Warsaw Stock Exchange:

On 20 February 2019, the first listing of XTPL’s shares took place on the Main Market of the Warsaw Stock Exchange. This is just over seventeen months since the Company's debut on the New Connect market (14 September 2017). At that time, XTPL gained the trust of the capital market – the company debuted in the Alternative Trading System with a capitalization of approx. PLN 112 million. When moving to the main Stock Exchange market, it had a capitalization of more than PLN 415 million. XTPL’s market potential has attracted significant investors to the company already ahead of changing the listing market. The Company’s shareholding structure now has a wider presence of two recognized German investment funds – Acatis Investment and Heidelberger

Beteiligungsholding, now jointly controlling more than 18% of XTPL shares. The February debut was preceded by intensive business activities. The Issuer built strong operational structures, filled its schedule of commercialization projects and built up the patent cloud, which is an essential part of the Company's value. The Company's management believes that the change of the listing market will help it attract a wider base of institutional investors, both international and domestic ones, who invest in globally groundbreaking innovations. The presence on the WSE Main List is also expected to strengthen the Issuer's credibility among current and future business partners.

3.6.1.6 Establishment of a subsidiary undertaking XTPL Inc. in the United States

On 31 January 2019, the Issuer acquired 100% stake in its newly formed subsidiary: XTPL Inc. The executive board of the company, includes, in addition to Filip Granek: Harold Hughes (former CFO of Intel and CEO of Rambus) and Amir Nayyerhabibi (partner at Benhamou Global Ventures) – the current members of the international XTPL Advisory Board. The international personnel of XTPL Inc. will back up the processes of securing the key IP and delivery of implementations in cooperation with industry giants. Operating directly in Silicon Valley, the entity will also increase the possibility of attracting local talent in nanotechnology and business development.

3.6.1.7 Publication of an analytical report about the company by GBC – a leading analytical company from Germany

In March 2019, German analytical company GBC has published a report on the commercial potential of XTPL, including a recommendation for the price of the company's stock. Using the discounted cash flow (DCF) approach, the team of German analysts estimated the company's stock at PLN 230.80 and consequently issued a "buy" recommendation. The analysts also noted that the company's valuation might increase as the first commercial contracts are signed over the coming quarters.

Justifying its estimates, the German experts point to e.g. the company's strong expansion and the likelihood of the first contracts to be signed this year. GBC has extensive experience in the analysis of Western small and mid-caps, i.e. companies with capitalization up to EUR 500 million. The several hundred firms analyzed include a wide representation of companies from the high-technology sector.

3.6.1.8 Commercialization of technology in the display application field in the open defect repair (ODR) segment:

In Q2 2019, several large players joined the group of firms interested in using the XTPL technology in the display application field. Among them are leading suppliers of production lines for the display sector (potential direct clients of the technological company). All these partners have declared their readiness to cooperate with XTPL and expressed great interest in making, in the short-term, a reference visit to the Company's laboratories in Wrocław. After the balance sheet date, the Issuer's Management Board decided to turn to licensing as the method of commercializing its technology in the display market for use in open defect repair.

3.6.1.9 Commencement of the third phase of the proof-of-concept project for a US manufacturer from the smart glass industry

As agreed in Q1 this year, in June XTPL started work connected with the third phase of a proof-of-concept project for a leading US manufacturer from the smart glass industry. The potential XTPL partner offers glass with an electrochromatic (EC) coating. The technology was designed to let natural light into buildings, while reflecting visible light and infrared radiation when dimmed. The main purpose of the current testing phase is to check new formulations of XTPL inks resistant to, e.g. high temperatures occurring both in the partner's manufacturing process and during operation of the final product. Preliminary tests carried out in the Issuer's laboratories confirmed heat resistance of the structures printed using the new ink. In the coming weeks, structures based on the new ink will be printed on special substrates supplied by the partner and sent to its manufacturing plant, where they will undergo advanced post-processing, unique to the partner's technological process. If further assumptions are met and if the ongoing tests confirm effectiveness of XTPL technology, the two firms might jointly develop production solutions based on the know-how and intellectual property of XTPL under, e.g. a Joint Development Agreement (JDA).

3.6.1.10 Further development of the patent cloud:

In Q2 2019, XTPL R&D team ended work on two new patent applications, covering subsequent layers of the IP obtained in the area of nanoprinting. The first application concerned a further advancement of the unique ultra-precise deposition method, while the second application was related to a new type of ink dedicated for application in high-temperature environments. Both new patent applications were submitted in cooperation with the American law firm K&L Gates. So far, XTPL has registered nine international patent applications. The patent applications will ensure security for the company and its technology, and may potentially have a positive impact on the ongoing and future commercialization talks.

3.6.1.11 Decision to issue shares in a private placement procedure:

To meet the expectations of the Western investors who again declared their readiness to invest in XTPL, on 13 June 2019, the Issuer’s Management Board decided to issue a range of shares at a price corresponding to the average stock market quotations from the last month, reduced by a 7% discount. On 23 June 2019, the Management Board issued a resolution on the issue of new S shares within the authorized capital. The share subscription, which brought total proceeds of more than PLN 10 million for the Company, was closed in July.

3.6.1.12 Hiroshi Menjo joins the board of XTPL Inc.:

On 30 May 2019, the Company announced that Hiroshi Menjo, the man who was instrumental to the successes of Japanese and US technology companies, has joined the executive board of XTPL Inc. Hiroshi Menjo has been developing technology companies in Japan and Silicon Valley for more than 30 years. He supported the largest Japanese players from the consumer electronics market, IT and media markets. Hiroshi Menjo has an impressive number of projects to his name, involving the transfer of technologies from the research and development phase to the industrial implementation phase. For example, he cooperated with Regis McKenna, who laid foundations for technology marketing for Silicon Valley. The new manager at XTPL also developed the Japanese operations of The McKenna Group. Previously, as part of Boston Consulting Group in Tokyo, he worked side by side with consultants supporting U.S., European and Japanese technology companies in implementing their business strategies. For several years now, Hiroshi Menjo has been supporting the development of technology startups as a managing partner with the American-Japanese Wolf Capital Ventures fund from Menlo Park, California. At XTPL, his role is to support commercialization of the company's solutions in East Asia, among other tasks.

Hiroshi Menjo at the XTPL headquarters in Wroclaw

3.6.1.13 XTPL at the World Display Week conference in San Jose:

On 14–16 May 2019, at the San Jone Display Week, the world’s most important conference dedicated to display manufacturers, XTPL showcased its groundbreaking additive manufacturing technology for printing extremely thin conductive and non-conductive structures. The benefits of the company’s solution for the display sector have been verified and constitute a serious competitive advantage. During the event, XTPL representatives held dozens of specific and promising meetings, including with technological giants from this sector. The busy three-day event in California brought together more than 7,000 key professionals operating in the displays market: decision makers, engineers, suppliers, as well as end-users and event technology investors. The high profile of the event is confirmed by such leading brands as LG Display and BOE, but also BENQ, CSOT, JDI (Japan Display Inc.), CORNING, TIANMA and VISIONOX, which present themselves at the conference every year.

3.6.1.14 XTPL took the podium of the Innovation and Entrepreneurship competition in Shenzhen:

In April 2019, the Company took a place on the podium of the China Innovation & Entrepreneurship competition in the advanced manufacturing category. The competition attracted high-quality designs and firms from around the world to help them develop the hi-tech industry in the Chinese market. It consisted of several stages in which participants presented their companies. The first stage of the competition took place in Berlin, while the finals were held in Chinese Shenzhen.

Filip Auksztol, Product Manager at XTPL, receiving the award on behalf of XTPL in the Innovation and Entrepreneurship competition in the Advanced Manufacturing category, Shenzhen, 10 April 2019

3.6.1.15 Approval of an new employee incentive scheme:

On 24 April 2019, the Company's EGM voted in favour of a package of resolutions forming a new employee incentive scheme. The scheme covered the key personnel of XTPL S.A. and XTPL Inc., and will continue until 2021. It is based on warrants (stock options), entitling its holders to subscribe for no more than 182,622 series R shares with a nominal value of PLN 0.10. The purchase price of the shares offered to the scheme's beneficiaries will be set at the level of the market value of XTPL stock at the time of approval of the program, i.e. PLN 165.84. The warrants' underlying stock will be issued gradually in the years 2020–2029. In accordance with the conditions of the Incentive Scheme, vesting will take place annually. The scheme will also use shares from the previous incentive scheme and – to a small extent (approx. 2% of the share capital) – the issue of series P shares (to supplement the stock pool due to the increase in the number of scheme participants). As a result, the scheme will bring maximum benefits in terms of building the value of XTPL, while not causing any noticeable equity dilution for the existing shareholders.

