YEAR-END REPORT

1 Jan 2017-31 Dec 2017

xintela

Strategic decisions, collaboration agreements and financing

Xintela took major steps forward in 2017 and there is every reason to be optimistic about the new year. Our unique stem cell technology and the decision to establish our own GMP facility for stem cell production have made us a player to reckon with in regenerative medicine. We strengthened our international presence by initiating a collaboration with the Japanese company CellSeed. Xintela's development of the cancer project for glioblastoma treatment is also making good progress, and the cancer project has broadened our understanding of the potential that Xintela's technology holds for cancer diagnostics and therapy. In December, it was particularly pleasing to announce an in-licensing agreement for human antibodies that bind to our markers, integrin α10β1 and integrin α11β1. We also secured financing of MSEK 17 to ensure that our projects maintain a fast pace.

Summary of the interim report

The "company" or "Xintela" refers to Xintela AB (publ), corporate registration number 556780-3480.

Twelve months (1 Jan 2017-31 Dec 2017)

- Income amounted to TSEK 2 (3).
- Loss before tax totalled TSEK 21,945 (loss: 18,060)
- Loss per share* was SEK 0.72 (loss: 0.73)
- At 31 December 2017, the equity/assets ratio** was 64% (87).

Fourth quarter (1 Oct 2017-31 Dec 2017)

- Income amounted to TSEK 0 (0).
- Loss before tax totalled TSEK 6,636 (loss: 5,581).
- Loss per share* was SEK 0.22 (loss: 0.22).

** Earnings/loss per share: Profit/loss for the period divided by 30,367,904 shares, which was the registered number of shares at 31 December 2017. In the year-earlier period, the company had 24,863,450 registered shares.*
*** Equity/assets ratio: Equity divided by total capital.*

Amounts in parentheses: comparative period of the preceding year.

Significant events in 2017

First quarter

On 4 January 2017, the company published additional results from the equine trial conducted in 2016, showing that Xintela's selected stem cells can protect the cartilage from continued degradation after an injury, and also prevent damage to the underlying bone. The results also showed indications of cartilage repair. The trial results will be compiled for publication in an international scientific journal.

On 20 January 2017, Xintela announced positive preclinical data in the cancer project. The company had identified a suitable antibody and used it to develop an antibody-drug conjugate (ADC), where a cell toxin is coupled to the antibody. The company also demonstrated that the ADC developed can bind to tumour cells and has a cytotoxic effect, in both cell studies and animal models.

In a press release on 20 January 2017, Xintela also announced to the market that preparations for a clinical equine trial had commenced. The trial will be conducted at Evidensia Specialisthästsjukhus (equine hospital) in Helsingborg in collaboration with Casper Lindegaard, Chief Veterinary Surgeon. The results from the equine trial are highly significant for obtaining regulatory approval to commence clinical trials on humans. Xintela has already identified an orthopaedic specialty clinic and the plan is to commence the clinical trial in 2018.

In the same press release, Xintela also announced that the company had successfully completed a validation of the XACT™ analytical test for quality assurance of cartilage cells in collaboration with a European company. The results show that XACT™, which consists of antibodies that bind to Xintela's integrin α10β1 and integrin α11β1 markers, respectively, can assess cartilage cell quality before a cartilage cell implant and detect any contaminating cells in cartilage cell preparations. Discussions regarding continued collaboration are ongoing.

On 15 February, Xintela announced that a total of 2,127,825 of the company's TO 1 warrants had been exercised, representing an exercise rate of 61%. Xintela has therefore raised proceeds of approximately MSEK 10 after issuance costs. Xintela's insiders and major shareholders who owned the company's warrants exercised their entire holdings.

In March 2017, Xintela announced that the company's business development team had been strengthened by the recruitment of Thomas Areschoug to the position of Business Development Manager. At the same time, a reorganisation is taking place whereby Evy Lundgren-Åkerlund will assume responsibility for research and Greg Batcheller will increase his operational involvement in the company and become Executive Chairman.

Second quarter

At the Annual General Meeting on 18 May 2017, Keld Søndergaard was elected new Board member of Xintela. In addition, all existing Board members were re-elected, except for Anders Ermén who declined re-election.

