Interim report

1 JAN 2019-30 SEP 2019

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

Summary of the interim report

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

First nine months of the year (1 Jan 2019-30 Sep 2019)

- Income amounted to TSEK 3 (1,012).
- Loss before tax totalled TSEK -28,081 (-17,581).
- Loss per share* was SEK -0.71 (-0.58).
- At 30 September 2019, the equity/assets ratio** was 80% (4).

Third quarter (1 Jul 2019-30 Sep 2019)

- Income amounted to TSEK 2 (617).
- Loss before tax totalled TSEK -7,961 (-4,381).
- Loss per share* was TSEK -0.20 (-0.14).

* Loss per share: Profit/loss for the period divided by 39,470,708 shares, which was the registered number of shares at 30 September 2019. In the year-earlier period, the company had 30,367,904 registered shares.
** Equity/assets ratio: Equity divided by total capital.

Amounts in parentheses: Comparative period of the preceding year.

Significant events in the third quarter of 2019

- No significant events occurred in the third quarter.

Significant events after the end of the period

- On 5 November, Xintela announced that it had secured a loan of EUR 750,000 from the Bauerfeind Group. The loan can be paid in two tranches, carries annual interest of 3% and falls due for payment through conversion to shares at a rate of SEK 6 per share not later than 31 December 2019.

Statement from the CEO, Evy Lundgren-Åkerlund

Important milestones achieved

Critical steps in the production process completed

A very thorough and extensive work is underway in the GMP facility to finalise all parts of the process development and quality documentation before applying for a production permit. A central part of the process development is the selection step where we use a specific antibody to purify high quality stem cells from the donated fat tissue. Since the antibody will be used in the production of our stem cell product, there are very high regulatory requirements on how the antibody is made and produced. We therefore contracted BioInvent in Lund, which has extensive experience in antibody development and production for clinical use. We have now developed and produced the antibody that will be our most important tool in the production of our stem cell product and that meets the requirements for security, quality and documentation.

Another important milestone is that we have now signed a contract with the clinic that delivers donated fat tissue for our stem cell production, which ensures delivery of adipose tissue according to set criteria.

It is very stimulating for the team that we have also worked through all critical steps in the process from isolation of stem cells from adipose tissue to selection, expansion and formulation of the stem cells under strict GMP conditions.

Positive meeting with the Swedish Medicines Agency

In September we had a meeting with the Swedish Medicines Agency to get their opinion on the production of our stem cell product XSTEM-OA and on the design of our First-In-Human study. We received a very positive and constructive response and valuable confirmation that we have a good, clear plan. Our first clinical trial will be on patients with knee osteoarthritis. The protocol for the study is in place and negotiations with a CRO as well as the clinics where the studies will be carried out are ongoing. We have also begun to evaluate the next musculoskeletal indication for our stem cell platform XSTEM.

Success in the cancer project

In the cancer project, we continue to evaluate our antibodies, including those from the Catalent collaboration, in various preclinical cancer models. The antibodies are directed to Xintela's integrin targets and the purpose is to assess the therapeutic potential of the antibodies and identify possible product candidates. After successful studies on cells from various aggressive cancers, we have now begun studies on cancer models in animals using selected antibodies. The animal studies are run by the team at Xintela's wholly owned subsidiary Targinta in collaboration with researchers at Lund University. As previously announced, we are deferring the spin-out of Targinta until funding is secured.