Along with approving the new incentive scheme, the General Meeting of Shareholders decided to repeal the previous scheme adopted in 2017, authorizing the Management Board and the

Supervisory Board to make the settlement for the period until December 31, 2018. and conclusion of agreements restricting the transferability of shares with persons covered by the previous scheme. Share purchase offers as part of the above settlements were submitted to participants in June 2019.

The company consistently implements plans related to the implementation of an incentive scheme based on the standards used in technology companies operating in the Silicon Valley. Schemes of this type allow to attract and retain the most talented specialists not only in Poland, but also in USA. In the Company's opinion, the system in which key personnel participate in possible financial success is one of the most important factors that may contribute to rapid growth and market expansion without increasing current cash expenditure.

3.7 Factors which may affect the results in the subsequent quarters

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

- Signing the first commercial contracts for technology licensing in the display application field for use in open defect repair;
- Successful finalization of the proof-of-concept project for a US manufacturer from the smart glass industry;
- Signing the first commercial Joint Development Agreements (JDAs) for the selected application field;
- Ability to protect and safeguard intellectual and industrial property, including the number and scope of submitted patent applications;
- Taking a decision to start work on a new application field.
- Favorable trends in the electronics industry.

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

In the reporting period, the Company recognized in the statement of comprehensive income the cost of an incentive scheme for employees and associates based on the Company's shares in the portion falling until December 31, 2018. The date of recognition of costs was the moment of submitting offers for purchase of shares to persons covered by the scheme. The cost of the scheme (fair value of issued shares) was estimated at 11,578 thousand PLN and fully charged the result of the current period.
Recognition of scheme costs in the amount of 11,578 thousand PLN does not affect the property and financial situation of the Company, and its ability to service liabilities. Scheme costs are a non-monetary cost that reflects the value of shares issued (net of their purchase price paid by scheme participants). This operation did not cause any changes in the valuation of assets, the level of equity or the company's ability to generate revenues in the future. The issued shares also did not cause additional dilution of existing shareholders, due to the fact that they were issued in the first half of 2017 (for the incentive scheme).

The statement of comprehensive income below presents income of XTPL S.A. including and excluding the cost of the scheme.

STATEMENT OF COMPREHENSIVE INCOME	the result excluding the incentive scheme PLN`000	the result including the incentive program PLN`000
Continued operations		
Revenue from sales	**1,592**	**1,592**
Revenue from research and development services		
Revenue from the sale of products		
Revenue from grants	1,592	1,592
Cost of sales	**4,557**	**2,289**
Research and development expenses	4,557	2,289
Cost of finished goods sold		
Gross profit (loss)	**-2,965**	**-697**
General and administrative expenses	12,696	3,377
Other operating income	4	4
Other operating costs	228	228
Operating profit (loss)	**-15,885**	**-4,298**
Financial revenues	60	60
Financial expenses	69	69
Profit/ loss before tax	**-15,894**	**-4,308**
Income tax	20	20
Net profit (loss) on continued operations	-15,914	-4,327
Discontinued operations	**-**	**-**
Net profit (loss) on discontinued operations		
Net profit (loss) on continued and discontinued operations	**-15,914**	**-4,327**
Other comprehensive income	**-**	**-**
Total comprehensive income	**-15,914**	**-4,327**

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

In April 2019, the shareholders of XTPL S.A. adopted an incentive scheme for key employees and collaborators of the Group.

The scheme may potentially bring about changes in the proportions of shares held by shareholders. The resolution introducing the scheme conditionally increased the Company's share capital, excluding preemptive rights of existing shareholders, by no more than PLN 18,262.20 through the issue of no more than 182,622 series R ordinary bearer shares with a nominal value of PLN 0.10 each. The series R Shares may be subscribed for by holders of Series A registered subscription warrants. Under the resolution on the issue of series A subscription warrants with exclusion of preemptive rights, maximum 182,622 warrants may be taken up at the price 165,84 PLN. The incentive scheme covers the years

2019–2021. The scheme participants will have the right to exercise the warrants by 23 April 2029. After this date, the warrants will expire.

In addition, under the incentive scheme, its beneficiaries may be allocated series L and series P shares, which will be covered by lock-up agreements. ESPI Current Report No. 20/2019 of 24 April 2019 and Section 3.6.1.15 of this report contain details on resolutions concerning establishment of the incentive scheme and the issue of shares and warrants.

In addition, the Extraordinary General Meeting of Shareholers on April 24, 2019 decided to repeal the previous scheme adopted in 2017, authorizing the Management Board and the Supervisory Board to make the settlement for the period until December 31, 2018 and conclusion of agreements restricting the transferability of shares with persons covered by the previous scheme. Offers for the purchase of shares under the abovementioned settlements were submitted to participants in June 2019 and transactions (in the mode: outside the regulated market) were carried out successively in the period of July - September. Agreements with the incentive scheme participants who decided to purchase shares limited their transferability until the end of 2020, thus limiting the risk of additional supply appearing on the market.
The transactions will not affect the dilution of existing shareholders due to the fact that the settlement was based on L series shares, which were issued (intended solely for the incentive program) in the first half of 2017.

3.10 Achievement of financial forecasts

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

3.11 Explanation of seasonality or business cycles

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

3.12 Acquisition of own shares

Not applicable. None in the reporting period.

3.13 Financial instruments

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

3.14 Other information

As at 30 June 2019, the employment was 40 people.

On 10 May 2019, the European Union Intellectual Property Office registered two XTPL trademarks, while on 24 May 2019 and 3 June 2019, the Patent Office of the Republic of Poland issued decisions on registration of these trademarks.

As at the date of publication of the report, the Company submitted 6 patent applications, including 4 in the first half of 2019. Two patent applications have been registered in July 2019.

3.15 Basic threats and risks

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

3.15.1.1 Macroeconomic risk

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

3.15.1.2 Currency risk

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

It will be necessary to identify the risk of appreciation of the Polish currency as this will cause a fall in the Company's revenues expressed in the base currency (PLN), pushing profit margins down. An increase in currency risk in the Company's operations may have a material adverse effect on its trading performance and financial position.

As at the report date, the Company sees currency risk as a significant threat to the expected level of its operating profitability. As and when required, the Company will resort to FX risk management instruments available in the banking market.

3.15.1.3 New technology risk

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

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

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

3.15.1.4 Competitive risk

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

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

3.15.2 Risk factors related to the Company's operations

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

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

The Company has analyzed its potential market, relying both on market reports from independent consulting companies and on consultations with industry experts. The conclusions from this analysis confirms a demand for such solutions, especially in the context of the increasing miniaturization of electronic devices and consumer expectations regarding new functional features (e.g. flexible personal electronics).

The potential profitability of various market segments was estimated based on the cost calculations carried out by the Issuer (both the unit cost of a product, achievable revenue from licensing and the expected commercialization cost) and comparing them with the prices of the solutions which are the market standard today. As a result, the Issuer's Management Board has assessed that the application fields selected for commercialization in the first place, are justified both in terms of their relevant market potential and achievable profit margins, leading to an expected return on the investment into the project. Based on these analyzes, the Management Board believes that the projects implemented and the Company's development plan are a guarantee of profitability of its operations.

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

3.15.2.2 Risk of failure to achieve revenues

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

3.15.2.3 Risk of low product quality

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

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

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

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

Due to a number of factors, the Company is unable to guarantee in full that its business development model will work. The Company's future in the broadly understood printed electronics market depends on its ability to create and implement a successful long-term development strategy and to continue to develop its technology. The risk of making bad decisions resulting from improper assessment of the situation or the Company's inability to adapt to changing market conditions, incorrect strategic assumptions, including in relation to the developed technology and the adopted commercialization plan and the degree of demand from potential clients, may mean that the business development model will not be effective and the future financial results might be lower than currently expected.

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

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

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

3.15.2.6 Risk of losing key team members

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

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

3.15.2.7 Risk of dependence on future counterparties

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

3.15.2.8 Risk of potential disclosure of confidential information on technology

Implementation of the Company's strategy depends, inter alia, on the fact that the holders of confidential information, particularly that concerning development and technological processes related to the ultra-precise printing technology. There is a risk that sensitive information will be divulged by persons connected with the

Company, which may result in the information being used by competitors, despite the intellectual property protection measures used by the Company.

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

3.15.2.9 Risk of intellectual property infringement

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

The Company intends to conduct its business in such a way as not to infringe any third party rights in this respect. However, it cannot be ruled out that third parties would bring claims against the Company regarding infringement of industrial and intellectual property rights by the Company. Even if unwarranted, such claims might adversely affect the schedule of the Company's strategy implementation, and the defense against such claims may involve significant costs, which may adversely impact the Company's financial results. In addition, during work on its own patent applications, the Company carefully reviews the available literature and patents known at present. However, there is a risk of infringement of intellectual property rights related to patents that have been submitted but not disclosed.