On 22 May, Xintela announced that the company had signed a non-binding memorandum of understanding with the leading European cell therapy company CO.DON.

On 22 June, Xintela announced that the company had become a partner in a multi-million investment by the Swedish government to establish an international research centre for the efficient manufacture and development of advanced biologics in cellular and gene therapies.

Third quarter

On 17 July, Xintela announced that the company had been strengthened by the recruitment of Liselotte Theorell to the position of Director Product Development & Quality Management.

On 11 September, Xintela announced that the company had decided to bring forward the construction date of its facility for the manufacturing of advanced therapy medicinal products (ATMP) based on stem cells from horses and humans at Medicon Village in Lund, Sweden. The decision entails a later start for clinical trials.

Fourth quarter

On 17 October, Xintela announced that Keld Søndergaard had resigned from the company's Board for personal reasons. Xintela's major shareholders will form an informal Nomination Committee and consider potential replacements to propose to the next Annual General Meeting.

On 13 November, Xintela announced that a private placement of MSEK 10 and loans of MSEK 7 had strengthened the company's finances by MSEK 17 prior to pre-clinical development and continued partnership discussions. The subscription price is SEK 3.12 per share, corresponding to an approximate discount of 10% compared with the volume-weighted average price over the 27 October-9 November 2017 period. The loan carries a monthly interest rate of 2%, with a term from 1 December 2017 until 31 December 2018.

On 1 December, Xintela announced the outcome of the employee share option scheme introduced in 2014. Under the scheme, 3,430 options were exercised, raising proceeds of SEK 514,500 for Xintela.

On 19 December, Xintela announced that the company had signed a collaboration agreement with the leading Japanese cell therapy company CellSeed. The aim of the collaboration is to conduct experimental analyses and examine conditions for a long-term collaboration and licensing of Xintela's marker technology.

On 29 December, Xintela announced that the company had in-licensed antibody technology for the development of human antibodies in diagnostics and therapy.

Significant events after the end of the period

No significant events were announced by the company after the end of the period

Statement from the CEO, Evy Lundgren-Åkerlund

As we put 2017 behind us, several important steps forward have given us every reason to be optimistic about the year ahead. We have taken major steps forward in our development projects in regenerative medicine and cancer, where we are focused on the degenerative joint disease osteoarthritis and the glioblastoma brain tumour. At the same time, we have strengthened company's organisation and facilities to enable more efficient advancement of the projects, which includes GMP production of stem cells for clinical trials. Over the past year, the patent portfolio has been significantly expanded with new applications in our projects.

In regenerative medicine, we are following our plan and broadening our presence in Japan. We have now commenced collaboration with the company CellSeed to evaluate our markers for quality assurance of CellSeed's cartilage cell product for a potential licensing of Xintela's XACT analytical test. The collaboration agreement with CellSeed is a result of the partnering conferences we attended in 2017, which shows how important it is to be seen and heard in the international arena. Our active partnering efforts have raised awareness of Xintela's unique technology and we have laid a solid foundation for future licensing discussions. Discussions have also continued with the German company CO.DON in regard to further collaboration around XACT and cell therapy for the treatment of osteoarthritis. A forthcoming joint publication will present the results we obtained from the initial collaboration on quality assurance of cartilage cells using Xintela's marker technology.

An interesting indication that the stem cell market is rapidly advancing was received recently when Takeda Pharmaceuticals in Japan announced its intention to acquire the Belgian biopharmaceutical company TiGenix for an amount of MUSD 632. The high purchase price reflects the major interest in regenerative medicine and stem cell therapy, particularly in Japan. Xintela's unique stem cell technology, our establishment of a GMP facility and our excellent results, particularly from the equine trial, mean that we can be optimistic about the future.

Xintela's decision to build its own GMP facility for stem cell production was a key strategic step. It gives Xintela a strong and unique position in the field of stem cells and has already attracted a great deal of attention in discussions with potential partners. Efforts to complete the GMP facility are on track, and the premises and clean room will soon be ready to fill with bioreactors and other equipment critical to stem cell production. In conjunction with this, Xintela will be moving into new premises adjacent to the GMP facility. The GMP laboratory has been customised for the manufacture of cells for clinical trials but is also prepared for expansion to accommodate continued development and future commercial production.

