Interim report

1 JAN 2020-30 SEP 2020

xintela

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 2020–30 Sep 2020)

- Net sales amounted to TSEK 0 (3).
- Loss before tax totalled TSEK 24,922 (loss: 28,081).
- Loss per share* was SEK 0.43 (loss: 0.71).
- At 30 September 2020, the equity/assets ratio** was 47% (80).

Third quarter (1 Jul 2020–30 Sep 2020)

- Net sales amounted to TSEK 0 (2).
- Loss before tax totalled TSEK 8,315 (loss: 7,961).
- Loss per share* was SEK 0.14 (loss: 0.20).

** Earnings/loss per share: Profit/loss for the period divided by 57,542,856 shares, which was the registered number of shares at 30 September 2020. In the year-earlier period, the Company had 39,470,708 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 2020

- On 13 July, Xintela announced that the Company's fully underwritten rights issue of units was heavily oversubscribed with a subscription ratio of 291%. Given the interest, the Board decided to exercise the overallotment option of an additional 1,458,333 units. The rights issue and overallotment option will generate approximately MSEK 40.5 for the Company less costs.

- On 29 July, Xintela announced that the US Patent and Trademark Office (USPTO) had issued a Notice of Allowance for the Company's patent application covering quality assurance of chondrocytes (XACT), which is important for the development of chondrocyte-based cell therapy products. This Notice of Allowance means that the USPTO intends to grant the patent after certain formal steps have been completed. Once granted, the patent will be valid until 2038.

- On 19 August, Xintela announced that it is expanding and strengthening its management team with Peter Ekolind as COO (Chief Operating Officer) and Thomas Areschoug as CBO (Chief Business Officer). Sven Kili, who has had a combined role as COO and CMO (Chief Medical Officer), will focus on his role as CMO.

Significant events after the end of the period

- Xintela announced on 26 October that the Company's selected human stem cells XSTEM® show a therapeutic effect in ARDS (Acute Respiratory Distress Syndrome) in an ongoing preclinical study in pigs. ARDS is a life-threatening lung complication that may affect severely ill COVID-19 patients.

- Xintela announced on 28 October that the Company had submitted an application to the Medical Products Agency for a tissue establishment license for handling tissues and cells for manufacturing of medicinal products.

- Xintela announced on 29 October that the European Patent Office (EPO) had issued an "Intention to grant" decision for the patent application covering the Company's stem cell product XSTEM®, consisting of integrin α10-selected mesenchymal stem cells.

- On 2 November, Xintela announced that the exercise price for the Company's TO 2 warrant had been set at SEK 2.28, and the subscription period would begin on 4 November. Warrants not sold by 11 November or alternatively exercised by 18 November will expire worthless.

- On 12 November, Xintela announced that Lars Hedbys had accepted an invitation to join the Company's Board of Directors. The Xintela Board will recommend that shareholders formally appoint Lars at the next shareholders' meeting. In the meantime, Lars will be co-opted to attend future Board meetings.

- On 23 November, Xintela announced the outcome of the exercise of warrants of series TO 2. A total of 16,423,708 warrants were exercised for subscription of 16,423,708 new shares in the Company, corresponding to approximately 98 percent of the total number of warrants.

Statement from the CEO, Evy Lundgren-Åkerlund

Xintelas fokuserade och målinriktade arbete fortsätter att leverera viktiga milstolpar

Through our marker technology XINMARK® and our validated method of selecting stem cells, Xintela has developed the stem cell platform XSTEM® that is being used to develop treatments for several different diseases that currently lack effective treatment alternatives. Our first focus is the treatment of the degenerative joint disease osteoarthritis. Preparations for a clinical study Phase I/IIa in Australia are ongoing and the goal is to start the clinical study with our stem cell product XSTEM-OA on patients with knee osteoarthritis in 2021. We are also endeavouring to develop Animal Health products and have discussions with Animal Health companies on possible collaborations for stem cell therapy of osteoarthritis and other common diseases in animals.

