Annual Report

1 JAN 2017-31 DEC 2017

xintela

Xintela AB (publ) Corp. Reg. No. 556780-3480

Contents

Company information

Company name:	Xintela AB (publ)
Corporate registration number:	556780-3480
Legal form:	Public limited company
Registered office:	Lund
Trading venue:	Nasdaq First North
Address:	Medicon Village, SE-223 81 Lund
Telephone:	+46 (0)703 291 871
Website:	www.xintela.se

Financial calendar

Interim report January-March 2018	25 May 2018
Interim report January-June 2018	29 Aug 2018
Interim report January-September 2018	28 Nov 2018
Year-end report for 2018	27 Feb 2019

Definition

The "company" refers to Xintela AB (publ), corporate registration number 556780-3480.
All figures are given in TSEK unless otherwise stated.

The auditor has reviewed the Annual Report presented on pages 12-27 of this document.

CEO statement

"Xintela's marker technology for selecting and ensuring the quality of stem cells for cell therapy, combined with the company's own GMP facility for the production of stem cells for clinical trials, is creating a strong and unique position for Xintela."

During the year, Xintela evolved into a major player in regenerative medicine with a primary focus on osteoarthritis treatment. A key part of this process was our unique marker technology, XINMARK®, which we use to select and ensure the quality of stem cells, creating both biological and regulatory advantages for Xintela in product development. In a successful pre-clinical equine study that was reported at the beginning of the year, we could show that stem cells produced with Xintela's technology had positive treatment effects on articular cartilage damage. We are now preparing a new equine study to investigate the optimal dose of the stem cells for the treatment of post-traumatic osteoarthritis. The results from the equine studies are central to the preclinical documentation that Xintela is preparing for its application to the Swedish Medical Products Agency to commence clinical trials for osteoarthritis treatment in humans.

A key factor for the success of Xintela's regenerative medicine-related activities is that we have chosen to establish our own GMP facility to cultivate our own stem cells for clinical trials. The GMP facility is now complete and Xintela has moved into the new premises. We are also preparing an application to the Swedish Medical Products Agency for a permit to cultivate stem cells for clinical trials and expect to be ready for production by year-end.

Xintela's decision to build its own GMP facility for stem cell production was a strategically vital step. It gives us total control and flexibility in our own product development as well as a highly cost-efficient solution, even in the short term. Xintela is also building up unique expertise in good manufacturing practice (GMP), process development and quality systems that will generate substantial and long-lasting value for the company, for Xintela's own operational development and as a potential contract cell manufacturer for other stem cell companies. Xintela's decision to cultivate stem cells in its own GMP facility is attracting a lot of attention and helping to attract interest from potential partners.

In our development of stem cell products, we are particularly interested in the Japanese market, not least because Japanese regulations for advanced therapy medicinal products (ATMP) allow temporary marketing authorisation as early as after Phase II clinical trials. It was therefore pleasing to initiate a collaboration with the Japanese company CellSeed in December 2017 to evaluate Xintela's XACT™ analytical test in CellSeed's development of a cartilage cell product for repairing cartilage damage.

Our oncology project, focused on the development of a treatment for glioblastoma – an aggressive brain tumour – has also shown great progress. At the beginning of the year, we reported our development of an antibody-based antibody drug conjugate (ADC) and demonstrated its killing effect, in both cell studies and an animal model. During the year, the project was supplemented with additional results and a firm foundation has now been established for continued development. We are now working to establish a partnership to move the project forward to clinical trials more efficiently.

We have also identified additional cancer indications with major development potential for our marker technology in terms of both diagnostics and therapy. A key factor in our continued efforts with oncology is that we, via an in-licensing contract at the end of the year, have now acquired access to human antibodies that target Xintela's integrin markers. These will be evaluated for therapeutic and diagnostic applications.

To ensure a continued strong trend for the company, Xintela's team was strengthened with key individuals in GMP, process development, quality systems and business development, and we are well-equipped to meet the challenges ahead. It is pleasing to note that the company raised financing of MSEK 27 during the year – MSEK 10 in February by exercising warrants, and MSEK 17 in November through a private placement and loans. The injection has enabled the rapid pace of development in our projects to continue.

To ensure that our regenerative medicine and oncology activities have the best conditions for continued development both internally and through collaboration, we have decided to evaluate a possible spin-off of the oncology operations into a separate company. Our view is that a new company with its own financing and management will create more opportunity for oncology projects to further develop and commercialise. This would also be positive for Xintela by enabling us to stay fully focused on the development of both existing and new opportunities in stem cell therapy, and on stem cell manufacturing in our own GMP facility.