Xintela's development of the cancer project for treating glioblastoma, one of the deadliest forms of brain cancer, is also moving in a positive direction. We are now preparing to publish our results from the project to raise even more awareness of Xintela's achievements in this field. We are very active in partnering meetings and have identified several potential partners. In December, it was particularly pleasing to announce an in-licensing agreement for human antibodies that bind to Xintela's integrin α10β1 and integrin α11β1 markers that were developed under my leadership in a previous company. Since these antibodies have already been adapted for use in humans, a shorter pathway to clinical trials has now been enabled while also strengthening the cancer project and broadening Xintela's cancer focus.

Finally, in November, we could announce that a private placement and loans had generated total financing of MSEK 17. This proved an advantageous solution because we were able to maintain the high pace of our projects without needing to focus on a protracted capital-raising process, while also protecting the company's shareholders from dilution.

We can confirm that Xintela took important steps forward in 2017. We have now become a major player in regenerative medicine and increased our international presence. In addition, our work with the cancer project has broadened our understanding of the potential that Xintela's technology holds for cancer diagnostics and therapy. As a result, Xintela is now looking forward to the year that has just begun with confidence.

Evy Lundgren-Åkerlund
CEO, Xintela AB

Xintela AB

Xintela develops medical products in the fields of regenerative medicine and cancer based on the company's patented marker technology, XINMARK®. Xintela uses the technology to identify, select and quality-assure mesenchymal stem cells for the treatment of cartilage damage and osteoarthritis. In a preclinical study on horses, the company has demonstrated that the stem cells are safe, and that they have a positive effect on the articular cartilage and underlying bone following injury. Xintela is now establishing its own GMP facility for stem cell production for equine and human clinical trials. XINMARK® is also used in the development of an Antibody Drug Conjugate (ADC) against glioblastoma, the most common and aggressive type of brain tumour among adults. Positive preclinical data from cell studies and an animal model have shown that the antibody has a killing effect on the glioblastoma cells, confirming that the concept is effective. Xintela has been listed on NASDAQ First North in Stockholm since 22 March 2016. Xintela's Certified Adviser on Nasdaq First North is Erik Penser Bank AB, +46 (0)8-463 80 00.

Performance figures for 2017

Income

For the 2017 financial year, the company's net sales amounted to TSEK 2 (3). For the fourth quarter, net sales amounted to TSEK 0 (0).

Earnings

The company's operating loss for the financial year totalled TSEK 21,933 (loss: 17,097). The corresponding figures for the fourth quarter were a loss of TSEK 6,625 (loss: 4,618).

Research and development expenses, which account for the highest portion of the company's costs, amounted to TSEK 16,216 (14,532) for the January-December period. The fourth-quarter figures were TSEK 5,142 (4,124).

Marketing and sales costs for the period amounted to TSEK 3,401 (2,869). The corresponding figures for the fourth quarter were TSEK 837 (278).

Administrative expenses for the financial year amounted to TSEK 2,318 (1,199). The corresponding figures for the fourth quarter were TSEK 645 (216).

The company's loss before tax for 2017 was TSEK 21,945 (loss: 18,060). Loss before tax for the fourth quarter was TSEK 6,636 (loss: 5,581).

Financial position

On 31 December 2017, Xintela's equity/assets ratio was 64% (87) and equity amounted to TSEK 18,415 (20,983). At 31 December 2017, the company's cash and cash equivalents amounted to TSEK 21,910 (18,979). On the same date, the company's total assets amounted to TSEK 28,585 (23,849). The Board is continually working to secure the company's financing requirements. The Management Team actively evaluates financing alternatives to secure the company's long-term financing.

Cash flow and investments

Xintela's cash flow for the financial year was TSEK 2,931 (13,456). Investments amounted to TSEK 2,074 (725), of which tangible assets accounted for TSEK 511 (332).

