INTERIM REPORT

1 Jan 2018-30 Jun 2018

xintela

Xintela's strategy has resulted in early income generation and attractive financing options

Xintela's projects have continued to show highly positive progress and the company has made significant advances. As previously announced, we have initiated negotiations with CO.DON, which has paid a fee of more than MSEK 1 for exclusivity during the negotiation period. The partnership with CO.DON entails that the stem cell project for the treatment of osteoarthritis is fully financed immediately from the preclinical stage for Xintela's first human stem cell product. This is entirely in line with Xintela's strategy of early income generation and identifying early financing solutions.

Following positive results from the glioblastoma project and new exciting discoveries in other oncology indications, the Board of Xintela has decided to spin off the oncology business to a separate company, Targinta AB, which has now been founded. We will now transfer the oncology projects to Targinta AB and are continuing to make plans to distribute shares to Xintela's owners and finance Targinta's operations with an IPO.

We recently announced that Sven Kili, a Board member and consultant of Xintela, has extended his commitment to Xintela as Chief Medical Officer on a consultancy basis. It is very pleasing that we can now further strengthen Sven Kili involvement in Xintela's development work.

- *Evy Lundgren-Åkerlund, CEO*

Summary of the interim report

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

First half of the year (1 Jan 2018-30 Jun 2018)

- Income amounted to TSEK 395 (1).
- Loss before tax totalled TSEK 13,200 (loss: 10,425).
- Loss per share* was SEK 0.43 (loss: 0.39).
- At 30 June 2018, the equity/assets ratio** was 24% (90).

Second quarter (1 Apr 2018-30 Jun 2018)

- Income amounted to TSEK 0 (0).
- Loss after financial items totalled TSEK 5,373 (loss: 5,016).
- Loss per share* was SEK 0.18 (loss: 0.19).

** Earnings/loss per share: Profit/loss for the period divided by 30,367,904 shares, which was the registered number of shares at 30 June 2018. In the year-earlier period, the company had 26,991,275 registered shares.*
*** Equity/assets ratio: Equity divided by total capital.*

Amounts in parentheses: Comparative period of the preceding year.

Significant events in the second quarter of 2018

On 17 April, Xintela announced that the company had developed new methods for identifying and purifying neural stem cells from the brain. This opens up a completely new field for the company's cell therapy activities for the treatment of traumatic injuries and central nervous system (CNS) diseases.

On 26 April 2018, Xintela announced that the company's own GMP facility was complete. The facility is expected to be ready for production by the end of 2018. At the same time, it was announced that the company will conduct a new equine study with post-traumatic osteoarthritis during the year to obtain further information about their mechanisms of action.

On 31 May, Xintela announced that the Board has decided that the company was to raise a convertible loan of a nominal maximum of MSEK 5 based on a private placement of convertibles.

Xintela announced on 28 June that the company had received MUMS status (Minor Use Minor Species) in Europe for the treatment of degenerative joint disease, including osteoarthritis, in horses.

Significant events after the end of the period

On 9 July, Xintela announced that the company had signed a Letter of Intent with the leading European cell therapy company CO.DON. The parties intend to co-develop a stem cell product for the treatment of osteoarthritis, based on Xintela's stem cell technology. CO.DON will pay an exclusivity fee for a six-month period, during which time a joint venture agreement will be prepared.

On 9 August, Xintela announced that the company's international patent application directed to the prevention and treatment of degenerative joint diseases using stem cells, including osteoarthritis, had been published. The patent application extends patent protection for Xintela's stem cell product for the treatment of traumatic joint damage, which may be caused by a sport injury, for example.

On 29 August, Xintela announced that the Board had decided to spin out the oncology business to a newly formed subsidiary, Targinta AB. The company also plans to distribute shares to Xintela's owners and finance the operations with an IPO.

Xintela announced on 29 August that Board member Sven Kili had extended his commitment to Xintela as Chief Medical Officer (CMO).

Statement from the CEO, Evy Lundgren-Åkerlund

Strategy for early income generation

From the start, Xintela's strategy has been to use its XINMARK® marker technology platform to develop projects that enable the company to both generate income at an early stage and create long-term value. Xintela's XACT analytical test (Xintela Assay for Cell Therapy) for the quality assurance of cartilage cells is an example of how the company has used its patented marker technology to secure partnerships that have generated income and also created interest in Xintela and the company's unique marker technology in cell therapy.