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

3.15.2.10 Risk of technology scaling

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

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

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

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

3.15.2.12 Risk of emergence of a competitive technological solution

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

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

3.15.2.13 Risk of loss of financial liquidity and access to financing

As at the report date, the Company does not generate sales revenues, which results from its early stage of development. Sales revenues are expected to be generated as the technology being developed is commercialized. Implementation of the Company’s business model and commencement of commercialization will be a gradual process and will entail costs. Accordingly, on the one hand the ability to generate recurring sales revenues by the Company is deferred at this stage of its development, and on the other hand, the preparations for commercialization of the technology entails operating costs. As a result, at the present stage of its development the Company needs to resort to external financing.

There is a risk that the funds available to the Company will not be sufficient to fully carry out activities aimed at preparing products for sales and commencing their commercialization. A lack of funding for business growth may lead to delays in development and thus impair future financial results. As at the report date, the Company uses financing in the form of share issue proceeds, grants and subsidies.

The financing of the research phase is secured thanks to the subsidies obtained (including from the National Research and Development Centre [NCBR]) and the Company's equity (acquired in previous financing rounds). In accordance with the agreement with the NCBR, to obtain the financing the Company needs to submit a correctly completed payment application with a summary of expenses incurred. In addition, the NCBR is authorized to terminate the financing in the cases enumerated in the agreement, including when (i) the Issuer refuses to undergo or hinders inspections; (ii) the Issuer has made legal and organizational changes that jeopardize the performance of the agreement or fails to inform the NCBR of its intention to make such changes; (iii) the NCBR identifies gaps in the submitted documentation on the environmental impact of the project, and such gaps are not eliminated by a stated deadline; (iv) the beneficiary fails to comply with disclosure obligations during implementation and durability period of the project; (v) irregularities, listed directly in the agreement, occur in delivery of the project.

3.15.2.14 Risk of implementation of in-house technologies by the Company’s potential clients

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

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

3.15.2.15 Risk of unforeseen events

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

3.15.2.16 Human factor risk

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

3.15.2.17 Risk of failure of the equipment used in the Company's operations

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

3.15.2.18 Risk of insufficient insurance coverage

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

3.15.2.19 Risk of court and administrative proceedings

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

3.15.2.20 Risk of related-party transactions

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

3.15.2.21 Risk of intellectual property rights and application patents

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

3.15.2.22 Risk related to commercialization agreements

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

Shareholding structure

4 Shareholding structure

The shareholding structure as at 22 May 2019 – i.e. the date of publication of the half year of 2019, was as follows (shareholders holding at least 5% of the total number of votes at the General Meeting):

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek	303,288	*17.00%*	303,288	*17.00%*
2.	Sebastian Młodziński	299,852	*16.81%*	299,852	*16.81%*
3.	Leonarto Sp. z o.o. *	298,015	*16.71%*	298,015	*16.71%*
4.	Heidelberger Beteiligungsholding AG	192,371	*10.79%*	192,371	*10.79%*
5.	TPL Sp. z o.o. **	140,020	*7.85%*	140,020	*7.85%*
6.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	127,000	*7.12%*	127,000	*7.12%*
7.	Stefan Twardak	103,081	*5.78%*	103,081	*5.78%*
8.	Konrad Pankiewicz*	2,573	*0.14%*	2,573	*0.14%*
9.	Others	317,420	*17.80%*	317,420	*17.80%*
	TOTAL	**1,783,620**	***100.00%***	**1,783,620**	***100.00%***

* Konrad Pankiewicz, Member of the Issuer's Supervisory Board, is the sole shareholder and CEO of Leonarto Sp. z o.o. Konrad Pankiewicz, together with a related entity, owns 300,588 shares of the company, constituting 16.85% of its share capital.
** TPL Sp. z o.o. holds series L shares issued for the purpose of an employee share program. The shareholders of TPL Sp. z o.o. are Filip Granek, the Issuer's CEO (34% of shares), Sebastian Młodziński, member of the Issuer's Supervisory Board (33%) and Adriana Pankiewicz, wife of Konrad Pankiewicz, member of the Issuer's Supervisory Board (33%).

On 10 July 2019 (ESPI Current Report No. 30/2019), the registry court registered changes to the Articles of Association, including the issue of 42,602 series P shares for the Company's incentive scheme, which were acquired by TPL sp. z o.o., which increased the number of shares held by by TPL sp. z o.o. to 182,622 shares.

On 24 July 2019 (ESPI Current Report No. 33/2019), the Issuer received a notification pursuant to Article 69 of the Act on Public Offering from the shareholder Stefan Twardak stating that his shareholding had fallen below 5% of the Issuer's share capital (in connection with registration of series P shares and dilution).

On 6 August 2019 (ESPI Current Report No. 34/2019), the Issuer received a notification under Article 19 MAR from Deputy Chairman of the Supervisory Board Bartosz Wojciechowski, saying that he had acquired 100 shares of the Issuer.

On 16 August 2019 (ESPI Current Report No. 36/2019), the Issuer received a notification under Article 19 MAR from Deputy Chairman of the Supervisory Board Bartosz Wojciechowski, saying that he had acquired 10 shares of the Issuer.

On 29 August 2019 (ESPI Current Report No. 39/2019), the registry court registered changes to the Articles of Association, including the issue of 78,000 series S shares (private placement), which were allocated to investors selected by the Management Board, and caused a partial dilution of the shareholdings by previous investors. Participating in subscription of series S shares were, among others, ACATIS fund (existing shareholder), which acquired 6,650 shares, and the German

Deutsche Balaton fund (connected with the existing shareholder Heidelberger Beteiligungsholding AG), which acquired 25,084 shares.

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

Ref.	Shareholder	Number of shares held	% of all shares	Number of votes	% of all votes
1.	Filip Granek	303,288	15.93%	303,288	15.93%
2.	Sebastian Młodziński	299,852	15.75%	299,852	15.75%
3.	Pankiewicz sp.k. (previously Leonarto sp. z o.o.)*	229,015	12.03%	229,015	12.03%
4.	Heidelberger Beteiligungsholding AG	192,371	10.10%	192,371	10.10%
5.	TPL Sp. z o.o. **	182,622	9.59%	182,622	9.59%
6.	ACATIS Investment Kapitalverwaltungsgesellschaft mbH on behalf of ACATIS Datini Valueflex Fonds	127,000	6.67%	127,000	6.67%
7.	Leonarto Funds SCSp*	69,000	3.62%	69,000	3.62%
8.	Konrad Pankiewicz*	2,573	0.14%	2,573	0.14%
9.	Others	498,499	26.18%	498,499	26.18%
	TOTAL	**1,904,220**	**100.00%**	**1,904,220**	**100.00%**

* Konrad Pankiewicz, Member of the Supervisory Board of XTPL S.A. is the general partner of Pankiewicz sp.k. and an entity controlled by Leonarto Funds SCSp (through Leonarto Management S.a.r.l). Together with the entities controlled by him, Konrad Pankiewicz holds 300,588 shares of XTPL S.A. constituting 15.79% of the share capital of XTPL S.A.

** TPL Sp. z o.o. holds series L and P shares issued for the purpose of the incentive scheme. The shareholders of TPL Sp. z o.o. are Filip Granek, the Issuer's CEO (34% of shares), Sebastian Młodziński, member of the Issuer's Supervisory Board (33%) and Adriana Pankiewicz, wife of Konrad Pankiewicz, member of the Issuer's Supervisory Board (33%).