Financing and cooperation

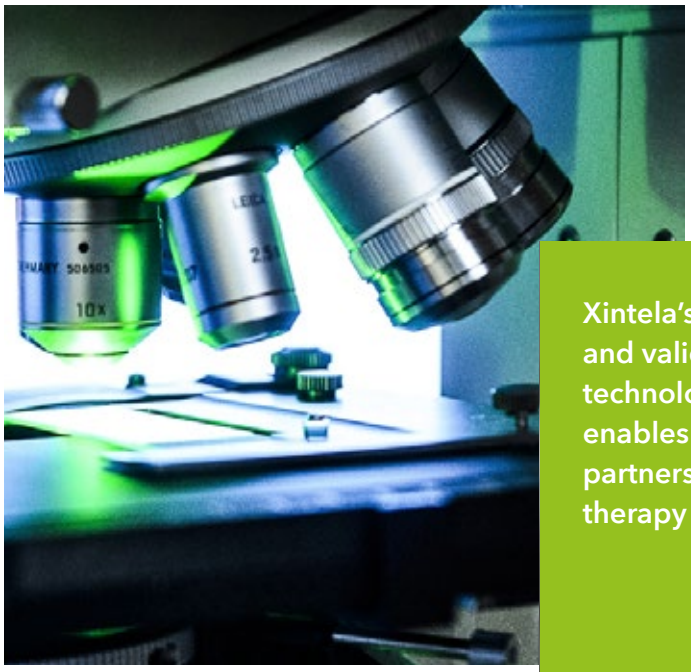
We work actively to identify different forms of funding for our projects, including project funding through collaborations and grants such as EU funding. At the end of October, we obtained a bridge loan of approximately SEK 8 million from our major shareholder in the Bauerfeind Group at the annual interest rate of 3 percent. The loan will be converted into shares before the end of the year at the rate of 6 SEK/share. The loan gives us the opportunity to continue working towards long-term financing solutions and to evaluate new opportunities and areas where our companies can deepen cooperation in the future. We also have ongoing discussions with various veterinary medical companies about possible collaborations on stem cell therapy for osteoarthritis in animals.

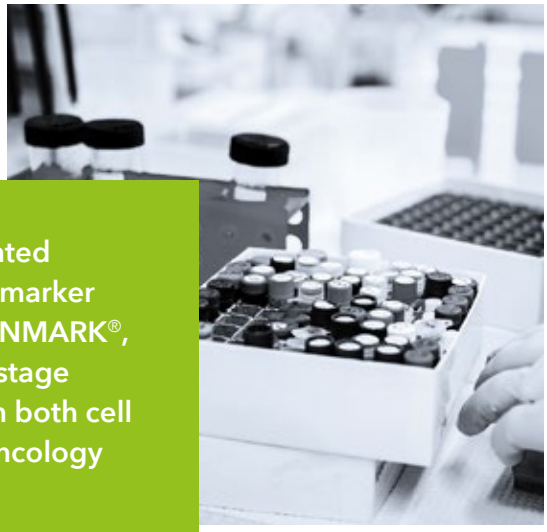
Expansion to new premises

As Xintela's stem cell project and GMP production unit take huge steps forward, the need for premises increases. To give further space to the growing stem cell team, Xintela's management and Targinta's personnel have now moved to new offices and labs premises at Medicon Village. This is of course a very positive sign that the business is strongly moving forward.

Sincerely,

Evy Lundgren-Åkerlund
CEO, Xintela AB (publ)





Xintela's patented and validated marker technology, XINMARK®, enables early-stage partnerships in both cell therapy and oncology

Xintela AB

Xintela is an innovator in the development of regenerative cell therapies and targeted cell therapies based on the patented marker technology platform XINMARK®. The platform is based on specific cell-surface proteins (integrins) and more than 25 years of research and development. Xintela uses the marker technology to select and assure the quality of stem cells for the treatment of musculoskeletal disorders, including osteoarthritis. Studies on horses with osteoarthritis have demonstrated that the stem cells are safe and have a positive effect on cartilage and bone. Xintela has established a GMP facility for stem cell manufacturing and is preparing a first-in-human trial on patients with osteoarthritis of the knee. In the company's oncology program, Xintela is developing antibody-based therapies for the treatment of aggressive tumours, including glioblastoma.

Performance figures

Income

The company reported net sales of TSEK 3 (1,012) for the first nine months of the year. For the third quarter, the company reported net sales of TSEK 2 (617).