The year was very successful for Xintela and we are now looking forward to an equally eventful and exciting 2018.

Evy Lundgren-Åkerlund
CEO, Xintela AB (publ)

Financial summary*

INCOME STATEMENT TSEK	1 JAN 2017 31 DEC 2017	1 JAN 2016 31 DEC 2016	1 JAN 2015 31 DEC 2015	1 JAN 2014 31 DEC 2014	1 JAN 2013 31 DEC 2013
Net sales	2	3	382	10	-
Capitalised development costs	-	-	-	-	-
Other operating income	-	1,500	375	363	426
Operating expenses	-21,260	-18,044	-11,828	-7,756	-2,648
Depreciation/amortisation	-673	-556	-443	-396	-340
Operating profit/loss	**-21,933**	**-17,097**	**-11,514**	**-7,778**	**-2,563**
Net financial items	-12	-963	-45	-14	-42
Profit/loss before tax	**-21,945**	**-18,060**	**-11,559**	**-7,792**	**-2,605**
Profit/loss for the year	**-21,945**	**-18,060**	**-11,559**	**-7,792**	**-2,605**

BALANCE SHEET TSEK	31 DEC 2017	31 DEC 2016	31 DEC 2015	31 DEC 2014	31 DEC 2013
Intangible assets	4,834	3,778	3,813	3,377	3,391
Tangible assets	828	482	278	258	224
Financial assets	-	-	-	-	-
Other current assets	1,013	610	1,008	382	230
Cash and cash equivalents	21,910	18,979	5,523	824	2,369
Assets	**28,585**	**23,849**	**10,662**	**4,841**	**6,214**
Equity	18,415	20,983	7,461	3,887	4,212
Non-current liabilities	-	-	-	-	-
Current liabilities	10,170	2,866	3,161	954	2,002
Equity and Liabilities	**28,585**	**23,849**	**10,662**	**4,841**	**6,214**

CASH FLOW STATEMENT TSEK	1 JAN 2017 31 DEC 2017	1 JAN 2016 31 DEC 2016	1 JAN 2015 31 DEC 2015	1 JAN 2014 31 DEC 2014	1 JAN 2013 31 DEC 2013
Cash flow from operating activities	-14,371	-17,402	-9,535	-8,597	-3,012
Cash flow from investing activities	-2,074	-725	-898	-417	-640
Cash flow from financing activities	19,376	31,583	15,132	7,469	6,013
Change in cash and cash equivalents	2,931	13,456	4,699	-1,545	2,361
Cash and cash equivalents at the beginning of the year	18,979	5,523	824	2,369	8
Likvida medel vid årets slut	21 910	18 979	5 523	824	2 369

KEY FIGURES	31 DEC 2017	31 DEC 2016	31 DEC 2015	31 DEC 2014	31 DEC 2013
Quick ratio (%)	225	683	207	126	130
Equity/assets ratio (%)	64	88	70	80	68
Dividends (SEK)	-	-	-	-	-

Financial definitions
Quick ratio: Current assets (excl. inventories) divided by current liabilities Equity/assets ratio: Equity as a percentage of total assets

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.

Milestones achieved

Xintela has achieved key targets in both the stem-cell project and the cancer project. This shows that the methods and concepts work, and the company is now ready to take the next step towards clinical trials, partnerships and commercialisation. Key individuals have been recruited to meet new needs in clinical development, GMP-grade production of stem cells and business development.

- Positive data from a pre-clinical equine study showed that Xintela's stem cells were safe to use and that they protect cartilage and bone after traumatic damage to the cartilage. The stem cells also indicated repair of the damaged articular cartilage.

- Up-scaled and ready method for stem cell cultivation in Bioreactor for clinical trials.

- Recruited key individuals for the establishment of a GMP facility, and of processes and quality systems for GMP-grade production.

- Completed GMP facility for stem cell production.

- Positive preclinical data in the cancer project showed that the company's ADC had a killing effect on glioblastoma cells both in vitro and in an animal model.

- In-licensing of human antibodies for the development of a cancer product.

- Established collaboration in both Europe and Japan for the XACT analytical test.

- Discussions regarding collaboration on both stem cells and cancer are ongoing.

*) GMP stands for Good Manufacturing Practice and is a system for ensuring that pharmaceutical products are produced and controlled according to the rigorous quality standards set by the Swedish Medical Products Agency and similar regulators.