5 Shares held by members of management and supervisory bodies

Ref.	Name	Role	Status as at 22 May 2019	Status as at 30 September 2019
1.	Filip Granek	CEO	303,288	303,288
2.	Maciej Adamczyk	Management Board Member	0	6,283
3.	Wiesław Rozłucki	Chairman of the Supervisory Board	0	0
4.	Bartosz Wojciechowski	Deputy Chairman of the Supervisory Board	170	250
5.	Sebastian Młodziński	Supervisory Board Member	299,852	299,852
6.	Konrad Pankiewicz	Supervisory Board Member	2,573	2,573
7.	Piotr Lembas	Supervisory Board Member	0	0

Mid-year condensed unconsolidated financial statements

6 Mid-year condensed unconsolidated financial statements

6.1 Mid-year statement of financial position

ASSETS	Note	30.06.2019 PLN'000	30.06.2018 PLN'000
Non-current assets		**5,261**	**2,575**
Property, plant and equipment	8.	618	741
Intangible fixed assets	1.	2,784	1,603
Deferred tax assets	16.	49	74
Long-term receivables	5a	1,810	157
Current assets	**2a**	**1,461**	**3,273**
Trade receivables		-	172
Other receivables		518	499
Cash and cash equivalents		899	2,587
Other assets		44	16
Total assets		**6,722**	**5,848**

LIABILITIES	Note	30.06.2019 PLN'000	30.06.2018 PLN'000
Total capitals		**4,615**	**4,669**
Share capital		183	170
Supplementary capital		9,132	7,431
Reserve capital		11,587	-
Result from previous years		-372	-384
Net profit (loss)		-15,914	-2,547
Long-term liabilities		**-**	**1**
Long-term financial liabilities	2a	-	1
Current liabilities		**2,107**	**1,031**
Trade liabilities		202	366
Short-term financial liabilities	2a	13	25
Other liabilities		1,892	640
Total liabilities		**6,722**	**9,969**

6.2 Mid-year statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	Note	1.01.2019 - 30.06.2019 PLN`000	1.01.2018 - 30.06.2018 PLN`000
Continued operations			
Revenue from sales	2.	1,592	1,256
Revenue from research and development services			
Revenue from the sale of products			
Revenue from grants		1,592	1,256
Cost of sales	1a	**4,557**	1,477
Research and development expenses		4,557	1,477
Cost of finished goods sold			
Gross profit (loss)		-2,965	-221
General and administrative expenses	1a	12,696	2,394
Other operating income		4	3
Other operating costs		228	1
Operating profit (loss)		-15,885	-2,612
Financial revenues		60	40
Financial expenses		69	15
Profit/ loss before tax		-15,894	-2,587
Income tax	16.	20	-40
Net profit (loss) on continued operations		-15,914	-2,547
Discontinued operations		-	-
Net profit (loss) on discontinued operations			
Net profit (loss) on continued and discontinued operations		-15,914	-2,547
Other comprehensive income		-	-
Total comprehensive income		-15,914	-2,547
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-8,71	-1,50
Diluted		-8,71	-1,50
On continued and discontinued operations			
Ordinary		-8,71	-1,50
Diluted		-8,71	-1,50
number of shares		1,826,222	1,695,220

6.3 Mid-year statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Supplementary capital	Reserve capital	Retained profit (loss carried forward)	Total
As at 1 January 2019	**178**	**16,341**	**-**	**-7,581**	**8,938**
Comprehensive income:	**-**	**-**	**-**	**-15,914**	**-15,914**
Profit (loss) after tax	-	-	-	-15,914	-15,914
Other comprehensive income	-	-	-	-	-
Transactions with owners:	**4**	**-7,209**	**-**	**7,209**	**11,591**
Issue of shares	4	-	-	-	4
Distribution of profit	-	-	11 587	-	11,587
As at 30 June 2019	-	-7,209	-	7,209	-
	182	**9,132**	**-**	**-16,286**	**4,615**
As at 1 January 2018					
Comprehensive income:	**170**	**11,381**	**-**	**-4,334**	**7,217**
Profit (loss) after tax	-	-	-	**-2,547**	**-2,547**
Other comprehensive income	-	-	-	-2,547	-2,547
Transactions with owners:	-	-	-	-	-
Issue of shares	**-**	**-3,939**	**-**	**-3,939**	**-**
Distribution of profit	-	-	-	-	-
As at 30 June 2018	-	-3,939	-	-3,939	-
As at 1 January 2019	**170**	**7,442**	**-**	**-2,942**	**4,670**

6.4 Mid-year statement of cash flows

STATEMENT OF CASH FLOWS	1.01.2019 - 30.06.2019 PLN'000	1.01.2018 - 30.06.2018 PLN'000
Cash flows from operating activities		
Profit (loss) before tax	**-15,914**	**-2,547**
Total adjustments:	**12,059**	**88**
Depreciation/amortization	286	252
Interest and profit distributions (dividends)	-42	-38
Profit (loss) on investing activities	-	-3
Change in the balance of provisions	129	-
Change in the balance of receivables	-52	-390
Change in short-term liabilities, except bank and other loans	149	321
Change in prepayments/accruals	-19	-54
Other corrections	11,587	-
Total cash flows from operating activities	**-3,835**	**-2,459**
Cash flows from investing activities		
Inflows	**7**	**54**
Disposal of tangible and intangible assets	-	3
Interest on financial assets	7	51
Outflows	**1,603**	**1,250**
Acquisition of tangible and intangible fixed assets	59	1,050
Acquisition of financial assets	19	-
Long-term loans granted	1,525	143
Other investment outflows	-	57
Total cash flows from investing activities	**- 1,596**	**- 1,196**
Cash flows from financing activities		
Inflows	**2,325**	**-**
Contributions to capital	825	-
Outflows	**1,529**	**14**
Repayment of bank loans and borrowings	-1,500	-
Finance lease payments	12	12
Interest	17	2
Total cash flows from financing activities	**796**	**-14**
Total cash flows from investing activities	**-4,635**	**-3,669**
Change in cash and cash equivalents:	**-4,638**	**-3,689**
– change in cash due to FX differences	-3	-
Cash and cash equivalents at the beginning of the period	**5,537**	**6,210**
Cash and cash equivalents at the end of the period, including:	**902**	**2,541**
– restricted cash	-	-

6.5 Notes

Due to the fact that the data in some notes to the unconsolidated financial statements are the same as those in the notes to the consolidated financial statements, the unconsolidated financial statements contain only the notes whose data differ from the notes prepared for consolidated financial statements.

6.5.1 Note 1 Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Depreciation/ amortization, including		314	260
– depreciation of tangible assets		199	139
– amortization of intangible assets		115	121
Use of raw materials and consumables		359	493
External services		1,860	1,668
Cost of employee benefits		14,270	1,962
Taxes and charges		103	33
Other costs by type		374	191
Value of goods and materials sold		-	-
Total costs by type, including:		**17,280**	**4,607**
Items reported as research and development costs		4,557	1,477
- *including the costs of the incentive scheme*		*2,268*	-
Items reported as cost of finished goods sold			
Items reported as general and administrative expenses		12,696	2,394
- *including the costs of the incentive program*		*9,319*	-
Change in finished goods			
Cost of producing services for internal needs of the entity		27	736

Recognition of incentive scheme costs in the total amount of 11,587 thousand PLN (respectively: PLN 2,268,000 in research and development costs and PLN 9,319,000 in general administrative expenses) has no impact on the Company's property and financial standing, as well as its ability to service liabilities. Scheme costs are a non-monetary cost that reflects the value of shares issued (net of their purchase price paid by program participants). This operation did not cause any changes in the valuation of assets, the level of equity or the company's ability to generate revenues in the future. The issued shares also did not cause additional dilution of existing shareholders, due to the fact that they were issued in the first half of 2017 (for the incentive scheme).

6.5.2 Note 2. Fair value of the individual classes financial assets and liabilities

	Category as per IFRS 9	Book value		Fair value	
		30 June 2019	31 December 2018	30 June 2019	31 December 2018
Financial assets					
Loans granted	WwgZK	1,757	-	1,757	-
Trade receivables	WwgZK	-	8	-	8
Other receivables	WwgZK	518	478	518	478
Cash and cash equivalents	WwWGpWF	899	5,537	899	5,537
Total		**3,174**	**6,023**	**3,174**	**6,023**
Financial liabilities					
Finance lease liabilities	PZFwgZK	13	26	13	25
Trade liabilities	PZFwgZK	202	366	202	366
Other liabilities	PZFwgZK	1,482	639	1,482	639
Total		**1,697**	**1,031**	**1,697**	**1,031**

Abbreviations used:

WwgZK - Valued at amortized cost

PZFwgZK - Other financial liabilities measured at amortized cost

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

Fair value of financial instruments that the Company held as at 30 June 2019 and 31 December 2018 was not materially different from the values presented in the financial statements for the individual years. This is because:

– with regard to short-term instruments, the potential effect of discount is not material;

– the instruments relate to the transactions concluded on market terms.

As at 30 June 2019, the Company did not have any financial instruments measured at fair value.

6.5.3 Note 3. Explanations to the statement of cash flows

Presented below are explanations to selected items of the statement of cash flows.

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Realized interest on financing activities	10	-
Realized interest on investing activities	-54	-49
Unrealized interest on financing activities	2	11
Total interest and dividends:	**-42**	**-38**

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Change in the balance of trade receivables	7	-390

Other receivables	-59	-
Total change in the balance of receivables	**-52**	**-390**

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Change in the balance of trade liabilities	-165	308
Other liabilities	355	12
Total change in the balance of liabilities:	**190**	**321**

Cash and cash equivalents at the end of the period	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Statement of cash flows	899	2,521
Statement of financial position	902	2,541

The difference between the balance sheet cash and cash at the end of the period results from exchange rate differences arising from the valuation of cash in foreign currencies as at June 30, 2019. The amount of 11,587 thousand PLN recognized in the cash flow statement under "Other adjustments" in operating cash flows is related to the settlement of the incentive scheme.