A new potential indication area for XSTEM is Acute Respiratory Distress Syndrome (ARDS), a life-threatening lung complication that can affect patients who are seriously ill with COVID-19 and other severe systemic disorders. Recent partnering in the ARDS stem cell space confirms that such a product would have billion dollar market potential. In an ongoing preclinical study that we are conducting in collaboration with the Cardiothoracic surgery clinic at Skåne University Hospital in Lund, we are evaluating XSTEM-ARDS in a well-established ARDS pig model. In a press release on 26 October we announced promising findings showing that the animals treated with XSTEM-ARDS had significantly improved lung function and that our stem cells could reverse the critical ARDS condition.

Previously, we patented the method of selecting stem cells using our marker technology. On 29 October, we announced the "Intention to Grant" decision of the European Patent Office for our XSTEM stem cell product. This product patent covers XSTEM in various treatments including osteoarthritis and other degenerative joint diseases. Our patents anchor the development and commercialisation of products from our XSTEM® stem cell platform through 2038.

On 28 October we announced that we have applied for a license from the Swedish Medical Products Agency (MPA) to operate a tissue establishment for processing tissues and cells for use in the manufacture of our stem cell products. The next step will be our application for a manufacturing licence. We are on course to submit our application to the MPA in Q4 2020. We anticipate an inspection at the beginning of next year which will cover the facility, the production process and the XSTEM product, with the aim of certifying them under the regulatory requirements for GMP.

In our oncology project, we have successfully tested our antibodies directed toward our target molecule integrin α10β1 and demonstrated that they significantly reduce tumour growth in both Glioblastoma and Triple negative breast cancer (TNBC) animal models. In ongoing studies, we are now evaluating the effect of the antibodies on other aggressive forms of cancer. In the next step, we will produce the selected antibody candidate and conduct bioanalyses and toxicological studies to prepare an antibody therapy for clinical trials.

In an important milestone, the European Patent Office (EPO) recently granted our patent on the treatment of glioblastoma and other brain tumours with antibodies targeting integrin α10β1, through 2036. We have also applied for patents for the treatment of other aggressive forms of cancer using our antibodies.
The successful progress of our patent portfolio ensures the development and commercialization of our targeted therapeutic antibodies for cancer and paves the way for further development towards clinical studies and for partnering discussions.

We have firm plans to spin off Targinta in order to give our oncology projects the best conditions for successful development. Together with financial advisers, we are evaluating various possibilities for financing an independent Targinta. This could be a listing on the stock market, private financing or industrial partnering. At the same time, we are preparing Targinta through measures that include identifying a new Board of Directors and management team. The objective is for Targinta to become an independent, self-financing company in 2021.