"Xintela's strategy has resulted in early income generation and attractive financing options"

Xintela currently has an ongoing partnership with the Japanese company CellSeed that is evaluating XACT to quality assure cartilage cells in the company's development of cartilage cell products for repairing traumatic joint damage. This collaboration has already generated income and has great potential to lead to a closer partnership and licensing of XACT. A few years ago, Xintela had a partnership with CO.DON that focused on XACT and cartilage cells, which also yielded income. Another important result of the collaboration was that CO.DON was made aware of Xintela's unique marker technology for the development and quality assurance of stem cells for the treatment of osteoarthritis, which led to new partnership discussions.

A partnership with CO.DON will finance the entire development process for Xintela's first human stem cell product

In July, we announced that Xintela and CO.DON had signed a Letter of Intent and initiated negotiations to jointly develop stem cells for treatment of cartilage disorders including osteoarthritis in the European and North American markets. The intention is to form a new joint venture (50:50) for the entire development phase through to commercialisation. CO.DON has paid a fee of more than MSEK 1 for exclusivity during the negotiation period.

The partnership with CO.DON entails that the stem cell project for the treatment of osteoarthritis is fully financed immediately from the preclinical stage for Xintela's first stem cell product. This is entirely in line with Xintela's strategy of identifying early financing solutions. We can also reduce risks and shorten time to market by working together with a partner experienced in clinical trials and product development in cell therapy. Furthermore, Xintela will have more scope for evaluating the stem cell technology for other indicators.

Neural stem cells and CNS - a hot area with immense commercial potential

Xintela announced in April that the company had developed new methods for identifying and assuring the quality of neural stem cells for therapeutic applications. The new methods have opened up a completely new field for Xintela for the treatment of traumatic injuries and central nervous system (CNS) diseases, including stroke, Alzheimers and Parkinson's disease, where there is significant need for better treatment methods.

CNS stem cell therapy has enormous commercial potential and several global pharmaceutical companies are highly interested in this field. We are currently drawing up a strategy for continued development and have already initiated discussions with potential partners who can assist with supplementary CNS research expertise and provide financial resources.

GMP facility being prepared for production

The actual production of cells is highly critical in developing cell therapies and can present a difficult bottleneck in terms of both time management and costs. Accordingly, Xintela has made the strategically important decision to produce stem cells for clinical trials itself and in April we could announce that the GMP facility has been built and the team is working on completing the facility for inspection by the Swedish Medical Products Agency for manufacturing licences for clinical studies. The facility is expected to be ready for production by the end of 2018. Combined with the company's patented marker and stem cell technology, conducting our own GMP manufacturing is a strong business concept that enhances Xintela's attractiveness as a partner.

During the summer, Xintela expanded its team by recruiting another two individuals with experience in GMP production, cleanrooms and process development to meet future needs.

Sven Kili assumes role as Chief Medical Officer

We recently announced that Sven Kili, a Board member and consultant of Xintela, has extended his commitment to Xintela as Chief Medical Officer on a consultancy basis. Sven is a physician and specialist in orthopaedics and, through leading positions in pharmaceutical companies including Genzyme, Sanofi, and GSK, has many years' experience of successful development and commercialisation of cell and gene therapy products. It is very pleasing that we can now further strengthen Sven Kili involvement in Xintela's development work. In addition, Sven, with his broad international network in cell and gene therapy, will help Xintela and the company's stem cell technology to develop towards clinical use and gain increased attention in the international cell therapy arena.

Development and broadening of oncology business

Xintela's initial focus in oncology is the development of a treatment for glioblastoma – an aggressive brain tumour. Xintela's strategy is to advance the development of the product together with a partner with extensive experience in the field of ADC and discussions are currently being held with several potential partners. To such partnerships, Xintela will contribute unique integrin targets and specific antibodies for directing ADC treatment to a certain tumour cell. A partner will co-finance and enhance the efficiency of the development process while reducing the project's risks.

We have also identified additional cancer indications for which Xintela's marker technology has major development potential in terms of both diagnostics and therapy. We are currently evaluating several different forms of tumour that have immense market potential and are preparing patent applications to protect our new discoveries.

Decision to spin out oncology business to a new company, Targinta AB

We have now decided to spin out the oncology business to a separate company, Targinta AB, which has now been founded. The reason for the decision is the positive results from the glioblastoma project and new exciting discoveries in other oncology indications. This is very positive for the oncology business, which will now have an opportunity to continue to develop and grow in a separate company with its own financing and management. We will now transfer the oncology projects to Targinta AB and are continuing to make plans to distribute shares to Xintela's owners and finance Targinta's operations with an IPO.