6.5.4 Note 4. Related party transactions

2 QUARTERS OF 2019	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	-	10
Loans granted		-	-	-	1,525
Financial expenses – interest on loans		-	-	-	44

2 QUARTERS OF 2018	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	69	36
Loans received		-	-	-	200
Financial expenses – interest on loans		-	-	-	11

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

*** the item includes entities linked through capital and key management*

Terms of related party transactions

Sales to and purchases from related parties are made on an arm's length basis. Any overdue liabilities/ receivables existing at the end of the period are interest-free and settled on cash or non-cash basis. The company does not charge late interest from other related entities. Receivables from or liabilities to related parties are not covered by any guarantees given or received. They are not secured in any other way either. At the end of the reporting period, i.e. 30 June 2019, the Company did not create any allowances for doubtful receivables from related parties. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

The amount of loans granted results from a master loan agreement signed with XTPL Inc. (borrower), under which four tranches were drawn by 30 June 2019 for a total amount of USD 397.5 thousand.

6.5.5 Note 5a. Long-term liabilities

Long-term liabilities	figures in PLN thousand	30.06.2019	31.12.2018
Loans granted		1,757	219
Deposits		33	14
Shares		20	-
Total long-term receivables		**1,810**	**233**

6.5.6 Note 5. Date of approval of the financial statements for publication

This financial report for the period from 1 January 2019 to 30 June 2019 was approved for publication by the Company's Management Board on 27 September 2019.

Mid-year condensed consolidated financial statements

7 Mid-year condensed consolidated financial statements. Incentive scheme

7.1 Mid-year consolidated statement of financial position

ASSETS	Note	30.06.2019 PLN'000	30.06.2018 PLN'000
Non-current assets		3,713	3,931
Property, plant and equipment	8	618	757
Intangible fixed assets	1	2,784	1,872
Deferred tax assets	16, 31	49	69
Long-term receivables	32	262	233
Current assets		**1,540**	**6,038**
Trade receivables		-	8
Other receivables		518	478
Cash and cash equivalents		954	5,537
Other assets		68	15
Total assets		**5,253**	**9,969**

EQUITY AND LIABILITIES	Note	30.06.2019 PLN'000	30.06.2018 PLN'000
Total equity		**3,086**	**8,937**
Share capital		183	178
Supplementary capital		9,132	16,340
FX differences arising on translation		10,711	-
Retained profit (loss carried forward)		15	-
Result from previous years		-372	-372
Profit (loss) after tax		-16,582	-7,209
Non-current liabilities		**-**	**1**
Long-term financial liabilities	13	-	1
Short term liabilities		2,167	**1,166**
Trade liabilities		262	663
Short-term financial liabilities	13	13	25
Other liabilities		1,492	479
Total equity and liabilities		**5,253**	**5,848**

7.2 Mid-year consolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	Note	1.01.2019 - 30.06.2019 PLN`000	1.01.2018 - 30.06.2018 PLN`000
Continued operations			
Revenue from sales	2	1,592	215
Revenue from research and development services			
Revenue from the sale of products			
Revenue from grants		1,592	1,256
Cost of sales	3	4,557	1,477
Research and development expenses		4,557	1,477
Cost of finished goods sold			
Gross profit (loss)		-2,965	-221
General and administrative expenses	3	13,716	2,394
Other operating income		3	3
Other operating costs		228	1
Operating profit (loss)		-16,906	-2,612
Financial revenues		15	40
Financial expenses		69	15
Profit/ loss before tax		-16,960	-2,587
Income tax	16, 31	23	-40
Profit (loss) of minorities		-401	-
Net profit (loss) on continued operations		-16,983	-2,547
Discontinued operations		-	-
Net profit (loss) on discontinued operations			
Net profit (loss) on continued and discontinued operations		-16,582	-2,547
Profit (loss) of non-controlling shareholders		-401	-
Profit (loss) of the parent's shareholders		-16,582	-
Other comprehensive income		-	-
Items that can be transferred to the result in subsequent reporting periods		15	-
Exchange differences		15	-
Total comprehensive income		-16,567	-2,547
Net profit (loss) per share (in PLN)			
On continued operations			
Ordinary		-1.50	-1.87
Diluted		-1.50	-1.87
On continued and discontinued operations			
Ordinary		-1.50	-1.87
Diluted		-1.50	-1.87

7.3 Mid-year consolidated statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Supplementary capital	Reserve capital	FX differences arising on translation	Retained profit (loss carried forward)	Non-controlling shares	Total
As at 1 January 2019	**178**	**16,341**	**-**	**-**	**-7,581**	**-**	**8,938**
Comprehensive income:	**-**	**-**	**-**	**15**	**-16,582**	**-401**	**-16,968**
Profit (loss) after tax	-	-	-	-	-16,582	-401	-16,983
Other comprehensive income	-	-	-	15	-	-	15
Transactions with owners:	**4**	**-7,209**	**10,711**	**-**	**7,209**	**401**	**11,116**
Issue of shares	4	-	-	-	-	-	4
Incentive scheme	-	-	11,587	-	-	-	11,587
Non-controlling interest arising after taking control of XTPL Inc.	-	-	-	-	-	-475	-475
Acquisition of XTPL Inc. shares without changing the level of control	-	-	-876	-	-	876	-
Distribution of profit	-	-7,209	-	-	7,209		-
As at 30 June 2019	**182**	**9,132**	**10,711**	**15**	**-16,954**		**3,086**
As at 1 January 2018	**170**	**11,381**	**-**	**-**	**-4,334**		**7,216**
Comprehensive income:	-	-	-	-	**-2,547**		**-2,547**
Profit (loss) after tax	-	-	-	-	-2,547		-2,547
Other comprehensive income	-	-	-	-	-		-
Transactions with owners:	**-**	**-3,939**	**-**	**-**	**-3,939**		**-**
Issue of shares	-	-	-	-	-		-
Distribution of profit	-	-3,939	-	-	-3,939		-
As at 30 June 2018	**170**	**7,442**	**-**	**-**	**-2,942**		**4,670**

7.4 Mid-year consolidated statement of cash flows

STATEMENT OF CASH FLOWS	1.01.2019 - 30.06.2019 PLN'000	1.01.2018 - 30.06.2018 PLN'000
Cash flows from operating activities		
Profit (loss) before tax	**-16,960**	**-2,547**
Total adjustments:	**11,634**	88
Depreciation/amortization	286	252
FX gains (losses)	16	-
Interest and profit distributions (dividends)	2	-38
Profit (loss) on investing activities	-	-3
Change in the balance of provisions	118	-
Change in the balance of inventories	-	-
Change in the balance of receivables	-52	-390
Change in short-term liabilities, except bank and other loans	209	321
Change in prepayments/accruals	-53	-54
Income tax paid		-
Other adjustments	11,108	-
Total cash flows from operating activities	**-5,326**	**-2,459**
Cash flows from investing activities		
Inflows	**7**	54
Disposal of tangible and intangible assets	-	3
Interest on financial assets	7	51
Outflows	**59**	1,250
Acquisition of tangible and intangible fixed assets	59	1,050
Acquisition of financial assets	-	-
Long-term loans granted	-	143
Other investment outflows	-	57
Total cash flows from investing activities	**-52**	**-1,196**
Cash flows from financing activities		
Inflows	-	-
Outflows	**1,529**	**14**
Repayment of bank and other loans	1,500	-
Finance lease payments	12	12
Interest	17	2
Total cash flows from financing activities	796	**-14**
Total cash flows from investing activities	**-4,582**	**-3,669**
Change in cash and cash equivalents:	**-4,583**	**-3,689**
– change in cash due to FX differences	-1	-
Cash and cash equivalents at the beginning of the period	**5,537**	**6,210**
Cash and cash equivalents at the end of the period, including:	**955**	**2,541**
– restricted cash	-	-

7.5 Notes

7.5.1 Note 1 Intangible fixed assets

OTHER INTANGIBLE ASSETS	figures in PLN thousand	30.06.2019	31.12.2018
Acquired concessions, patents, licenses and similar rights		2	2
Intellectual property rights		219	334
In-process development expenditure		2,563	2,536
Total		**2,784**	**2,872**

All intangible assets are the property of the Group; none of these assets are used based on any rental, lease or a similar contract. The intangible assets are not used as collateral by the Group. As at 30 June 2019, the Group did not have any agreements whereby it would be required to purchase any intangible assets.