Forthcoming activities

Xintela's research and development has to date focused on the degenerative joint disease, osteoarthritis, and the malignant brain tumour, glioblastoma. The company is now taking the next step – by preparing projects for clinical trials and commercialisation, and by broadening the range of indications for the company's XINMARK® marker technology.

Xintela has decided to cultivate stem cells in its own GMP facility to give the company total control and flexibility in its product development as well as a cost-efficient solution, even in the short term. Xintela is also building up unique expertise in good manufacturing practice (GMP), process development and quality systems that will generate substantial and long-lasting value for the company, for Xintela's own operational development and as a potential contract cell manufacturer for other stem cell companies. Xintela expects the facility to be ready for production by the end of 2018.

The results from the completed horse trial form part of the preclinical documentation that Xintela is preparing for its application to conduct clinical trials in osteoarthritis therapy. In 2018, a new equine study with cartilage damage will be carried out to investigate the optimal dose of the stem cells and determine their mechanisms of action. The first clinical trial on humans is planned to commence in 2019.

Xintela's ADC has demonstrated efficacy in both cell studies and an animal model and thus provides a firm foundation for continued development. The company is now seeking a partner to move the project forward to clinical trials more efficiently.

Internal research and development activities have identified additional cancer indications with major development potential for Xintela's marker technology in terms of both diagnostics and therapy.

Xintela has decided to evaluate a possible spin-off of the oncology operations into a separate company that will be distributed among Xintela's shareholders. One important reason for the decision is that a new company with its own financing and management will create better conditions for developing the existing operations and for broadening the activities to include other cancer indications, and thus create more value for Xintela's shareholders.

Xintela recently announced that the company had developed methods for selecting neural stem cells from the brain using its marker technology. 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. Xintela's unique stem cell technology can identify and assure the quality of neural stem cells for therapeutic applications and the company is planning to continue development when resources become available, either internally or through external partners.

Share capital and ownership structure

The share

Xintela AB (publ) was listed on Nasdaq First North in Stockholm on 22 March 2016. First North is an alternative trading venue, 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.

At 31 December 2017, the company had 30,367,904 shares. 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.

Ticker symbol: XINT
ISIN code: SE0007756903
Number of shares outstanding: 30,367,904
Par value: SEK 0.03
Standard trading unit: 1 share
Share capital: SEK 911,037.12

Ten largest owners at 31 Dec 2017

NAME	NO. OF SHARES	PORTION (%)
Evy Lundgren-Åkerlund	4,134,500	13.61
Baulos Capital Belgium SA[1)]	3,331,900	10.97
ALMI Invest Småland & Öarna AB	2,694,300	8.87
Nordnet Pensionsförsäkring AB	2,441,440	8.04
PerÅke Oldentoft[1)]	1,620,200	5.34
Avanza Pension	1,469,664	4.84
Six Sis AG	664,742	2.19
Gregory Batcheller	608,300	2.00
AB Svedala Finans	481,000	1.58
BNY Mellon	330,427	1.09
Other shareholders	12,591,431	40.66
Total	**30,367,904**	**100.00**

1) Including related parties and companies.

Share capital performance

YEAR	EVENT	INCREASE IN SHARE CAPITAL (SEK)	TOTAL SHARE CAPITAL (SEK)	CHANGE IN NO. OF SHARES	TOTAL NO. OF SHARES	PAR VALUE (SEK)
2009	Company formation	100,000	100,000	100,000	100,000	1
2009	New share issue	33,400	133,400	33,400	133,400	1
2011	New share issue	13,818	147,218	13,818	147,218	1
2013	New share issue	16,258	163,476	16,258	163,476	1
2013	New share issue	20,713	184,189	20,713	184,189	1
2013	New share issue	36,809	220,998	36,809	220,998	1
2014	New share issue	64,841	285,839	64,841	285,839	1
2015	New share issue	39,952	325,791	39,952	325,791	1
2015	New share issue	31,478	357,269	31,478	357,269	1
2015	Rights issue	178,634.50	535,903.50	-	357,269	1.5
2015	Stock split (1:50)	-	535,903.50	17,506,181	17,863,450	0.03
2016	IPO	210,000.00	745,903.50	7,000,000	24,863,450	0.03
2017	New share issue, TO	63,834.75	809,738.25	2,127,825	26,991,275	0.03
2017	New share issue	96,153.87	905,892.12	3,205,129	30,196,404	0.03
2017	New share issue, warrants	5,145.00	911,037.12	171,500	30,367,904	0.03

Board and Chief Executive Officer

Gregory Batcheller, born 1957

Chairman of the Board since 2011
LL.M, J.D., B.Sc. (Econ.)