The share

Xintela AB (publ) began trading shares on Nasdaq First North in Stockholm on 22 March 2016 under the ticker symbol of "XINT." First North is an alternative marketplace, operated by an exchange within the NASDAQ OMX Group. Companies on First North are not subject to the same rules as companies on the regulated main market. They are subject to a less regulated framework, adapted for small growth companies. A company listed on First North may therefore entail a higher investment risk than a company listed on the main market. All companies trading on First North have a Certified Adviser to oversee their compliance with the rules. The exchange assesses applications for admission to trading. Xintela's Certified Adviser on Nasdaq First North is Erik Penser AB.

At 31 December 2017, the number of shares was 30,367,904. The company has only one class of shares. Each share carries identical rights to the company's assets and earnings, and one vote at General Meetings.

	Oct-Dec 2017	Oct-Dec 2016	Full-year 2017
No. of shares before full dilution	30,367,904	24,863,450	30,367,904
No. of shares after full dilution	30,367,904	28,363,450	30,367,904
Loss per share before full dilution	-0.22	-0.22	-0.72
Average no. of shares before full dilution	28,679,589	24,863,450	27,615,677
Average no. of shares after full dilution	28,679,589	28,363,450	29,365,677

Proposed allocation of Xintela's profits

The Board of Directors and CEO recommend that no dividend be paid for the 2017 financial year, 1 January 2017-31 December 2017.

Financial statements in accordance with RFR2 (IFRS)

Xintela prepares its financial statements in accordance with RFR2 (IFRS). Historical financial information has been restated from 1 January 2014, which was the date of transition to IFRS.

Review by auditors

This interim report has not been reviewed by the company's auditor.

2018 Annual General Meeting

The Annual General Meeting will be held on 29 May 2018 in Lund, Sweden. The Annual Report will be available on the company's website from 30 April 2018.

Financial calendar

Interim report, Q1 2018	25 May 2018
Interim report, Q2 2018	29 August 2018
Interim report, Q3 2018	28 November 2018
Year-end report, 2018	27 February 2019

Employees

For the January-September period of 2017, the average number of employees at Xintela was 9 (8), of whom 6 (5) were women.

Risks and uncertainties

Limited resources

Xintela AB is a small company with limited resources in terms of management, administration and capital. The implementation of any major strategies requires optimisation of the company's resource allocation. There is a risk that the company's resources could be insufficient, and lead to financial and operational problems.

Dependence on key individuals and employees

Xintela AB's success is based on the knowledge, experience and creativity of a few specific individuals. The company's future is dependent on being able to recruit qualified employees. The company works hard to reduce this dependency by maintaining proper documentation of procedures and working methods.

Earning capacity and capital requirements

Drug development is both expensive and time-consuming. It may take longer than expected before the company can generate a positive cash flow. To cover these costs, Xintela AB may need to raise new capital. There is no guarantee that such capital can be obtained on terms that are favourable to shareholders. Failure to generate sufficient profits may impact the company's market value.

Sales risk

There is no certainty that the products developed by the company gain the market acceptance reflected in this interim report. The quantity of products sold may be lower, and the period required for market establishment may be longer, than the company currently has reason to believe.

Disputes

Xintela is not involved in any ongoing disputes.

Condensed statement of comprehensive income for the company

(TSEK)		Q4		Full-year	
		1 Oct 2017	1 Oct 2016	1 Jan 2017	1 Jan 2016
	Note	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Operating income					
Net sales		-	-	2	3
Cost of goods sold		-	-	-	-
Gross profit		**-**	**-**	**2**	**3**
Operating expenses					
Research and development costs		-5,142	-4,124	-16,216	-14,532
Selling expenses		-837	-278	-3,401	-2,869
Administrative expenses		-645	-216	-2,318	-1,199
Other operating income		-	-	-	1,500
Other operating expenses		-	-	-	-
Operating profit/loss		**-6,625**	**-4,618**	**-21,933**	**-17,097**
Profit/loss from financial items					
Financial income		-	-	-	-
Financial expenses		-11	-963	-12	-963
Profit/loss before tax		**-6,636**	**-5,581**	**-21,945**	**-18,060**
Tax on profit/loss for the year		-	-	-	-
Profit/loss for the period		**-6,636**	**-5,581**	**-21,945**	**-18,060**
Earnings/loss per share, SEK	**4**	**-0.22**	**-0.22**	**-0.72**	**-0.73**

The company has no items of other comprehensive income, so comprehensive income is consistent with profit/loss for the period.