Earnings

The company's operating loss for the first nine months of the year totalled TSEK -28,079 (-16,100). The corresponding figures for the third quarter were a loss of TSEK -7,961 (-3,961).

Research and development expenses account for the highest portion of the company's costs and amounted to TSEK 21,533 (11,261) for the January-September period. The corresponding figures for the third quarter were TSEK 5,875 (3,254).

Marketing and sales costs for the first nine months of the year amounted to TSEK 3,651 (3,380). The corresponding figures for the third quarter were TSEK 1,147 (793).

Administrative expenses for the first nine months of the year amounted to TSEK 2,898 (2,471). The corresponding expenses for the third quarter amounted to TSEK 941 (532).

For the January-September 2019 period, loss before tax was TSEK -28,081 (-17,581). The corresponding figures for the third quarter were TSEK -7,961 (-4,381).

Financial position

On 30 September 2019, Xintela's equity/assets ratio was 80% (4) and equity amounted to TSEK 16,864 (834). The company's cash and cash equivalents amounted to TSEK 2,685 (2,838). On the same date, the company's total assets amounted to TSEK 21,048 (19,205).

On 5 November, the company announced a loan totalling EUR 750,000 from the Bauerfeind Group.

Cash flow and investments

Xintela's cash flow for the January-September 2019 period was TSEK -28,712 (-19,072). Investments amounted to TSEK 533 (10,487), of which tangible assets accounted for TSEK 394 (9,607). The investments are linked to the establishment of Xintela's own GMP facility for the manufacture of stem cells for clinical trials.

The share

Xintela AB (publ) was listed on Nasdaq First North Growth Market in Stockholm on 22 March 2016 under the ticker symbol "XINT." First North Growth Market is an alternative marketplace, operated by an exchange within the NASDAQ OMX Group. Companies on First North Growth Market 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 Growth Market may therefore entail a higher investment risk than a company listed on the main market. All companies listed on First North Growth Market 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 Growth Market is Erik Penser Bank AB, +46 (0)8 463 80 00, certifiedadviser@penser.se.

At 30 September 2019, the number of shares traded was 39,470,708. 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-SEP 2019	JAN-SEP 2018	FULL-YEAR 2018
No. of shares before full dilution	39,470,708	30,367,904	39,470,708
No. of shares after full dilution	39,470,708	30,367,904	39,470,708
Loss per share before full dilution	-0.71	-0.58	-0.67
Average no. of shares before full dilution	39,470,708	30,367,904	31,819,832
Average no. of shares after full dilution	39,470,708	30,367,904	31,819,832

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

Year-end report, 2019
28 February 2020

Employees

For the January-September 2019 period, the average number of employees at Xintela was 15 (11), of whom 2 (1) 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, and 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.

Underwriting commission claim

The Extraordinary General Meeting (EGM) on 21 September 2018 approved a rights issue of approximately MSEK 24. When the rights issue was announced on 5 September, 60% of the issue had been underwritten in an underwriting agreement between the company and the following underwriters: Formue Nord Markedsneutral A/S, Modelio Equity AB, Oliver Molse and Råsunda Förvaltning AB. Shortly after the EGM, however, the Board decided not to go ahead with the rights issue because the company had received a very attractive financing option deemed considerably more advantageous for the company and its shareholders. This was communicated to the market on 24 September 2018 and on 15 October 2018, an EGM approved the Board's decision. Although the rights issue was never implemented, the underwriters consider themselves entitled to a total underwriting commission of MSEK 1.5. Xintela disputes the payment of any underwriting commission and discussions are continuing between the parties.