Experience: Extensive experience in pharmaceuticals, biotech and medtech.
Current assignments: Chairman of the Board of ImmuneBiotech AB, Monocl AB and Saga Diagnostics AB. Partner and Board member of Business Research Life Sciences Ltd (UK). Partner of PULS (Partners för Utvecklingsinvesteringar inom Life Sciences).
Previous assignments: Chairman of the Board of NeuroVive Pharmaceutical AB, A1M Pharma AB and AcuCort AB. Co-founder of Laccure AB and Trophea AB. Project leader at DuoCort AB.
Owns more than 5% of the shares in: Stanbridge Corporation BVBA (Belgium).
No. of shares: 608,300

Karin Wingstrand, born 1957

Board member since 2014
Pharmacist

Experience: Advisor to the life sciences industry. Previously employed as global head of AstraZeneca's clinical research, and global head of AstraZeneca's pharmaceutical and analytical research and development.
Current assignments: Board member of Mevia AB and T-bolaget Aktiebolag, Partners för Utvecklingsinvesteringar inom Life Sciences (PULS AB), Adenovir Pharma AB, Xbrane Biopharma AB and Swecure AB (publ).
No previous assignments over the past five years.
Owns more than 5% of the shares in: T-bolaget Aktiebolag and Winkon holding AB.
No. of shares: 60,000

Claes Post, born 1950

Board member since 2013
Reg. Pharmacist, Doctor of Pharmacy, Professor

Experience: Extensive experience in finance from several venture capital firms. He has also held CEO or Board member positions in several small life science companies in Sweden and Denmark; Vice President of preclinical research at Astra Pain Control, Astra Draco, and Senior Vice President Preclinical and Clinical Research Pharmacia and Pharmacia & Upjohn (Milan and Stockholm).
Current assignments: Chairman of the Board of AroCell AB (publ). Board member of Oblique Therapeutics AB and STOAF III Venture Partners AB.
Previous assignments: Board member of Sprint Bioscience AB, CT Post AB, GRADIENTECH AB, Sigrid Therapeutics AB, Denator AB, and Genagon AB.
Owns more than 5% of the units in CT Post AB.
Does not hold any shares.

1 Rapporterade aktieinnehav i Xintela AB omfattar även innehav för make/maka och barn samt aktier ägda via bolag.

Sven Kili, born 1967

Board member since 2014
Lic. doctor, orthopaedic specialist

Experience: Extensive experience in cell therapy. Is currently Vice-President and Head of the Cell & Gene Therapy Development division of GlaxoSmithKline. Has previously held leading clinical and regulatory positions in regenerative medicine at Sanofi Biosurgery and Genzyme, and been responsible for medical and regulatory issues in cellular therapy at Geistlich Pharma. Maintains his clinical expertise in the National Health Service (NHS) in the UK.
Current assignments: Sven Kili Consulting Ltd, UK
No previous assignments over the past five years.
Owns more than 5% of the units in: Sven Kili Consulting Ltd, UK
No. of shares: 337,127

Evy Lundgren-Åkerlund, born 1957

Chief Executive Officer since 2009
Doctor of Medical Science, senior lecturer

Experience: Xintela's founder. Extensive experience in biomedical research and development. Has previously held senior positions in both academia and industry. Founded Cartela AB and was CEO and Head of Research 2000-2007. Was Director of Operations/CEO of Ideon Bioincubator/ Lund Life Science Incubator 2008-2012.
No current assignments.
Previous assignments: Board member of Xintela AB.
Owns more than 5% of the units in Xintela AB. Owner of private company ELA Development.
No. of shares: 4,134,500
Number of warrants: 4,200

Directors' report

Operations

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.

Significant events in 2017

First quarter

On 4 January 2017, the company published additional results from the horse 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 an animal model.

In a press release on 20 January 2017, Xintela also announced to the market that preparations for a new equine study had commenced. The results from the equine study are highly significant for obtaining regulatory approval to commence clinical trials on humans.

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 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 took place whereby Evy Lundgren-Åkerlund assumed responsibility for research and Greg Batcheller increased his operational involvement in the company and became 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 No-

mination 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 warrants scheme introduced for employees 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

On 20 March 2018, Xintela announced that the company had decided to prepare for a possible spin-off of its oncology operations and form a new company to be distributed among Xintela's existing shareholders, and listed on a suitable trading venue in 2018.