7.5.2 Note 2. Net revenue from sales

NET REVENUE FROM SALES	figures in PLN thousand	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Revenue from research and development services		-	-
Revenue from the sale of products		-	-
Revenue from grants		1,592	1,256
Total net revenue from sales		**1,592**	**1,256**

7.5.3 Note 3. Operating costs

OPERATING COSTS	figures in PLN thousand	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Depreciation/ amortization, including		314	260
– depreciation of tangible assets		199	139
– amortization of intangible assets		115	121
Use of raw materials and consumables		359	493
External services		2,782	1,668
Cost of employee benefits		14,270	1,962
Taxes and charges		103	33
Other costs by type		472	191
Value of goods and materials sold		-	-
Total costs by type, including:		**18,300**	**4,607**
Items reported as research and development costs		4,557	1,477
- including the costs of the incentive scheme		*2,268*	-
Items reported as cost of finished goods sold			
Items reported as general and administrative expenses		13,716	2,394
- including the costs of the incentive scheme		*9,319*	-
Change in finished goods			
Cost of producing services for internal needs of the entity		27	736

Recognition of incentive scheme costs in the total amount of 11,587 thousand PLN (respectively: PLN 2,268,000 in research and development costs and 9,319,000 in general and administrative expenses) has no impact on the Group's property and financial position or its ability to handle liabilities. Scheme costs are a non-monetary cost that reflects the value of shares issued (net of their purchase price paid by program participants). This operation did not cause any changes in the valuation of assets, the level of equity or the company's ability to generate revenues in the future. The issued shares also did not cause additional dilution of existing shareholders, due to the fact that they were issued in the first half of 2017 (for the incentive scheme).

7.5.4 Note 4. Write-down of inventories to their net recoverable amount and reversal of the write-down

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

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

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

7.5.6 Note 6. Change in the balance of provisions

CHANGE IN THE BALANCE OF PROVISIONS	figures in PLN thousand	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Balance at the beginning of the period		**292**	**110**
increased/ created		478	258
used/ released		360	60
Balance at the end of the period		**410**	**308**

In the reporting period and in previous years, no provisions for restructuring costs were released by the Group.

7.5.7 Note 7. Types and amounts of changes in estimates presented in prior interim periods of the present financial year or changes to estimates presented in prior financial years

In the reporting period and in previous years no changes in estimates were made.

7.5.8 Note 8. Significant acquisitions of tangible assets

SIGNIFICANT ACQUISITIONS OF TANGIBLE ASSETS	figures in PLN thousand	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
XTPL printers		216	47
Computer sets		9	35
Server with software		-	30
Office equipment		54	3
Total significant acquisitions		**279**	**115**

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

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

7.5.10 Note 10. Correction of errors from previous periods

In the first half of 2019, no corrections were made on account of errors from previous periods.

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

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

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

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

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

	Category as per IFRS 9	Book value		Fair value	
		30 June 2019	31 December 2018	30 June 2019	31 December 2018
Financial assets					
Loans granted	WwgZK	229	219	229	219
Trade receivables	WwgZK	-	8	76	18
Other receivables	WwgZK	518	478	518	478
Cash and cash equivalents	WwWGpWF	954	6,023	954	5,537
Total		**1,701**	**6,242**	**1,701**	**6,242**
Financial liabilities					
Finance lease liabilities	PZFwgZK	13	26	13	26
Trade liabilities	PZFwgZK	262	366	262	366
Other liabilities	PZFwgZK	1,482	639	1,482	639
Total		**1,757**	**1,031**	**1,757**	**1,031**

Abbreviations used:

WwgZK - Valued at amortized cost

PZFwgZK - Other financial liabilities measured at amortized cost

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

The fair value of financial instruments that the Group had as at June 30, 2019 and December 31, 2018 did not differ significantly from the value presented in the financial statements for individual years for the following reasons:

- for short-term instruments, the potential discount effect is not significant,

- these instruments relate to transactions concluded on market terms.

As at June 30, 2019, the Group did not have any financial instruments measured at fair value.

7.5.14 Note 14. Explanations to the statement of cash flows

INTEREST AND DIVIDENDS IN THE STATEMENT OF CASH FLOWS	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Realized interest on financing activities	10	0
Realized interest on investing activities	-10	-49
Unrealized interest on financing activities	2	11
Total interest and dividends:	**2**	**-38**

CHANGE IN THE BALANCE OF RECEIVABLES	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Change in the balance of trade receivables	7	-390
Other receivables	-59	0
Total change in the balance of receivables	**-52**	**-390**

CHANGE IN THE BALANCE OF LIABILITIES	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Change in the balance of trade liabilities	-105	296
Other liabilities	314	25
Total change in the balance of liabilities:	**209**	**321**

Cash and cash equivalents at the end of the period	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Statement of cash flows	955	2,541
Statement of financial position	954	2,521

7.5.15 Note 15. Related party transactions

2 QUARTERS OF 2019	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	-	10
Loans granted		-	-	-	-
Financial expenses – interest on loans		-	-	-	-

2 QUARTERS OF 2018	figures in PLN thousand	to associates	to joint ventures	key management personnel*	other related entities **
Purchase of services		-	-	52	36
Loans received		-	-	-	200
Financial expenses – interest on loans		-	-	-	9

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

*** the item includes entities linked through key management*

Terms of related party transactions

Sales to and purchases from related parties are made on an arm's length basis. Any overdue liabilities/ receivables existing at the end of the period are interest-free and settled on cash or non-cash basis. The company does not charge late interest from other related entities. Receivables from or liabilities to related parties are not covered by any guarantees given or received. They are not secured in any other way either. At the end of the reporting period, i.e. 30 June 2019, the Company did not create any allowances for doubtful receivables from related parties. In each financial year, an assessment is carried out which involves examining the financial position of the related party and the market in which it operates.

7.5.16 Note 16. Deferred tax assets

Deferred income tax assets due to negative temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.06.2019	31.12.2018	01.01.2019 - 30.06.2019
Due to differences between the tax value and the carrying amount:			
Provisions for payroll and similar costs (including bonuses, jubilee awards, non-staff expenses)	14	17	3
Accruals for unused annual leaves	28	34	6
Provision for the cost external services	21	22	1
Total deferred tax assets	**63**	**73**	**-10**
Set-off with a deferred tax liability	14	4	10
Net deferred tax assets	**49**	**69**	**-20**

7.5.17 Note 17. 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 period from January to June 2019, the Group did not invest in any debt instruments and, therefore, is not exposed to any price risk.

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

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

LIQUIDITY RISK
The Group monitors the risk of a lack of funds using the periodic liquidity planning tool. This tool takes into account the maturity dates of both investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operating activities.
The Group seeks to maintain a balance between continuity and flexibility of financing by using different sources of financing, such as finance leases.
The Group is exposed to financing risk due to the possibility that it in the future it will not receive sufficient cash to fund commercialization of its research and development projects.

CREDIT RISK
In order to mitigate the credit risk related to cash and cash equivalents deposited in banks, loans granted, deposits paid in respect of rental contracts and performance security as well as trade credit, the Group:
• cooperates with banks and financial institutions with a known financial position and established reputation

• analyzes the financial position of its counterparties based on publicly available data as well as through business intelligence agencies
• in the event of a customer's insolvency risk, the Group secures its receipts through bank guarantees or corporate guarantees.

7.5.18 Note 18. Material settlements on account of court cases

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

7.5.19 Note 19. Information about changes in the economic position and operating conditions which might have a material impact on the fair value of the Group's financial assets and liabilities, whether those assets and liabilities are recognized at fair value or at adjusted purchase price (amortized cost)

In the first half of 2019, 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.

7.5.20 Note 20. Information about changes in contingent liabilities and contingent assets and non-disclosed liabilities arising from contracts in relation to the last reporting period

Contingent liabilities granted by the Parent Company were in the form of promissory notes together with promissory note declarations to secure the contracts for co-financing projects financed by the EU as well as a bank loan agreement. All the Group's contingent liabilities originated before 31 December 2018. The change in the value of contingent liabilities in relation to 31 December 2018 amounts to PLN 1,592 thousand. It is caused by the payment of the next two tranches of subsidies totaling PLN 1,592 thousand. At the balance sheet date presented and until the date of approval of the interim 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 interim financial statements there were no undisclosed liabilities resulting from any agreements of material value.