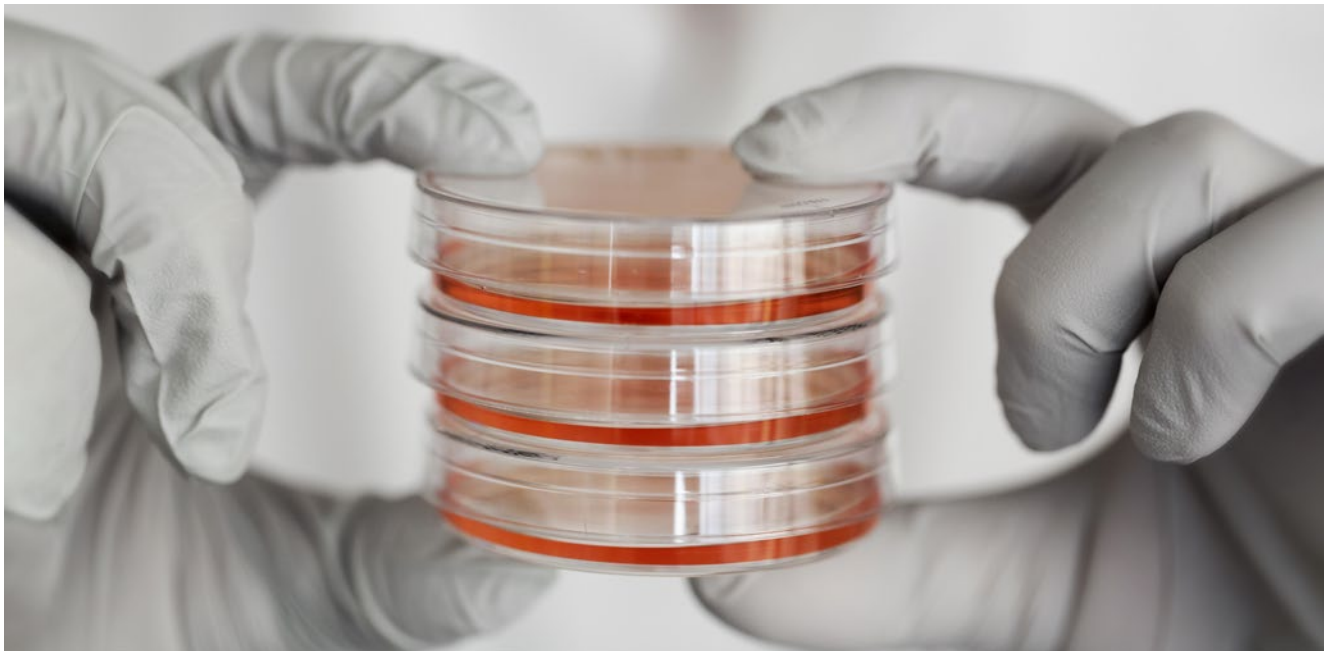
In June-July, we carried out a new share issue that yielded MSEK 40.5 before costs. There was substantial interest in our share issue and the subscription level reached 291%. Through the new issue, shareholders received an option to subscribe for additional shares in November at a discount of 30%. On November 23, we were pleased to announce that approximately 98 percent of the total number of options were subscribed, which adds approximately MSEK 37.4 to Xintela before costs.

On 12 November, we announced that Lars Hedbys has accepted an invitation to join the Xintela Board of Directors. The Board will recommend that shareholders formally appoint Lars at the next shareholders meeting. In the meantime, Lars will be adjoined to future Board meetings. We look forward to having Lars on our board. His knowledge and experience will be of great value as we now approach clinical studies and commercialisation.

The Covid-19 situation has had very limited impact on our operations, even though we have experienced delays in some deliveries. The management and staff have taken great responsibility and found working methods and routines so that the work can be conducted in a safe manner.

Sincerely,

Evy Lundgren-Åkerlund
CEO Xintela AB (publ)



Xintela AB

Xintela conducts research and development in the fields of cell therapy and oncology based on XINMARK®, the Company's patented marker technology platform. In cell therapy, the XSTEM® technology is being used to select and assure the quality of allogeneic mesenchymal stem cells, with an initial focus on the treatment of osteoarthritis – a degenerative joint disease – in humans and animals. Equine studies have shown that the Company's integrin α10β1-selected stem cells are safe, and have a positive effect on the articular cartilage and underlying bone following cartilage damage. The Company has established its own GMP facility and developed processes and quality documentation for the manufacture of XSTEM and is preparing a first-in-human trial on patients with osteoarthritis of the knee. At the same time, Xintela is preparing for the development of an animal stem cell product and also evaluating other indications including Acute Respiratory Distress Syndrome (ARDS), a lung condition that affects seriously ill COVID-19 patients.

In oncology, XINMARK® is being used to develop an antibody-drug conjugate (ADC) for cancer therapy, for aggressive tumours including the glioblastoma brain tumour and triple-negative breast cancer. Positive preclinical findings from cell studies and animal models have shown that the Company's antibodies targeted on integrin α10β1 have a killing effect on glioblastoma cells and inhibit the growth of glioblastoma tumours.

The oncology business is run by Targinta AB, a wholly owned subsidiary.

Performance figures

Income

The Company reported net sales of TSEK 0 (3) for the first nine months of the year. For the third quarter, the Company reported net sales of TSEK 0 (2). Other income for the first nine months of the year amounted to TSEK 10,082 (0) and to TSEK 4,764 (0) for the third quarter. The other income comprised costs that are invoiced onward to the subsidiary Targinta of TSEK 8,000 (0) and contributions from Vinnova of TSEK 2,079 (0). The corresponding figures for the third quarter are TSEK 3,725 (0) and TSEK 1,040 (0).