On 17 April, Xintela announced that the company had developed new methods for identifying and selecting 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 investigate an optimal dose of the stem cells and obtain further information about their mechanisms of action.

Ongoing efforts to obtain financing for the company

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.

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.

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 memorandum. 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.

Product development

In view of the above, there is a risk that development of the company's products is discontinued and that the products fail to reach the market.

Disputes

Xintela is not involved in any disputes.

The Board proposes the following appropriation of profits

TSEK	
Non-restricted reserves	37,674
Loss for the year	-21,945
Total	**15,729**

The Board proposes that the funds available for distribution, TSEK 15,729, be carried forward. Accordingly, no dividend is proposed.

Statement of comprehensive income for the company

TSEK	NOTE	1 JAN 2017 31 DEC 2017	1 JAN 2016 31 DEC 2016
Operating income			
Income		2	3
Cost of goods sold		-	-
Gross profit		**2**	**3**
Operating expenses	6 – 11		
Research and development costs		-16,216	-14,532
Selling expenses		-3,401	-2,869
Administrative expenses		-2,318	-1,199
Other operating income		-	1,500
Other operating expenses		-	-
Operating profit/loss		**-21,933**	**-17,097**
Profit/loss from financial items			
Financial income		-	-
Financial expenses		-12	-963
Profit/loss before tax		**-21,945**	**-18,060**
Tax on profit/loss for the year	12	-	-
Profit/loss for the year	20	**-21,945**	**-18,060**
Earnings/loss per share before and after dilution, SEK	5	**-0.82**	**-0.78**

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

Earnings/loss per share, calculated on earnings attributable to each of the company's shareholders during the year (expressed as SEK per share)

The weighted-average number of shares was 26,740,705 in 2017, and 23,113,450 in 2016.

Balance sheet for the company

TSEK	NOTE	31 DEC 2017	31 DEC 2016
ASSETS	15.16		
Fixed assets			
Intangible assets	13	4,834	3,778
Tangible assets	14	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
Other current assets		**22,923**	**19,589**
TOTAL ASSETS		**28,585**	**23,849**
EQUITY AND LIABILITIES			
Equity	17		
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 year		-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	18	648	1,287
		10,170	**2,866**
Total liabilities		**10,170**	**2,866**
TOTAL EQUITY AND LIABILITIES		**28,585**	**23,849**

Statement of changes in equity for the company

TSEK	SHARE CAPITAL	DEVELOPMENT EXPENSES FUND	SHARE PREMIUM RESERVE	RETAINED EARNINGS	PROFIT/LOSS FOR THE PERIOD	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 year		-	-	-	-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][2]	64	-	9,998	-	-	10,062
Repurchased employee share option	-	-	-24	-	-	-24
New share issue[2]	96	-	8,728	-	-	8,824
New share issue, Employee share options[2]	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".

2) Issuance costs for the year amounted to MSEK 1.8

Cash flow statement for the company

TSEK	1 JAN 2017 31 DEC 2017	1 JAN 2016 31 DEC 2016
Operating activities		
Operating profit/loss	-21,933	-17,097
Depreciation/amortisation	673	556
Interest received	-	-
Interest paid	-12	-963
Cash flow from operating activities before changes in working capital	**-21,272**	**-17,504**
Changes in working capital		
Increase/decrease in receivables	-403	398
Increase/decrease in current liabilities	7,304	-296
Changes in working capital	**6,901**	**102**
Cash flow from operating activities	**-14,371**	**-17,402**
Investing activities		
Acquisition of fixed assets	-511	-332
Acquisition of intangible assets	-1,563	-393
Cash flow from investing activities	**-2,074**	**-725**
Financing activities		
New share issue	19,400	31,583
Repurchased 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	2,931	13,456
Cash and cash equivalents at the beginning of the period	18,979	5,523
Cash and cash equivalents at the end of the period	**21,910**	**18,979**

Notes to the financial statements

Note 1 General information

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

Xintela AB's Annual Report for the January-December 2017 period was approved for publication according to a Board decision on 15 May 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™ – 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 costs attributable to the development of veterinary 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, costs related to drug development are capitalised as internally generated intangible assets.