CONTINGENT LIABILITIES	30.06.2019	31.03.2019	31.12.2018
Promissory notes	5,686	4,309	4,094
Total contingent liabilities	5,686	4,309	4,094

7.5.21 Note 21. Incentive scheme

In the reporting period, the Company recognized in the statement of comprehensive income the cost of an incentive scheme for employees and associates based on the Company's shares in the portion falling until December 31, 2018. The date of recognition of costs was the moment of submitting offers for purchase of shares to persons covered by the scheme. The cost of the scheme (fair value of issued shares) was estimated at PLN 11,587 thousand. PLN and fully charged the result of the current period.
Recognition of scheme costs in the amount of PLN 11,587 thousand PLN does not affect the property and financial situation of the Company, and its ability to service liabilities. Scheme costs are a non-monetary cost that reflects the value of shares issued (net of their purchase price paid by scheme participants). This operation did not cause any changes in the valuation of assets, the level of equity or the company's ability to generate revenues in the future. The issued shares also did not cause additional dilution of existing shareholders, due to the fact that they were issued in the first half of 2017. (for the incentive scheme).

7.5.22 Note 22. Information about seasonality of business and cycles

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

7.5.23 Note 23. 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.

7.5.24 Note 24. Information on issue, redemption and repayment of debt and equity securities

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

7.5.25 Note 25. Dividend paid or declared, in total and per share, with a division into ordinary and preference shares

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

7.5.26 Note 26. Operating segments

In the period covered by this interim report, no operating segments have been identified in accordance with IFRS 8. The Group's development phase and a lack of revenues from operating activities made it impossible to identify segments that would meet the criteria set by the above standard. From the date of its formation to the date of the report, the Company did not generate any operating revenues, and its only revenues were grant payments. For this reason, the Company does not specify separate operating segments.
XTPL is a technology company which is only entering the stage of commercialization of the outcome of its research and development activity designed to develop the groundbreaking manufacturing technology of ultra-precise printing of a wide range of nanomaterials.

7.5.27 Note 27. Information about the influence of changes in the composition of the entity during the interim period, any business combinations, acquisition or loss of control over subsidiaries, long-term investments, restructures or discontinued businesses.

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

7.5.28 Note 28. Information on default on any bank and other loans or a breach of material provisions of bank and other loan agreements where no remedial actions have been taken before the end of the reporting period

No such events occurred in the reporting period.

7.5.29 Note 29. Effect of application of new accounting standards and changes in accounting policy

7.5.29.1 Standards which came into force as of 1 January 2019

•IFRS 16 Leases
The new standard was published on 13 January 2016 and is applicable to the reporting periods commencing on or after 1 January 2019. IFRS 16 Leases replaces the previous regulations related to leases (including IAS 17) and significantly changes the approach to various lease contracts, requiring that lessees should report in their statements of financial position right-of-use asses and lease liabilities, regardless of their type.

IFRS 16 provides two possible simplifications, as a result of which the lessee may not apply the principles of IFRS 16:
• short-term contracts, i.e. lasting 12 or less months;
• contracts for rights to use low-value assets, analyzed at the price of this new asset. Each asset under the contract is analyzed separately. Their cumulative significant value does not matter. If the value of the new asset that the entity is exercising is low (e.g., it does not exceed the contractual amount and USD 5,000 suggested in the comments to IFRS 16), then the company may - in accordance with IFRS 16 - not use such a low-value asset right.

Application of the new standard will not affect the Group's financial statements significantly.

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

The Group assumes that for contracts concluded for an indefinite period, with a notice period of less than 12 months, the simplification resulting from IFRS 16 applies.

•IFRIC 23 Uncertainty over Income Tax Treatments
The new standard was published on 7 June 2017 and is applicable to the reporting periods commencing on or after 1 January 2019. The purpose of the interpretation is to indicate how to include income tax in financial statements in cases where the existing tax regulations may leave room for interpretation and a difference of opinion between the entity and tax authorities.

Application of the new standard will not affect the Group's financial statements significantly.

•Amendment to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
The amendment to IFRS 9 was published on 12 October 2017 and is applicable to the reporting periods commencing on or after 1 January 2019. The purpose of the amendment is to specify the rules for measuring financial assets which can be repaid early in accordance with the contractual conditions, and formally might not meet the test of “solely payments of principal and interest”, which would preclude their measurement at amortized cost or fair value through other comprehensive income.

Application of the new standard will not affect the Group's financial statements significantly.

•Amendment to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in associates and joint ventures
The amendment to IAS 28 was published on 12 October 2017 and is applicable to the reporting periods commencing on or after 1 January 2019. Its purpose is to specify the rules for measuring interests in associates and joint ventures where they are not measured using the equity method.

Application of the new standard will not affect the Group's financial statements significantly.

•Annual improvements process for the 2015-2017
On 12 December 2017, Annual Improvements to IFRS (2015–2017 Cycle), were published. The amendments made as part of the procedure of making annual improvements to IFRSs (IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes and IFRS 23 Borrowing Costs) were mainly focused on correcting minor conflicts and clarifying wording. The amendments to are applicable to the annual periods commencing on or after 1 January 2019.

Application of the new standard will not affect the Group's financial statements.

•Amendments to IAS 19 Employee Benefits
The amendments were published on 7 February 2018 and are applicable to the reporting periods commencing on or after 1 January 2019. The purpose of the amendments is to specify a method of remeasuring defined benefit plans when they change.

Application of the new standard will not affect the Group's financial statements significantly.

7.5.29.2 Standards and interpretations that have not become effective yet

In these financial statements, the Group has decided not to adopt the published standards and interpretations before their respective effective dates. The following standards and interpretations have been issued by the International Accounting Standards Board or the IFRS Interpretations Committee, but had not yet entered into force as at the balance sheet date:

•IFRS 17 Insurance Contracts
The new standard was published on 18 May 2017 and is applicable to the reporting periods commencing on or after 1 January 2021. Early application is permitted (provided that IFRS 15 and IFRS 9 are applied at the same time). The standard replaces the previous regulations on insurance contracts (IFRS 4).

Application of the new standard will not affect the Group's financial statements significantly.

•Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
The amendments to IFRS 10 and IAS 28 were published on 11 September 2014. The amendments clarify the accounting for transactions where parent loses control of a subsidiary, by selling all or part of its shares in this subsidiary to an associate or joint venture accounted for using the equity method. The International Accounting Standards Board (IASB) has decided to postpone the date of entry into force of the amendments, without specifying the start date pending finalization of potential changes resulting from the research project regarding equity method measurement. In view of the above, the European Commission has also decided to postpone the formal procedure of approval of the amended standards.
The Group will apply the amendments to the standards not earlier than on the day set by the European Union as the date of entry into force of the particular standard.

As at the date of these financial statements, it is not possible to reliably estimate the impact of application of the amended standards.

•Amendments to References to the Conceptual Framework in IFRS
The amendments were published on 29 March 2018 and are applicable to the reporting periods commencing on or after 1 January 2020. Earlier adoption is permitted.
The Group is going to apply the amendments as of 1 January 2020.

As at the date of these financial statements, it is not possible to reliably estimate the impact of applying the amendments.

•Amendments to IFRS 3 Business Combinations: Definition of a Business
The amendments were published on 22 October 2018 and are applicable to the combinations in the case of which the date of acquisition falls at the beginning of the first reporting period commencing on or after 1 January 2020.
The Group is going to apply the amendments as of 1 January 2020.

Application of the new standard will not affect the Group's financial statements significantly.

•Amendments to IAS 1 Presentation of Financial Statements and IAS 8 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
The amendments were published on 31 October 2018 and are applicable to the reporting periods commencing on or after 1 January 2020. Earlier adoption is permitted.
The Group is going to apply the amendments as of 1 January 2020.

As at the date of these financial statements, it is not possible to reliably estimate the impact of applying the amendments.

7.5.29.3 Standards and interpretations that have become effective, but have not been approved for use by the EU

The IFRS as approved by the EU are not materially different than the regulations adopted by the International Accounting Standards Board (IASB), except the following standards, amendments and interpretations, which as at 21 March 2017 were not yet approved for application in the EU.

•IFRS 14 Regulatory Deferral Accounts
The new standard was published on 30 January 2014 and is applicable to the reporting periods commencing on or after 1 January 2016. The new standard is of a temporary nature due to the ongoing work by the IASB on determining the method of accounting for the effects of rate regulation. The standard introduces rules for recognizing assets and liabilities arising in connection with transactions with regulated rates in the cases where the business decides to adopt IFRSs.
The Group will apply the new standard not earlier than on the day set by the European Union as the date of entry into force of the standard. Due to the transitional nature of the standard, the European Commission decided not to start any formal procedure of approving the standard and wait for the final standard.
Application of the new standard will not affect the Group's financial statements.

7.5.30 Note 30. Date of approval of the financial statements for publication

This financial report for the period from 1 January 2019 to 30 June 2019 was approved for publication by the Company’s Management Board on 27 September 2019.