Condensed balance sheet for the company

(TSEK)	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Fixed assets			
Intangible assets		4,834	3,778
Tangible assets		828	482
Total fixed assets		**5,662**	**4,260**
Current assets			
Accounts receivable		-	-
Other receivables		728	550
Prepaid expenses		285	60
Cash and cash equivalents		21,910	18,979
Total current assets		**22,923**	**19,589**
TOTAL ASSETS		**28,585**	**23,849**

(TSEK)	Note	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES			
Equity			
Share capital		911	746
Development expenses fund		1,775	368
Share premium reserve		80,489	61,278
Retained earnings		-42,815	-23,349
Profit/loss for the period		-21,945	-18,060
Total equity		**18,415**	**20,983**
Current liabilities			
Accounts payable		1,891	1,234
Tax liability		217	105
Other liabilities		7,414	240
Accrued expenses and deferred income		648	1,287
Total current liabilities		**10,170**	**2,866**
Total liabilities		**10,170**	**2,866**
TOTAL EQUITY AND LIABILITIES		**28,585**	**23,849**

Condensed cash flow statement for the company

(TSEK)	Q4		Full-year	
	1 Oct 2017 31 Dec 2017	1 Oct 2016 31 Dec 2016	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Operating activities				
Operating profit/loss	-6,625	-4,618	-21,933	-17,097
Depreciation/amortisation	223	137	673	556
Financial income	-	-	-	-
Financial expenses	-11	-963	-12	-963
Cash flow from operating activities before changes in working capital	**-6,413**	**-5,444**	**-21,272**	**-17,504**
Changes in working capital				
Increase/decrease in receivables	-416	-	-403	398
Increase/decrease in current liabilities	7,936	1,629	7,304	-296
Changes in working capital	**7,520**	**1,629**	**6,901**	**102**
Cash flow from operating activities	**1,107**	**-3,815**	**-14,371**	**-17,402**
Investing activities				
Acquisition/disposal of fixed assets	-	-108	-511	-332
Acquisition/disposal of intangible assets	-454	-125	-1,563	-393
Cash flow from investing activities	**-454**	**-233**	**-2,074**	**-725**
Financing activities				
New share issue	9,338	-	19,400	31,583
Returned employee share option	-	-	-24	-
Increase/decrease in long-term liabilities	-	-	-	-
Cash flow from financing activities	**-**	**-**	**19,376**	**31,583**
Change in cash and cash equivalents	9,991	-4,048	2,931	13,456
Cash and cash equivalents at the beginning of the period	11,919	23,027	18,979	5,523
Cash and cash equivalents at the end of the period	**21,910**	**18,979**	**21,910**	**18,979**

Statement of changes in equity for the company

(TSEK)	Share capital	Dev. expenditure	Share prem. reserve	Retained earnings	Profit/loss for the	Total
Opening balance, 1 January 2016	**536**	**-**	**29,905**	**-11,421**	**-11,559**	**7,461**
Reversal of prior year's accruals	-	-		-11,559	11,559	-
New share issue	210	-	31,373	-	-	31,583
Development expenses fund	-	368	-	-368	-	-
Profit/loss for the period	-	-	-	-	-18,060	-18,060
Equity, 31 December 2016	**746**	**368**	**61,278**	**-23,349**	**-18,060**	**20,983**
Opening balance, 1 January 2017	**746**	**368**	**61,278**	**-23,349**	**-18,060**	**20,983**
Reversal of prior year's accruals	-	-	-	-18,060	18,060	-
Redemption of warrants[1]	64	-	9,998	-	-	**10,062**
Returned employee share option	-	-	-24	-	-	-24
New share issue	96	-	8,728	-	-	8,824
New share issue, Employee share	5	-	509	-	-	514
Development expenses fund	-	1,407	-	-1,407	-	-
Profit/loss for the period	-	-	-	-	-21,945	-21,945
Equity, 31 December 2017	**911**	**1,775**	**80,489**	**-42,815**	**-21,945**	**18,415**

[1] In conjunction with a new issue of units (more than 7,000,000 shares) in February/March 2016, 3,500,000 warrants were issued. One (1) TO 1 warrant carried the right to subscribe to one (1) new share at a price of SEK 5.00. Subscription to shares by exercising warrants took place between 30 January 2017 and 10 February 2017 under the ticker symbol "XINT TO".