Earnings

The Company's operating loss for the first nine months of the year totalled TSEK 22,719 (loss: 28,079). The corresponding figures for the third quarter were a loss of TSEK 7,063 (loss: 7,961).

Research and development costs account for the highest portion of the Company's costs and amounted to TSEK 25,512 (21,533) for the January–September period. The corresponding figures for the third quarter were TSEK 8,894 (5,875).

Marketing and sales costs for the first nine months of the year amounted to TSEK 2,706 (3,651). The corresponding figures for the third quarter were TSEK 1,086 (1,147).

Administrative expenses for the first nine months of the year amounted to TSEK 4,584 (2,898). The corresponding expenses for the third quarter amounted to TSEK 1,847 (941).

Loss before tax for the January–September period of 2020 was TSEK 24,922 (loss: 28,081).

Financial position

On 30 September 2020, Xintela's equity/assets ratio was 47% (80) and equity amounted to TSEK 17,099 (16,864). The Company's cash and cash equivalents amounted to TSEK 13,029 (2,685). On the same date, the Company's total assets amounted to TSEK 36,171 (21,048).

Cash flow and investments

Xintela's cash flow for the January–September period of 2020 was TSEK 12,617 (neg: 28,712). Investments amounted to TSEK 381 (533), of which tangible assets accounted for TSEK 408 (394). 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.

At 30 September 2020, the number of shares was 57,542,856. 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 2020	JAN-SEP 2019	FULL-YEAR 2019
No. of shares before full dilution	57,542,856	39,470,708	39,470,708
No. of shares after full dilution	74,296,968	39,470,708	39,470,708
Loss per share before full dilution	-0.43	-0.71	-0.67
Average no. of shares before full dilution	44,606,798	39,470,708	39,470,708
Average no. of shares after full dilution	61,360,910	39,470,708	39,470,708

TO 2 warrants

In conjunction with the Company's new share issue, as resolved by the Board of Xintela on 15 June 2020, 16,754,112 TO 2 warrants were also issued. The subscription period began on 4 November 2020. The exercise price when redeeming the warrants was set at SEK 2.28. Full terms and conditions pertaining to the warrants and information about the Company are available in the prospectus approved by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) and published by the Company on 23 June 2020. The prospectus is available on the Company's website http://xintela.se/investerare#foretradesemission and the Swedish Financial Supervisory Authority's website www.fi.se.

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, 2020
26 February 2021

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 2018, 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. The underwriters have called for arbitration. The main proceedings were held on 20–21 October 2020. The arbitration decision will be announced before the end of the year.

Condensed statement of comprehensive income for the Company

		Q3		Q1-Q3		Full-year
TSEK	NOT	1 JUL 2020 30 SEP 2020	1 JUL 2019 30 SEP 2019	1 JAN 2020 30 SEP 2020	1 JAN 2019 30 SEP 2019	1 JAN 2019 31 DEC 2019
Operating income						
Net sales		-	2	-	3	38
Other income		4,764	-	10,082	-	5,641
Gross profit		**4,764**	**2**	**10,082**	**3**	**5,679**
Operating expenses						
Research and development costs		-8,894	-5,875	-25,512	-21,533	-34,714
Selling costs		-1,086	-1,147	-2,706	-3,651	-4,741
Administrative expenses		-1,847	-941	-4,584	-2,898	-4,270
Other operating income		-	-	-	-	-
Other operating expenses		-	-	-	-	-
Operating loss		**-7,063**	**-7,961**	**-22,719**	**-28,079**	**-38,047**
Profit/loss from financial items						
Financial income		-	-	-	-	-
Financial expenses		-1,253	-	-2,203	-2	-18
Loss before tax		**-8,315**	**-7,961**	**-24,922**	**-28,081**	**-38,065**
Appropriations		-	-	-	-	-5,465
Tax on loss for the year		-	-	-	-	-
Loss for the period		**-8,315**	**-7,961**	**-24,922**	**-28,081**	**-43,530**
Loss per share, SEK	4	**-0.14**	**-0.20**	**-0.43**	**-0.71**	**-1.10**