Sincerely,
Evy Lundgren-Åkerlund
CEO, Xintela AB

Xintela AB

Xintela develops medical products in the fields of regenerative medicine and oncology based on the company's patented marker technology, XINMARK®. Xintela uses the technology to produce and assure the quality of stem cells for the treatment of osteoarthritis, a degenerative joint disease. Equine studies have shown that the stem cells are safe, and have a therapeutic effect on damaged articular cartilage and the underlying bone. Xintela has recently established its own GMP facility for the production of stem cells for clinical trials. In the oncology project, XINMARK® is used to create an antibody drug conjugate (ADC) for the treatment of tumours, initially the aggressive brain tumour known as glioblastoma. Positive preclinical data from cell studies and an animal model have shown that ADC treatment has a targeting and killing effect on specific tumour cells, which has laid the foundation for continued development of the company's oncology operations. 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

Income

The company reported net sales of TSEK 395 (1) for the first six months of the year. The sales refer to income from the ongoing partnership with Japanese company CellSeed for the evaluation of XACT for quality assurance of cartilage cells in CellSeed's development of a cartilage cell product. This collaboration has great potential for resulting in a closer partnership and licensing of XACT. The company reported net sales of TSEK 0 (0) for the second quarter.

Earnings

The company's operating loss for the first six months of the year amounted to TSEK 12,140 (loss: 10,424). The corresponding figures for the second quarter were TSEK 4,862 (5,015).

Research and development expenses, which account for the highest portion of the company's costs, amounted to TSEK 8,008 (7,307) for the January-June period. The corresponding figures for the second quarter were TSEK 2,660 (3,557).

Marketing and sales costs for the first half of the year amounted to TSEK 2,588 (1,883). The corresponding figures for the second quarter were TSEK 1,252 (945).

Administrative expenses for the first six months of the year amounted to TSEK 1,939 (1,236). The corresponding figures for the second quarter were TSEK 950 (514).

Loss before tax for the January-June 2018 period was TSEK 13,200 (loss: 10,425).

Financial position

On 30 June 2018, Xintela's equity/assets ratio was 24% (90) and equity amounted to TSEK 5,215 (20,596). The company's cash and cash equivalents amounted to TSEK 8,197 (17,691). On the same date, the company's total assets amounted to TSEK 21,686 (22,811). The Board works actively to secure financing for the company's needs based on various ongoing discussions, including revenue from licensing and partnerships to external funding.

Cash flow and investments

Xintela's cash flow for the January-June 2018 period was a negative TSEK 13,713 (neg: 1,288). Investments amounted to TSEK 6,997 (517), of which tangible assets accounted for TSEK 6,166 (62). The investments were associated with the now completed GMP facility.

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 Bank AB, +46 (0)8-463 80 00.

At 30 June 2018, 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.

	Jan-Jun 2018	Jan-Jun 2017	Full-year 2017
No. of shares before full dilution	30,367,904	26,991,275	30,367,904
No. of shares after full dilution	30,367,904	26,991,275	30,367,904
Loss per share before full dilution	-0.43	-0.39	-0.72
Average no. of shares before full dilution	30,367,904	25,927,362	27,615,677
Average no. of shares after full dilution	30,367,904	25,927,362	29,365,677

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.

Financial calendar

Interim report, Q3 2018	28 November 2018
Year-end report, 2018	27 February 2019

Employees

For the January-June 2018 period, the average number of employees at Xintela was 11 (9), of whom 1 (3) were men.

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 appropriation. There is a risk that the company's resources could be insufficient, and lead to financial and operational problems. The Board works continuously to secure financing for the company's needs based on various scenarios, including revenue from licensing and partnerships to external funding.

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 will 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)	Note	Q2 1 Apr 2018 30 Jun 2018	Q2 1 Apr 2017 30 Jun 2017	Half-year 1 Jan 2018 30 Jun 2018	Half-year 1 Jan 2017 30 Jun 2017	Full-year 1 Jan 2017 31 Dec 2017
Operating income						
Net sales		-	-	395	1	2
Gross profit		**-**	**-**	**395**	**1**	**2**
Operating expenses						
Research and development costs		-2,660	-3,557	-8,008	-7,307	-16,216
Selling costs		-1,252	-945	-2,588	-1,883	-3,401
Administrative expenses		-950	-514	-1,939	-1,236	-2,318
Other operating income		-	-	-	-	-
Other operating expenses		-	-	-	-	-
Operating loss		**-4,862**	**-5,015**	**-12,140**	**-10,424**	**-21,933**
Profit/loss from financial items						
Financial income		-	-	-	-	-
Financial expenses		-511	-1	-1,060	-1	-12
Loss before tax		**-5,373**	**-5,016**	**-13,200**	**-10,425**	**-21,945**
Tax on profit/loss for the year		-	-	-	-	-
Loss for the period		**-5,373**	**-5,016**	**-13,200**	**-10,425**	**-21,945**
Loss per share, SEK	**4**	**-0.18**	**-0.19**	**-0.43**	**-0.39**	**-0.72**