NOTES

Note 1 General information

Xintela AB, with corp. reg. no. 556780–3480, is based in Lund, Sweden.

Xintela AB's year-end report for the January-December 2017 period has been approved for publication according to a Board decision on 21 February 2018.

All amounts are in thousands of Swedish kronor (TSEK) unless otherwise stated. The figures in parentheses refer to the preceding period.

Note 2 Summary of significant accounting policies

The most significant accounting policies applied in the preparation of this interim report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements of Xintela for the 2015 financial year were prepared in accordance with RFR 2 (IFRS) Accounting for Legal Entities and the Swedish Annual Accounts Act. The impact of the transition from previously applied accounting policies to RFR 2 on the company's historical financial information is presented in Note 6 of the 2016 Annual Report.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies, refer to Note 3.

Accounting policies, changes in accounting policies and disclosures

Standards, amendments and interpretations of existing standards that are not yet effective and have not been early adopted by the Group

During the preparation of this report, several standards and interpretations that apply to the company have been issued but are not yet effective. The standards considered relevant to the company are as follows:

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities. The company intends to apply the new standard by the financial year beginning on 1 January 2018. However, this standard would not have any impact on the existing financial statements. The standard is not yet endorsed for use in the EU.
IFRS 15 Revenue from Contracts with Customers was issued in May 2014. IFRS 15 replaces all existing revenue recognition standards and interpretations (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Constructions of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue: Barter Transactions Involving Advertising Services). IFRS 15 will become effective on 1 January 2018. The standard is to be applied retroactively. The company intends to apply the new standard by the financial year beginning on 1 January 2018. However, this standard would not have any impact on the existing financial statements.
No other amendments to the IFRS or IFRIC interpretations that are not yet effective are expected to have any significant impact on the company.

Translation of foreign currency

Functional and presentation currency

The company's functional currency is its local currency, since the local currency has been defined as the currency of the primary economic environment in which the company operates. The accounts are denominated in Swedish kronor (SEK), which is the company's functional currency and presentation currency.

Transactions and balance-sheet items

Foreign currency items are translated into the company's functional currency using the exchange rate at the date of transaction. Exchange rate gains and losses arising from the payment of such transactions or the translation of monetary assets and liabilities in foreign currency using the closing rate on the balance-sheet date, are recognised in operating profit/loss in the income statement.

Intangible assets

Capitalised expenses for product development

The company is engaged in researching and developing new medical products. Research costs are expensed when incurred. Development expenses directly attributable to the development of identifiable and unique medical products that are controlled by the company are recognised as intangible assets if the following criteria are met:

- it is technically feasible to complete the product so that it can be used,
- the company intends to complete the product and either use or sell it,
- the company is able to use or sell the product,
- it can be demonstrated that the product will probably generate future economic benefits,
- sufficient technical, financial and other resources for completing the development and for using or selling the product are available, and
- expenses attributable to the product during its development can be measured reliably.

Directly attributable costs that are capitalised also includes employee benefits and a fair share of indirect costs.
Other development expenses that do not satisfy these criteria are expensed when incurred.
Development costs previously expensed are not recognised as an asset in a subsequent period.
Development expenses for a medical product recognised as an asset are amortised over its estimated useful life, but only from when development is essentially considered complete and commercial production has started.

Patents

Expenses for patents related to drug development are amortised over the validity period of the patent and charged to profit or loss in accordance with IFRS provisions. The useful life of the company's patents is 20 years from the date of filing the patent application in the first country.

Tangible assets

Tangible assets are recognised at cost less depreciation and impairment. Cost includes expenses directly attributable to acquisition of the asset.

Additional expenses are added to the asset's carrying amount or recognised as a separate asset, whichever is appropriate, only when it is probable that future economic benefits embodied in the asset will flow to the Group and the cost of the asset can be measured reliably.