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 2020	30 SEP 2019	31 DEC 2019
ASSETS			
Fixed assets			
Intangible assets	1,187	1,882	1,597
Tangible assets	9,768	13,147	11,517
Financial assets	98	139	125
Participations in subsidiaries	839	50	839
Total fixed assets	**11,892**	**15,218**	**14,077**
Current assets			
Accounts receivable	–	–	–
Receivables from subsidiaries	8,533	1,825	1,997
Tax assets	333	–	–
Other receivables	1,958	719	–
Prepaid expenses	426	601	606
Cash and cash equivalents	13,029	2,685	412
Total current assets	**24,279**	**5,830**	**3,015**
TOTAL ASSETS	**36,171**	**21,048**	**17,093**

Condensed balance sheet for the Company, cont.

TSEK	30 SEP 2020	30 SEP 2019	31 DEC 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	1,726	1,184	1,184
Unregistered share capital	-	-	40
Development expenses fund	146	305	245
Share premium reserve	173,084	133,020	140,889
Retained earnings	-132,936	-89,564	-89,504
Loss for the period	-24,922	-28,081	-43,530
Total equity	**17,099**	**16,864**	**9,323**
Non-current liabilities			
Bridge loans	10,900	-	-
Total non-current liabilities	**10,900**	**-**	**-**
Current liabilities			
Accounts payable	3,709	2,208	3,785
Tax liability	-	310	374
Other liabilities	945	470	699
Accrued expenses and deferred income	3,519	1,197	2,911
Total current liabilities	**8,172**	**4,194**	**7,770**
Total liabilities	**19,072**	**4,184**	**7,770**
TOTAL EQUITY AND LIABILITIES	**36,171**	**21,048**	**17,093**

Condensed cash flow statement for the Company

	Q3		Q1-Q3		Full-year
TSEK	1 JUL 2020 30 SEP 2020	1 JUL 2019 30 SEP 2019	1 JAN 2020 30 SEP 2020	1 JAN 2019 30 SEP 2019	1 JAN 2019 31 DEC 2019
Operating activities					
Operating loss	-7,063	-7,961	-22,719	-28,079	-38,047
Depreciation/amortisation	856	330	2,567	990	4,130
Financial income	-	-	-	-	-
Financial expenses	-1,253	-	-2,203	-2	-18
Cash flow from operating activities before changes in working capital	**-7,460**	**-7,631**	**-22,355**	**-27,091**	**-33,935**
Changes in working capital					
Increase/decrease in receivables	-3,892	58	-8,647	-503	39
Increase/decrease in current liabilities	-9,252	-737	403	-585	3,001
Changes in working capital	**-13,144**	**-679**	**-8,244**	**-1,088**	**3,040**
Cash flow from operating activities	**-20,604**	**-8,310**	**-30,599**	**-28,179**	**-30,895**
Investing activities					
Increase/decrease of tangible assets	-365	-345	-408	-394	-1,619
Increase/decrease of intangible assets	-	-	-	-	-
Increase/decrease of participations in subsidiaries	-	-	-	-	-789
Increase/decrease of financial assets	-	12	27	-139	-125
Cash flow from investing activities	**-365**	**-333**	**-381**	**-533**	**-2,533**
Financing activities					
New share issue	33,234	-	32,697	-	-
Ongoing new issue	-	-	-	-	7,908
Group contribution paid	-	-	-	-	-5,465
Increase/decrease in non-current liabilities	-	-	10,900	-	-
Cash flow from financing activities	**33,234**	**-**	**43,597**	**-**	**2,443**
Change in cash and cash equivalents	12,265	-8,643	12,617	-28,712	-30,985
Cash and cash equivalents at the beginning of the period	764	11,328	412	31,397	31,397
Cash and cash equivalents at the end of the period	**13,029**	**2,685**	**13,029**	**2,685**	**412**