Condensed statement of comprehensive income for the company

		Q3		Q1-Q3		Full-year
TSEK	NOTE	1 JUL 2019 30 SEP 2019	1 JUL 2018 30 SEP 2018	1 JAN 2019 30 SEP 2019	1 JAN 2018 30 SEP 2018	1 JAN 2018 31 DEC 2018
Operating income						
Net sales		2	617	3	1,012	1,628
Gross profit		**2**	**617**	**3**	**1,012**	**1,628**
Operating expenses						
Research and development costs		-5,875	-3,254	-21,533	-11,261	-17,637
Selling costs		-1,147	-793	-3,651	-3,380	-4,730
Administrative expenses		-941	-532	-2,898	-2,471	-3,465
Other operating income		–	–	–	–	–
Other operating expenses		–	–	–	–	–
Operating loss		**-7,961**	**-3,961**	**-28,079**	**-16,100**	**-24,204**
Profit/loss from financial items						
Financial income		–	–	–	–	–
Financial expenses		–	-420	-2	-1,481	-2,070
Loss before tax		**-7,961**	**-4,381**	**-28,081**	**-17,581**	**-26,274**
Tax on loss for the year		–	–	–	–	–
Loss for the period		**-7,961**	**-4,381**	**-28,081**	**-17,581**	**-26,274**
Loss per share, SEK	4	**-0.20**	**-0.14**	**-0.71**	**-0.58**	**-0.67**

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 SEP 2019	30 SEP 2018	31 DEC 2018
ASSETS			
Fixed assets			
Intangible assets	1,882	4,664	2,754
Tangible assets	13,147	10,287	12,871
Financial assets	139	–	–
Participations in subsidiaries	50	50	50
Total fixed assets	**15,218**	**15,001**	**15,675**
Current assets			
Accounts receivable	–	–	–
Receivables from subsidiaries	1,825	–	1,013
Other receivables	719	1,109	1,208
Prepaid expenses	601	257	421
Cash and cash equivalents	2,685	2,838	31,397
Total current assets	**5,830**	**4,204**	**34,039**
TOTAL ASSETS	**21,048**	**19,205**	**49,714**
EQUITY AND LIABILITIES			
Equity			
Share capital	1,184	911	1,184
Development expenses fund	305	1,776	485
Share premium reserve	133,020	80,489	133,020
Retained earnings	-89,564	-64,761	-63,470
Loss for the period	-28,081	-17,581	-26,274
Total equity	**16,864**	**834**	**44,945**
Current liabilities			
Accounts payable	2,208	4,951	2,738
Tax liability	310	229	313
Other liabilities	470	12,389	442
Accrued expenses and deferred income	1,197	801	1,277
Total current liabilities	**4,184**	**18,371**	**4,769**
Total liabilities	**4,184**	**18,371**	**4,769**
TOTAL EQUITY AND LIABILITIES	**21,048**	**19,205**	**49,714**

Condensed cash flow statement for the company

TSEK	Q3 1 JUL 2019 30 SEP 2019	Q3 1 JUL 2018 30 SEP 2018	Q1-Q3 1 JAN 2019 30 SEP 2019	Q1-Q3 1 JAN 2018 30 SEP 2018	Full-year 1 JAN 2018 31 DEC 2018
Operating activities					
Operating loss	-7,961	-3,961	-28,079	-16,100	-24,204
Depreciation/amortisation	330	402	990	1,148	2,100
Financial income	–	–	–	–	–
Financial expenses	–	-420	-2	-1,481	-2,070
Cash flow from operating activities before changes in working capital	**-7,631**	**-3,979**	**-27,091**	**-16,433**	**-24,175**
Changes in working capital					
Increase/decrease in receivables	58	210	-503	-353	-1,629
Increase/decrease in current liabilities	-737	1,900	-585	8,201	-5,401
Changes in working capital	**-679**	**2,110**	**-1,088**	**7,848**	**-7,030**
Cash flow from operating activities	**-8,310**	**-1,869**	**-28,179**	**-8,585**	**-31,205**
Investing activities					
Acquisition of tangible assets	-345	-3,440	-394	-9,607	-12,246
Acquisition of intangible assets	–	–	–	-830	184
Acquisition of financial assets	12	-50	-139	-50	-50
Cash flow from investing activities	**-333**	**-3,490**	**-533**	**-10,487**	**-12,112**
Financing activities					
New issue	–	–	–	–	52,804
Repurchased employee share option	–	–	–	–	–
Increase/decrease in long-term liabilities	–	–	–	–	–
Cash flow from financing activities	**-**	**-**	**-**	**-**	**52,804**
Change in cash and cash equivalents	-8,643	-5,359	-28,712	-19,072	9,487
Cash and cash equivalents at the beginning of the period	11,328	8,197	31,397	21,910	21,910
Cash and cash equivalents at the end of the period	**2,685**	**2,838**	**2,685**	**2,838**	**31,397**