The straight-line method of depreciation is applied as follows:
Machinery and equipment: 5 years

The residual value and remaining useful life of the asset is tested at the end of every reporting period and adjusted accordingly. The carrying amount of an asset is immediately reduced to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on the disposal of a tangible fixed asset are determined by a comparison between the sale proceeds and the carrying amount, and are recognised in other operating income or expenses in the income statement.

Impairment of non-financial assets

Intangible assets with an indefinite useful life, or intangible assets that are not ready for use, are not depreciated but tested annually for impairment. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. When testing for impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Previously impaired assets should be tested for the reversal of an impairment loss at each balance-sheet date.

Financial Instruments – general

Classification

The company classifies it financial assets and liabilities in the following categories: loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for items with maturities of more than 12 months after the balance-sheet date, which are classified as fixed assets. The Group's "loans and receivables" mainly consist of accounts receivable, and cash and cash equivalents.

Other financial liabilities
Accounts payable and the portion of other current liabilities that relates to financial instruments are classified as part of other current financial liabilities.

Recognition and measurement
The company's financial instruments are initially recognised at fair value plus transaction costs. Financial assets are removed from the balance sheet when any rights to further cash flows from the instrument have expired or been transferred, and the company has transferred substantially all risks and benefits associated with ownership of the asset. Financial liabilities are removed from the balance sheet when contractual obligations are either discharged or extinguished.
The company has no instruments measured at fair value. The fair value of current receivables and liabilities corresponds to their carrying amount, since the discount effect is not material.

Accounts receivable
Accounts receivable are financial instruments comprising amounts to be paid by customers for goods and services sold in operating activities. If payment is expected within one year or earlier, they are classified as current assets. Otherwise they are recognised as fixed assets.
Accounts receivable are initially measured at fair value and subsequently at accrued cost using the effective interest method, less provision for impairment.

Cash and cash equivalents
Cash and cash equivalents are financial instruments. In the balance sheet, the item includes cash and bank balances. In cash flow, the item includes cash and bank balances.

Equity
Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new ordinary shares or options are recognised in equity as a deduction from the proceeds.

Accounts payable
Accounts payable are financial instruments and relate to obligations to pay for goods and services acquired in operating activities from suppliers. Accounts payable are classified as current liabilities if they mature within one year. Otherwise they are recognised as long-term liabilities.
Accounts payable are initially measured at fair value and subsequently at accrued cost using the effective interest method.

Current and deferred tax
Deferred tax is recognised, using the balance-sheet method, on all temporary differences arising between the taxable value of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax is calculated using tax rates determined or announced at the balance-sheet date and that are expected to apply when the actual deferred tax asset is realised, or the deferred tax liability is adjusted.

The Board will not examine the issue of recognising deferred tax assets related to loss carryforwards until the Group has demonstrated earning power.

Employee benefits
Pension obligations
The company has defined contribution plans only.
A defined-contribution plan is a retirement plan for which the company pays fixed contributions to a separate legal entity. The company has no legal or informal obligations to pay additional contributions unless this legal entity has sufficient assets to pay all employee benefits related to services rendered by employees during current or previous periods.
For defined-contribution plans, the company pays contributions to publicly or privately managed pension schemes on a mandatory, contractual or voluntary basis. Other than these contributions, the company has no other payment obligations.

The contributions are recognised as employee benefit expenses when they fall due for payment. Prepaid contributions are recognised as an asset to the extent that the excess will lead to a cash refund or a reduction in future payments.

Leases
The company has operating lease arrangements only for its premises. Leases in which a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made during the lease term are expensed in the income statement on a straight-line basis over the lease term.

Cash flow statement
The cash flow statement is prepared using the indirect method. This means that operating profit/loss is adjusted for transactions not included or paid during the period, and for any income and expenses attributable to cash flows stemming from investing or financing activities.

Presentation formats
The income statement and balance sheet are presented in accordance with the format prescribed in the Swedish Annual Accounts Act. The statement of changes in equity should also follows the company's format, with the addition of those columns specified in the Annual Accounts Act. There are also differences in terms compared with the consolidated financial statements, mainly in relation to financial income and expenses, and equity. In conjunction with the transition to IFRS and RFR 2, the presentation of items in the income statement was changed from nature of expenses to the function method.