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)	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Fixed assets			
Intangible assets	5,006	4,026	4,834
Tangible assets	6,907	475	828
Total fixed assets	**11,913**	**4,501**	**5,662**
Current assets			
Accounts receivable	-	-	-
Other receivables	1,319	518	728
Prepaid expenses	257	101	285
Cash and cash equivalents	8,197	17,691	21,910
Total current assets	**9,773**	**18,310**	**22,923**
TOTAL ASSETS	**21,686**	**22,811**	**28,585**

(TSEK)	30 Jun 2018	30 Jun 2017	31 Dec 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	911	810	911
Development expenses fund	2,189	722	1,775
Share premium reserve	80,489	71,252	80,489
Retained earnings	-65,174	-41,763	-42,815
Loss for the period	-13,200	-10,425	-21,945
Total equity	**5,215**	**20,596**	**18,415**
Current liabilities			
Accounts payable	3,460	1,111	1,891
Tax liability	227	155	217
Other liabilities	12,387	884	7,414
Accrued expenses and deferred income	397	65	648
Total current liabilities	**16,471**	**2,215**	**10,170**
Total liabilities	**16,471**	**2,215**	**10,170**
TOTAL EQUITY AND LIABILITIES	**21,686**	**22,811**	**28,585**

Condensed cash flow statement for the company

(TSEK)	Q2		Half-year		Full-year
	1 Apr 2018 30 Jun 2018	1 Apr 2017 30 Jun 2017	1 Jan 2018 30 Jun 2018	1 Jan 2017 30 Jun 2017	1 Jan 2017 31 Dec 2017
Operating activities					
Operating loss	-4,862	-5,015	-12,140	-10,424	-21,933
Depreciation/amortisation	368	137	746	276	673
Financial income	-	-	-	-	-
Financial expenses	-511	-1	-1,060	-1	-12
Cash flow from operating activities before changes in working capital	**-5,005**	**-4,879**	**-12,454**	**-10,149**	**-21,272**
Changes in working capital					
Increase/decrease in receivables	-19	53	-563	-9	-403
Increase/decrease in current liabilities	5,075	501	6,301	-651	7,304
Changes in working capital	**5,056**	**554**	**5,738**	**-660**	**6,901**
Cash flow from operating activities	**51**	**-4,325**	**-6,716**	**-10,809**	**-14,371**
Investing activities					
Acquisition of fixed assets	-3,893	-62	-6,166	-62	-511
Acquisition of intangible assets	-492	-374	-831	-455	-1,563
Cash flow from investing activities	**-4,385**	**-436**	**-6,997**	**-517**	**-2,074**
Financing activities					
New share issue	-	-	-	10,062	19,400
Returned employee share option	-	-24	-	-24	-24
Increase/decrease in long-term liabilities	-	-	-	-	-
Cash flow from financing activities	**-**	**-24**	**-**	**10,038**	**19,376**
Change in cash and cash equivalents	-4,334	-4,785	-13,713	-1,288	2,931
Cash and cash equivalents at the beginning of the period	12,531	22,476	21,910	18,979	18,979
Cash and cash equivalents at the end of the period	**8,197**	**17,691**	**8,197**	**17,691**	**21,910**

Statement of changes in equity for the company

(TSEK)	Share capital	Dev. expenses fund	Share prem. reserve	Retained earnings	Loss for the period	Total
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	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	-	-
Loss for the period	-	-	-	-	-21,945	-21,945
Equity, 31 December 2017	**911**	**1,775**	**80,489**	**-42,815**	**-21,945**	**18,415**
Opening balance, 1 January 2018	**911**	**1,775**	**80,489**	**-42,815**	**-21,945**	**18,415**
Reversal of prior year's accruals	**-**	**-**	**-**	**-21,945**	**21,945**	**-**
Development expenses fund	**-**	**414**	**-**	**-414**	**-**	**-**
Loss for the period	**-**	**-**	**-**	**-**	**-13,200**	**-13,200**
Equity, 30 June 2018	**911**	**2,189**	**80,489**	**-65,174**	**-13,200**	**5,215**