Statement of changes in equity for the company

TSEK	SHARE CAP-ITAL	DEVELOPMENT EXPENSES FUND	SHARE PREMIUM RESERVE	RETAINED EARNINGS	LOSS FOR THE PERIOD	TOTAL
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	–	-1,290	–	1,290	–	–
Private placement	250	–	47,554	–	–	47,804
Conversion of loans	23	–	4,977	–	–	5,000
Loss for the period	–	–	–	–	-26,274	-26,274
Equity, 31 December 2018	**1,184**	**485**	**133,020**	**-63,470**	**-26,274**	**44,945**
Opening balance, 1 January 2019	1,184	485	133,020	-63,470	-26,274	44,945
Reversal of prior year's accruals	–	–	–	-26,274	26,274	–
Development expenses fund	–	-180	–	180	–	–
Loss for the period	–	–	–	–	-28,081	-28,081
Equity, 30 September 2019	**1,184**	**305**	**133,020**	**-89,564**	**-28,081**	**16,864**

Notes

Note 1 General information

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

Xintela AB's interim report for the January-September 2019 period has been approved for publication according to a Board decision on 28 November 2019.

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

Note 2 Summary of significant accounting policies

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

Basis of preparation

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

With reference to the regulations set out in the Swedish Annual Accounts Act, Chapter 1, section 3 and Chapter 7, section 3, the subsidiary formed in 2018 has not been consolidated.

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 became effective on 1 January 2018. The standard will be applied retroactively. The company intends to apply the new standard by the financial year beginning on 1 January 2018. However, this standard will not have any impact 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 eight patent families that, in combination, protect various aspects of Xintela's technology platform. The titles of the eight patent families are Alpha11, Stem Cell Marker, Antibody, Brain Tumour, Neural Stem Cells, XACT for Chondrocytes, OA Prevention and Aggressive Tumour.

- 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 protects integrin α10β1-enriched stem cells as a product, and also includes methods for identifying, selecting and cultivating neural stem cells, as well as the treatment of brain damage.
- The XACT for Chondrocytes patent protects chondrocyte products with high integrin α10β1 expression and low integrin α11β1 expression, and therapeutic applications of these chondrocytes.
- The OA Prevention patent protects the application of Xintela's mesenchymal stem cells for the prevention and treatment of degenerative joint diseases, including osteoarthritis. The patent also protects application for inducing fracture healing.
- The Aggressive Tumour patent covers the use of Xintela's unique markers for the diagnosis and treatment of aggressive tumours.

The company 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 chondrocytes 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 September 2019, the company had 39,470,708 registered shares. In the year-earlier period, the company had 30,367,904 issued shares.

At 30 September 2019, the loss per share was SEK -0.71 (-0.58).

Note 5 Significant events after the end of the period

On 5 November, Xintela announced that it had secured a loan of EUR 750,000 from the Bauerfeind Group. The loan can be paid in two tranches, carries annual interest of 3% and falls due for payment through conversion to shares at a rate of SEK 6 per share not later than 31 December 2019.

Lund, November 2019

Gregory Batcheller
Chairman

Sven Kili
Board member

Peter Edman
Board member

Karin Wingstrand
Board member

Evy Lundgren Åkerlund
Chief Executive Officer

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