Note 3 Significant judgements and estimates

Judgements and estimates are continuously reviewed and based on historical experience and other factors, including expectations of future events considered reasonable under prevailing conditions.

Significant accounting judgements and estimates
The company makes estimates and assumptions about the future. The subsequent accounting estimates, by definition, may not always correspond to the actual outcome. The estimates and assumptions with a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next financial year are outlined below.

Intangible assets
Xintela is to some extent dependent on being granted protection for its intangible assets. The company's intellectual property (IP) rights are mainly protected by patents and patent applications. A patent application provides protection corresponding to a patent provided that the patent is eventually granted. The contents of the patent portfolio are presented in the tables below. Xintela's research and development is carried out by collaborative research teams and continuously generates new patent opportunities for the company, in both existing projects and totally new areas. These opportunities are carefully evaluated by Xintela and by patent agents consulted by the company. The decision to patent a certain discovery is made on a case-by-case basis.
Xintela's IP portfolio currently consists of five patent families (Table 1) and three brands (Table 2), which in combination protect various aspects of Xintela's technology platform. The five patent families can be simplified as Alpha 10, Alpha 11, Stem Cell Marker, Antibody and Brain Tumour.

- The Alpha 10 patent protects the integrin α10β1 biomarker as a product and its medical uses, including diagnostics and the treatment of cartilage damage, rheumatoid arthritis, inflammation and osteoarthritis.
- The Alpha 11 patent protects the integrin α11β1 biomarker as a product and its medical uses.
- The Stem Cell Marker patent protects the use of integrin α10β1 to identify and select mesenchymal stem cells.
- The Antibody patent comprises technology linked to the unique mAb365 antibody, which binds to integrin α10β1.
- The Brain Tumour patent, recently filed as a priority application, protects the use of Xintela's unique antibodies for the diagnosis and treatment of central nervous system tumours.

The company has a very active development programme and new patent applications will be filed with the aim of obtaining market exclusivity for the continued development of products and methods based on Xintela's technology platform.
In addition to patents, the IP portfolio currently includes four brands: the company's name XINTELA® – a registered brand in the EU, Australia and China for Xintela AB; XINMARK® – the name of Xintela's technology platform; XSTEM® – the product name for Xintela's stem cell marker technology, and XACT™ – the product name for Xintela's analytical test for the quality assurance of cartilage cells and stem cells.

Capitalised expenses for product development
The Company capitalises expenses attributable to the development of medical products to the extent they are considered to meet the criteria of IAS 38 p. 57 (refer to Intangible assets above). Following the approval of Phase III, expenses related to

the company's drug development are capitalised as internally generated intangible assets.

Note 4 Earnings/loss per share:

Warrants outstanding

At 31 December 2017, the company had 30,367,904 registered shares. In the year-earlier period, the company had 24,863,450 issued shares.

At 31 December 2017, loss per share was SEK 0.72 (loss: 0.73).

Note 5 Related-party transactions

Related-party transactions, considered conducted under normal market terms, that have affected the period's earnings are presented below.

(TSEK)	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Stanbridge bvba (owned by Gregory Batcheller, Chairman of the Board)	685	128
Winkon Holding AB (owned by Karin Wingstrand, Board member)	73	123
Ermén Produktion and Redovisning AB (owned by Anders Ermén, former Board member)	7	24
CT Post AB (owned by Claes Post, Board member)	20	8
Sven Kili (Board member)	269	370
Total related-party transactions	**1,054**	**653**

Note 6 Significant events after the end of the period

No significant events were announced by the company after the end of the period.

Lund, 22 February 2018

Greg Batcheller
Chairman of the Board

Sven Kili
Board member

Claes Post
Board member

Karin Wingstrand
Board member

Evy Lundgren-Åkerlund
Chief Executive Officer

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Xintela has been listed on Nasdaq First North since 22 March 2016. Xintela's Certified Adviser on Nasdaq First North is Erik Penser AB.

This information is such information that Xintela AB is required to publish under the EU Market Abuse Regulation.The information was issued for publication through the agency of the above contact person on 22 February 2018 at 8:30 a.m. CET.