NOTES

Note 1 General information

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

Xintela AB's interim report for the January-June 2018 period was approved for publication according to a Board decision on 28 August 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 Annual Report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

As of the 2015 financial year, Xintela has prepared its accounts in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act.
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.
The most significant accounting policies applied in the preparation of this Annual Report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Accounting policies, changes in accounting policies and disclosures

Standards, amendments and interpretations of existing standards that are not yet effective and have not been applied in advance by the company

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. These will be applied subject to the exceptions stated in RFR 2 and provided the transition has no effect on the financial statements.
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 is not expected to have any effect on the financial statements.
IFRS 16 "Leases" establishes principles for the classification and recognition of leased assets and will become effective in 2019. The standard is not expected to have any effect, since Xintela does not prepare consolidated accounts at present. Xintela AB will therefore continue to recognise all operating leases as expenses.

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 product development costs

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 include 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 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. The remaining useful life of the capitalised patents ranges from 2-20 years.

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 company 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 cost of sales 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 company'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 derecognised when the rights to receive cash flows from the instrument have expired or been transferred, and the company has transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised 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. Cash flow includes the item 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.
If the company has internally generated intangible assets as of 2016, the amount recapitalised from non-restricted equity to development expenses fund is recognised less amortised capital costs since 2016.

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 accounts. 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 company 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 contributes a fixed amount 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 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 prepayment will lead to a cash refund or reduction in future payments.

Leases
The company has operating lease arrangements for its laboratory and office 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. 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 Key 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 described clearly below. Research and development conducted both in-house by Xintela and in collaborations, continuously generates new patent opportunities for the company in existing projects, as well as 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 six patent families that, in combination, protect various aspects of Xintela's technology platform. The titles of the six patent families are Alpha10, Alpha11, Stem Cell Marker, Antibody, Brain Tumour and Neural Stem Cells.
• The Alpha10 patent protects the integrin α10β1 biomarker as a product, and its use for medicinal purposes.
• The Alpha11 patent protects the integrin α11β1 biomarker as a product, and its use for medicinal purposes.
• The Stem Cell Marker patent protects the use of integrin α10β1 for the identification and selection of mesenchymal stem cells.
• The Antibody patent protects technologies related to the unique mAb365 antibody, which binds to integrin α10β1.
• The Brain Tumour patent covers the use of Xintela's unique antibodies for the diagnosis and treatment of central nervous system tumours.
• The Neural Stem Cells patent covers methods for identifying, selecting and cultivating neural stem cells and for medicinal purposes.

Xintela has additional patent applications in the stem cell and cellular therapy area that are not yet published. The company also has a highly active research and 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 trademarks: XINTELA® – the company name; XINMARK® – the name of Xintela's technology platform; XSTEM® – the name of Xintela's stem cell platform, and XACT TM – the product name for Xintela's analytical test for the quality assurance of cartilage cells and stem cells.

Capitalised product development costs
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). 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:

At 30 June 2018, the company had 30,367,904 registered shares. In the year-earlier period, the company had 26,991,275 issued shares.

At 30 June 2018, loss per share was SEK 0.43 (loss: 0.39).

Note 5 Significant events after the end of the period

On 9 July, Xintela announced that the company had signed a Letter of Intent with the leading European cell therapy company CO.DON. The parties intend to co-develop a stem cell product for the treatment of osteoarthritis, based on Xintela's stem cell technology. CO.DON will pay an exclusivity fee for a six-month period, during which time a joint venture agreement will be prepared.

On 9 August, Xintela announced that the company's international patent application directed to the prevention and treatment of degenerative joint diseases using stem cells, including osteoarthritis, had been published. The patent application extends patent protection for Xintela's stem cell product for the treatment of traumatic joint damage, which may be caused by a sport injury, for example.

On 29 August, Xintela announced that the Board had decided to spin out the oncology business to a newly formed subsidiary, Targinta AB. The company also plans to distribute shares to Xintela's owners and finance the operations with an IPO.

Xintela announced on 29 August that Board member Sven Kili had extended his commitment to Xintela as Chief Medical Officer (CMO).

Lund, 29 August 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 29 August 2018 at 2:30 p.m. CEST.