Note 4 Financial risk management

A research company such as Xintela is characterised by high operational and financial risk, since the company's projects are in various stages of development in which a number of parameters can affect the likelihood of commercial success. In summary, the operations are associated with risks related to drug development, competition, technological advancement, patents, regulatory requirements, capital requirements, currencies and interest rates. No major changes related to risks or uncertainties have occurred during the current period.

From an accounting perspective, there are four key risk areas – market risk, credit risk, currency risk and risk arising in connection with future financing. Xintela AB is not yet exposed to market risk or credit risk, but the company could face liquidity risk. The company monitors liquidity reserve forecasts carefully to ensure that the company has sufficient funds to meet the needs of its ongoing operations. Currency risk relates to the company's EUR exposure and the company regularly evaluates any needs for currency hedging. Other risks and uncertainties are described in the Directors' Report.

Note 5 Earnings/loss per share

At 31 December 2017, the company had 30,367,904 registered shares. At 31 December 2016, the company had 24,863,450 registered shares. The weighted-average number of shares was 26,740,705 in 2017, and 23,113,450 in 2016.

At 31 December 2017, loss per share was SEK 0.82 (loss: 0.78) based on earnings for the period divided by the weighted-average number of shares for the period. Earnings per share after dilution are not affected since the company reported a loss.

Note 6 Operating expenses classified by function

Operating expenses are presented in comprehensive income and classified by their function "Research and development costs," "Selling costs" and "Administrative expenses." Total expenses divided by function are divided between the following types of costs.

TSEK	2017	2016
Employee benefit expenses	9,924	7,165
Premises/operating costs	647	559
Research collaboration/consultants	2,550	3,252
Depreciation and impairment (Notes 14-16)	673	556
Other costs	8,139	7,068
Summa kostnader för forskning och utveckling, försäljning och administration	**21 933**	**18 600**

Note 7 Employees

AVERAGE NO. OF EMPLOYEES	2017	2016
No. of employees	11	9
of whom men	*3*	*3*

Note 8 Distribution of senior executives on the balance-sheet date

	31 DEC 2017	31 DEC 2016
Board members	4	5
of whom men:	3	4
Other employees in senior management incl. the CEO	1	1
of whom men	0	0
Total	**5**	**6**

Note 9 Remuneration and benefits

Salaries for the year

2017 TSEK	BOARD FEES	BASIC SALARY	VARIABLE PAY	PENSION COST	SOCIAL SECURITY EXPENSES[4]	TOTAL
Gregory Batcheller, Chairman of the Board	90	-	-	-	28	118
Anders Ermén, Board member[1]	-	-	-	-	-	-
Claes Post, Board member	-	-	-	-	-	-
Sven Kili, Board member	71	-	-	-	-	71
Karin Wingstrand, Board member	45	-	-	-	14	59
Keld Söndergaard, Board member[2]	22					22
Evy Lundgren-Åkerlund, CEO[3]	-	1,097	248	406	423	2,174
Total Board and CEO	**228**	**1,097**	**248**	**406**	**465**	**2,444**
Other employees[3]	-	5,203	-	728	1,354	6,509
Total	**228**	**6,300**	**248**	**1,134**	**1,819**	**8,953**

2016 TSEK	BOARD FEES	BASIC SALARY	VARIABLE PAY	PENSION COST	SOCIAL SECURITY EXPENSES[4]	TOTAL
Gregory Batcheller, Chairman of the Board	88	-	-	-	28	116
Anders Ermén, Board member	-	-	-	-	-	-
Claes Post, Board member	-	-	-	-	-	-
Sven Kili, Board member	103	-	-	-	-	103
Karin Wingstrand, Board member	22	-	-	-	7	29
Evy Lundgren Åkerlund, CEO	-	995	-	366	313	1,674
Total Board and CEO	**213**	**995**	**-**	**366**	**348**	**1,922**
Other employees	-	3,759	-	444	864	5,067
Total	**213**	**4,754**	**-**	**810**	**1,212**	**6,989**

1) Anders Ermén resigned from the Board at the AGM on 18 May 2017.

2) Keld Söndergaard was elected to the Board on 18 May 2017 but resigned for personal reasons on 17 October 2017.
3) Refer to the outstanding option scheme for employees in Note 16
4) The company has reduced the employer's contribution for employees engaged in research and development

Severance pay

A notice period of six and three months, respectively, applies between the company and the CEO.

The CEO does not have a severance pay contract.

Note 10 Related-party transactions

Related-party transactions comprise consulting services and these were conducted under normal market terms (including Board fees, see Note 9).