7.5.31 Note 31. Deferred tax liability

Deferred tax liability caused by positive temporary differences	Statement of financial position as at		Impact on the statement of comprehensive income
	30.06.2019	31.12.2018	01.01.2019 - 30.06.2019
In respect of:			
Interest on loans and deposits	14	4	-10
Total deferred tax liability	14	4	-10
Set-off with deferred tax assets	-14	-4	10
Net deferred tax liability	-	-	-

7.5.32 Note 32. Long-term receivables

Long-term receivables	in thousand PLN	30.06.2019	31.12.2018
Loans granted		229	219
Deposits		33	14
Total long-term receivables		**262**	**233**

7.5.33 Note 33. Short-term financing

On May 17, 2019, the Company signed a contract with a natural person for a short-term loan line in the amount of up to 1,500 thousand PLN, which was to provide bridging financing in the event of delays in the payment of funds from subsidies and S series issues. As at the balance sheet date, the loan balance was 0.

7.5.34 Note 34. Settlement of the purchase of XTPL INC.

On January 31, 2019, XTPL S.A. took up shares in the newly established Company XTPL INC. based in Delaware, USA. Share capital of XTPL INC. has a value of 5,000 USD. XTPL S.A. acquired 100% shares at the nominal price. The purchase of shares was covered with a cash contribution. XTPL INC. it is consolidated using the full method. The purpose of acquiring the company's shares is to intensify the development of its structures and operations in the USA.

The company acquired the shares of XTPL Inc. on January 31, 2019, however, in the Issuer's opinion, the acquisition of control took place from January 1, 2019 in connection with the process of establishing the company, which lasted until the date of acquisition of shares.
Therefore, the data of the subsidiary are consolidated from January 1, 2019.

As at the date of taking control over the net assets of XTPL INC. were fully allocated to non-controlling shareholders. As at the date of acquisition of XTPL INC. shares by XTPL S.A., the Company accounted for the acquisition in correspondence with the equity of the Capital Group in connection with the lack of change in the level of control over XTPL INC.

The company's financial data as at the time of taking control are presented in the table below:

ASSETS carrying amount	**01.01.2019**	**ASSETS fair value**	**01.01.2019**
-	-	-	-
TOTAL ASSETS	**-**	**TOTAL ASSETS**	**-**
LIABILITIES carrying amount	**01.01.2019**	**LIABILITIES fair value**	**01.01.2019**
Trade liabilities	475	Trade liabilities	475
TOTAL LIABILITIES	**-**	**TOTAL LIABILITIES**	**-**
Payment transferred in the date of taking control			19
Contingent liabilities			-
The company's net assets			-475

7.5.35 Note 35. Events after the balance sheet date that were not included in the financial statements for the interim period

7.5.35.1 Closing of the issue of shares under private placement:

On July 19, 2019 (current report ESPI No. 31/2019), the company announced the termination of subscription of series S shares. The issue of shares from which XTPL acquired PLN 10.14 million was of a fork nature and was carried out in private subscription. Investors took up 78 thousand new shares, i.e. the maximum pool in the range of 68-78 thousand shares envisaged in this capital increase as part of the authorized capital. The issue price was PLN 130 per share. The final issue range was higher than the Company's initial estimates. The newly issued shares constitute less than 5% in the increased capital of the Company. XTPL intends to spend the acquired funds on further development - especially on the Southeast Asian market - and strengthening the patent portfolio. Registration of an amendment to the statutes of XTPL S.A. regarding the change in the share capital in connection with the issue of S series shares took place on August 29, 2019 (current report ESPI No. 39/2019).

7.5.35.2 Licensing as a technology commercialization model:

On August 21, 2019 (current report ESPI No. 38/2019) XTPL announced the choice of licensing as a method of commercializing technology on the display market for use in open defect repair. The decision of the Management Board was the result of talks with partners interested in acquiring the Company's technology and analyzes confirming the advantages of using this model. In the Issuer's opinion, licensing is the opportunity to use the existing potential of the future licensee to effectively prepare the technology for industrial implementation. Such work usually involves conducting solution tests over several cycles under production conditions. Importantly, in this model, the licensee has all the aspects related to the sale of the final product (logistics, distribution or customer service). In this case, the product will be devices for the production of displays with modules for repairing defects based on the unique XTPL technology.

The licensing model adopted by XTPL requires appropriate preparation and global protection of the subject of the license, which will be intellectual and industrial property and unique know-how. Therefore, the Company plans to intensify work related to the expansion of the patent cloud.

The licensing model is preferred by the majority of potential customers who are interested in purchasing the solution offered by XTPL. The Issuer conducts talks on the commercialization of the developed technology with several large players. Among them are leading suppliers of production lines for this sector (potential direct customers of the company's technology).

7.5.35.3 Forecasts regarding the number of patent applications:

On September 5, 2019 (current report ESPI No. 40/2019) XTPL announced the Company's plans regarding the number of patent applications that the Company intends to prepare and submit in order to protect its technology. In the period from September 1, 2019 to December 31, 2020, the Issuer plans to submit 26 patent applications. They will concern both the basic technology developed by the company and application fields intended for commercialization in the first place.

In the opinion of the Management Board, in the case of an entity operating in the field of hard technologies (just like the Issuer), secured intellectual and industrial property is a product and can constitute a competitive advantage - and its safe commercialization is possible under the condition that it provides full protection on selected international markets. Hence, an appropriate level of intellectual and industrial property protection will ensure the Company a good negotiating position before signing the first commercial contracts.

The implementation of plans related to the submission of patent applications may have a significant impact on the assessment of the prospect of commercialization of technology for various application fields, and thus on the income situation and the growing value of the Company in the long term. Appropriate security of the technology created by the Issuer and consistent expansion of the patent cloud is aimed at ensuring the implementation of key interests of XTPL, which is part of the development strategy implemented by the Company and may affect the valuation of the Issuer by investors.

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shaping global nanofuture

Additional information

8 Additional information

8.1 General information and basis of preparation

The financial statements of XTPL Group (unconsolidated and consolidated financial statements) cover the period of six months ended 30 June 2019, and the comparative data for the period of six months ended 30 June 2018. They were prepared using the historical cost convention.

The financial statements have been prepared on the assumption that the Company will continue in operation for at least a year from the balance sheet date.

Due to the stage of market development of the Company (the entity does not yet generate revenues from the sale of products and services, and finances its activities from equity and subsidies) the possibility of continuing operations depends significantly on the possibility of obtaining further financing, including primarily the issue of shares, financing subsequent stages of commercialization of technologies developed by the Company.

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

The financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Company's financial statements for the year ended 31 December 2018.

The financial statements have been prepared in accordance with the International Accounting Standard (“IAS”) 34 Interim Financial Reporting and in accordance with the Finance Minister’s Ordinance of 29 March 2018 on current and financial information provided by issuers of securities (...).

8.2 Currency of the financial statements

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

8.3 Exchange rates used in the financial statements

	2019 – January – June		2018 – January – June / December 2018	
exchange rates used in the financial statements	EUR	USD	EUR	USD
for the balance sheet items	4.2520	3.7336	4.3000	3.7597
for profit or loss items and cash flows	4.2880	3.7936	4.2395	3.5192

8.4 Description of significant accounting principles

For the purpose of preparing the interim condensed financial statements, the same accounting principles have been used as in the last quarterly financial statements prepared as at 31 March 2019 (report for Q1 2019 of 22 May 2019). Compared to the principles applied in preparing the annual financial statements for 2018, which began on January 1, 2018, the Company from January 1, 2019 applied the new IFRS 16 standard.

Other

9 Management Board's statements

The Management Board of XTPL S.A. declares that to the best of its knowledge the condensed mid-year financial statements and the comparable data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear view of the assets, financial position and profit or loss of XTPL Group. Moreover, the Management Board of XTPL S.A. declares that the half-yearly report on the activities of XTPL S.A. gives a true view of development, achievements and the situation of the Issuer's Group, including a description of key threats and risks.

Signatures of all Management Board members

CEO	COO
Filip Granek	Maciej Adamczyk

10 Statement of the Management Board regarding the entity authorized to audit financial statements

The Management Board of XTPL S.A. declares that the entity authorized to audit financial statements, reviewing the interim condensed financial statements, has been selected in accordance with the law. This entity and the certified auditors who carried out this review met the conditions for issuing an impartial and independent report on the review of the interim condensed financial statements, in accordance with applicable regulations and professional standards.

Signatures of all Management Board members

CEO
Filip Granek

COO
Maciej Adamczyk

11 Management Board's opinion

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

12 Approval for publication

This half-yearly report H1 2019 ended on 30 June 2019 was approved for publication by the Company's Management Board on 27 September 2019.

Signatures of all Management Board members

CEO
Filip Granek

COO
Maciej Adamczyk