TSEK	2017	2016
Stanbridge bvba (owned by Gregory Batcheller, Chairman of the Board)	685	128
Ermén Produktion & Redovisning AB (owned by Anders Ermén, Board member)	7	24
Claes Post, Board member	20	8
Sven Kili, Board member	269	370
Karin Wingstrand, Board member	59	29
Evy Lundgren Åkerlund, CEO	-	-
Total Board and CEO	**1,040**	**559**

Consulting agreement with Sven Kili

On 26 September 2014, the company entered into a consulting agreement with Board member Sven Kili, through company, on normal market terms. Under the agreement, Sven Kili is required to provide product development and marketing consulting services on behalf of the company. For these services, he will be paid an hourly rate of GBP 175 (ex VAT) Under a separate agreement with some of the company's shareholders, Sven Kili is entitled to acquire 3% of each of these shareholder's holdings at nominal value. The shares will be transferred over a period of three years, starting in 2015. The first shares were transferred in September 2015. A total of 8,574 shares will be transferred to Sven Kili (3% of 285,839 shares). The company will have sole ownership rights to any inventions or other intellectual property rights arising as a result of, and during the term of, the agreement. The agreement will remain valid until further notice, with a mutual notice period of three months.

Consulting agreement with Gregory Batcheller

On 1 April 2016, the company entered into a consulting agreement with the Chairman of the Board, Gregory Batcheller, through companies, on normal market terms. Under the agreement, Gregory Batcheller is required to provide consulting services in legal matters, negotiation and contract assignments, patents, Investor Relations strategies, business development and financing on behalf of the company. For these services, he will be paid an hourly rate of SEK 1,250 (ex VAT).

Note 11 Auditor's fees

TSEK	2017	2016
PricewaterhouseCoopers AB		
Audit assignment	65	65
Non-audit services		
Tax consultancy	-	-
Other services	70	66
Summa	**135**	**131**

Note 12 Tax

At 31 December 2017, the company's total deficit was a provisional TSEK 69,119 (45,472). Deferred tax on the deficit has not been taken into account.

TAX EFFECTS FOR THE YEAR (TSEK)	AMOUNT	TAX RATE	EFFECT
Tax effect on profit/loss for the year	-21,945	22%	4,828
Tax effect on ESA items	0.05	22%	-0.01
Tax effect on unrecognised loss carryforwards			-4,828
Tax in the income statement			0

Note 13 Patents

TSEK	2017	2016
Opening costs	5,776	5,381
Capitalised patent expenses for the year	1,564	395
Closing acc. costs	**7,340**	**5,776**
Opening depreciation and impairment	-1,998	-1,569
Depreciation and impairment for the year	-508	-429
Closing acc. depreciation and impairment	2,506	-1,998
Closing carrying amount	**4,834**	**3,778**

Note 14 Equipment

TSEK	2017	2016
Opening costs	763	432
Acquisitions for the year	511	331
Closing acc. costs	**1,274**	**763**
Opening depreciation and impairment	-281	-154
Depreciation and impairment for the year	-165	-127
Closing acc. depreciation and impairment	-446	-281
Closing carrying amount	**828**	**482**

Note 15 Financial instruments by category

ASSETS IN THE BALANCE SHEET TSEK	31 DEC 2017	31 DEC 2016
Loans and receivables		
Accounts receivable	-	-
Other receivables	808	550
Cash and cash equivalents	21,910	18,979
Total	**22,718**	**19,529**

LIABILITIES IN THE BALANCE SHEET TSEK	31 DEC 2017	31 DEC 2016
Other financial liabilities		
Tax liabilities	217	105
Accounts payable	1,891	1,234
Other current liabilities	8,062	1,527
Total	**9,953**	**2,761**

Note 16 Operating leases

Less than 1 year	
Offices and laboratories	TSEK 387
From 1-5 years	
Offices and laboratories	TSEK 2,212
More than 5 years	
Offices and laboratories	TSEK 0

Note 17 Share capital and other contributed capital

	NO. OF SHARES	SHARE CAPITAL	SHARE PREMIUM RESERVE	TOTAL
At 1 January 2016	**17,863,450**	**536**	**29,905**	**30,441**
New share issue	7,000,000	210	31,373	31,583
Equity, 31 December 2016	**24,863,450**	**746**	**61,278**	**62,024**
At 1 January 2017	**24,863,450**	**746**	**61,278**	**62,024**
New share issue, TO	2,127,825	64	9,998	10,062
Repurchase of employee share options	-	-	-24	-24
New share issue	3,205,129	96	8,728	8,824
New share issue, employee share options	171,500	5	509	514
Equity, 31 December 2017	**30,367,904**	**911**	**80,489**	**81,400**

The share

Xintela AB (publ) was listed on Nasdaq First North in Stockholm on 22 March 2016.

At 31 December 2017, the company had 30,367,904 shares. 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. The nominal value of the share is SEK 0.03 and the share capital is SEK 911,037.12.

Outstanding options

Xintela AB (publ) introduced an outstanding option scheme for employees in November 2015. The options can be used to subscribe for shares between January and November 2018. The outstanding options carry rights to subscribe for a total of 275,000 new shares at a price of SEK 6.50/share.

Note 18 Accrued expenses

TSEK	31 DEC 2017	31 DEC 2016
Accrued salary, including social security contributions	25	6
Accrued holiday pay liability, including social security contributions	406	381
Other accrued expenses	217	900
Total	**648**	**1,287**

Note 19 Contingent liabilities

On 3 April 2009, the company entered into a transfer agreement with Cartela R&D AB regarding patents and patent applications related to integrin α10β1, whereby some of the purchase price would be paid if the company, or companies in which the company has a participating interest, received revenue from products attributable to integrin α10β1. The maximum amount is MSEK 1.5.

Note 20 Appropriation of profits

The Board proposes the following appropriation of profits:

TSEK	
Non-restricted reserves	37,929
Loss for the year	-21,945
Total	**15,729**

The Board proposes that the funds available for distribution, TSEK 15,729, be carried forward. Accordingly, no dividend is proposed.

Note 21 Significant events after the end of the period

On 20 March 2018, Xintela announced that the company had decided to prepare for a possible spin-off of its oncology operations and form a new company to be distributed among Xintela's existing shareholders, and listed on a suitable trading venue in 2018.

On 17 April, Xintela announced that the company had developed new methods for identifying and selecting 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 investigate an optimal dose of the stem cells and obtain further information about their mechanisms of action.

Annual Report signatures

Lund, 15 May 2018

Gregory Batcheller
Chairman

Sven Kili

Claes Post

Karin Wingstrand

Evy Lundgren Åkerlund
Chief Executive Officer

We presented our auditor's report on 15 May 2018.

Öhrlings PricewaterhouseCoopers AB

Ola Bjärehäll
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Xintela AB, Corp. Reg. No. 556780-3480

Report on the annual accounts

Opinions

We have audited the annual accounts of Xintela AB for the 2017 financial year. The annual accounts of the company are included on pages 12-27 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and, in all material respects, give a true and fair view of Xintela AB's financial position at 31 December 2017 and of the company's financial performance and cash flow for the year then ended in accordance with RFR 2 (Accounting for Legal Entities) and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other parts of the annual accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for Xintela AB.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISAs) and generally accepted auditing standards in Sweden. Our responsibilities according to these standards are further described in the Auditor's responsibilities section. We are independent of Xintela AB in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Information other than the annual accounts

This document contains information other than the annual accounts on pages 1-11. The Board of Directors and Chief Executive Officer are responsible for the other information.

Our opinion on the annual accounts does not does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Chief Executive Officer

The Board of Directors and Chief Executive Officer are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and Chief Executive Officer are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to the going concern and using the going concern basis of accounting. However, the going concern basis of accounting is not applied if the Board of Directors and Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on the Swedish Inspectorate of Auditors' website: https://www.revisorsinspektionen.se/en/English/ This description is part of the auditor's report.

Key audit matters
Without prejudice to our opinion, we would like to draw attention to the fact that the company's ongoing operations are dependent on the success of the company's ongoing, and as reported in the Directors' Report, efforts to raise capital.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts, we have also audited the administration of the Board and Chief Executive Officer of Xintela AB for the 2017 financial year, and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Directors' Report and that the Board of Directors and Chief Executive Officer be discharged from liability for the financial year.

Basis for opinions
We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities according to these standards are further described in the Auditor's responsibilities section. We are independent of Xintela AB in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and Chief Executive Officer
The Board of Directors is responsible for the proposed appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes, among other things, continuous assessment of the company's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the annual accounts is available on the Swedish Inspectorate of Auditors' website: https://www.revisorsinspektionen.se/en/English/ This description is part of the auditor's report.

Stockholm, 15 May 2018

Öhrlings PricewaterhouseCoopers AB

Ola Bjärehäll
Authorised Public Accountant

xintela

www.xintela.se