Statement of changes in equity for the Company

TSEK	SHARE CAPITAL	DEVELOPMENT EXPENSES FUND	SHARE PREMIUM RESERVE	RETAINED EARNINGS	LOSS FOR THE PERIOD	TOTAL
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	-	-240	-	240	-	-
Ongoing new issue	40	-	7,869	-	-	7,908
Profit/loss for the period	-	-	-	-	-43,530	-43,530
Equity, 31 December 2019	**1,224**	**245**	**140,889**	**-89,504**	**-43,530**	**9,323**
Opening balance, 1 January 2020	1,224	245	140,889	-89,504	-43,530	9,323
Reversal of prior year's accruals	-	-	-	-43,530	43,530	-
Development expenses fund	-	-99	-	99	-	-
New share issue *	502	-	32,195	-	-	32,697
Profit/loss for the period	-	-	-	-	-24,922	-24,922
Equity, 30 September 2020	**1,726**	**146**	**173,084**	**-132,936**	**-24,922**	**17,099**

** The issue was registered on 29 July 2020. 16,754,112 new shares were registered and proceeds to the Company amounted to MSEK 40.2 before issuance costs. Issuance costs amounted to MSEK 7.5.*

Noter

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 period of 2020 was approved for publication according to a Board decision on 26 November 2020.

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 interim 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 and are now in effect. 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 apply 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 will 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 came into effect 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 non-current 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 seven published patent families that, in combination, protect various aspects of Xintela's technology platform. The titles of the seven patent families are Stem Cell Marker, Antibody, Brain Tumour, Neural Stem Cells, XACT for Chondrocytes, XSTEM/Stem Cell Product and Aggressive Tumour.

- 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 XSTEM/Stem Cell Product patent protects the product XSTEM and the use of XSTEM for the prevention and treatment of degenerative joint diseases such as osteoarthritis, bone sclerosis and degenerative disc disease (DDD) as well as traumatic cartilage and bone injuries.
- 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 three trademarks: XINTELA® – the company name; XINMARK® – the name of Xintela's technology platform; XSTEM® – the name of Xintela's stem cell platform. In early 2020, the Company applied for four additional trademarks: TARGINTA (the company name for the oncology company); EQSTEM and CANISTEM, which are the trademarks for stem cell treatments for horses and dogs, respectively; and XACT, which is the name of an analytical test for chondrocytes.

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 2020, the Company had 57,542,856 registered shares. In the year-earlier period, the Company had 39,470,708 issued shares. At 30 September 2020, the loss per share was SEK 0.43 (loss: 0.71).

Note 5 Significant events after the end of the period

- Xintela announced on 26 October that the Company's selected human stem cells XSTEM® show a therapeutic effect in ARDS (Acute Respiratory Distress Syndrome) in an ongoing preclinical study in pigs. ARDS is a life-threatening lung complication that may affect severely ill COVID-19 patients.
- Xintela announced on 28 October that the Company had submitted an application to the Medical Products Agency for a tissue establishment license for handling tissues and cells for manufacturing of medicinal products.
- Xintela announced on 29 October that the European Patent Office (EPO) had issued an "Intention to grant" decision for the patent application covering the Company's stem cell product XSTEM®, consisting of integrin α10-selected mesenchymal stem cells.
- On 2 November, Xintela announced that the exercise price for the Company's TO 2 warrant had been set at SEK 2.28, and the subscription period would begin on 4 November. Warrants not sold by 11 November or alternatively exercised by 18 November will expire worthless.
- On 12 November, Xintela announced that Lars Hedbys had accepted an invitation to join the Company's Board of Directors. The Xintela Board will recommend that shareholders formally appoint Lars at the next shareholders' meeting. In the meantime, Lars will be co-opted to attend future Board meetings.
- On 23 November, Xintela announced the outcome of the exercise of warrants of series TO 2. A total of 16,423,708 warrants were exercised for subscription of 16,423,708 new shares in the Company, corresponding to approximately 98 percent of the total number of warrants.

Lund, November 2020

Gregory Batcheller
Chairman of the Board

Sven Kili
Board member

Karin Wingstrand
Board member

Evy Lundgren Åkerlund
Chief Executive Officer

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

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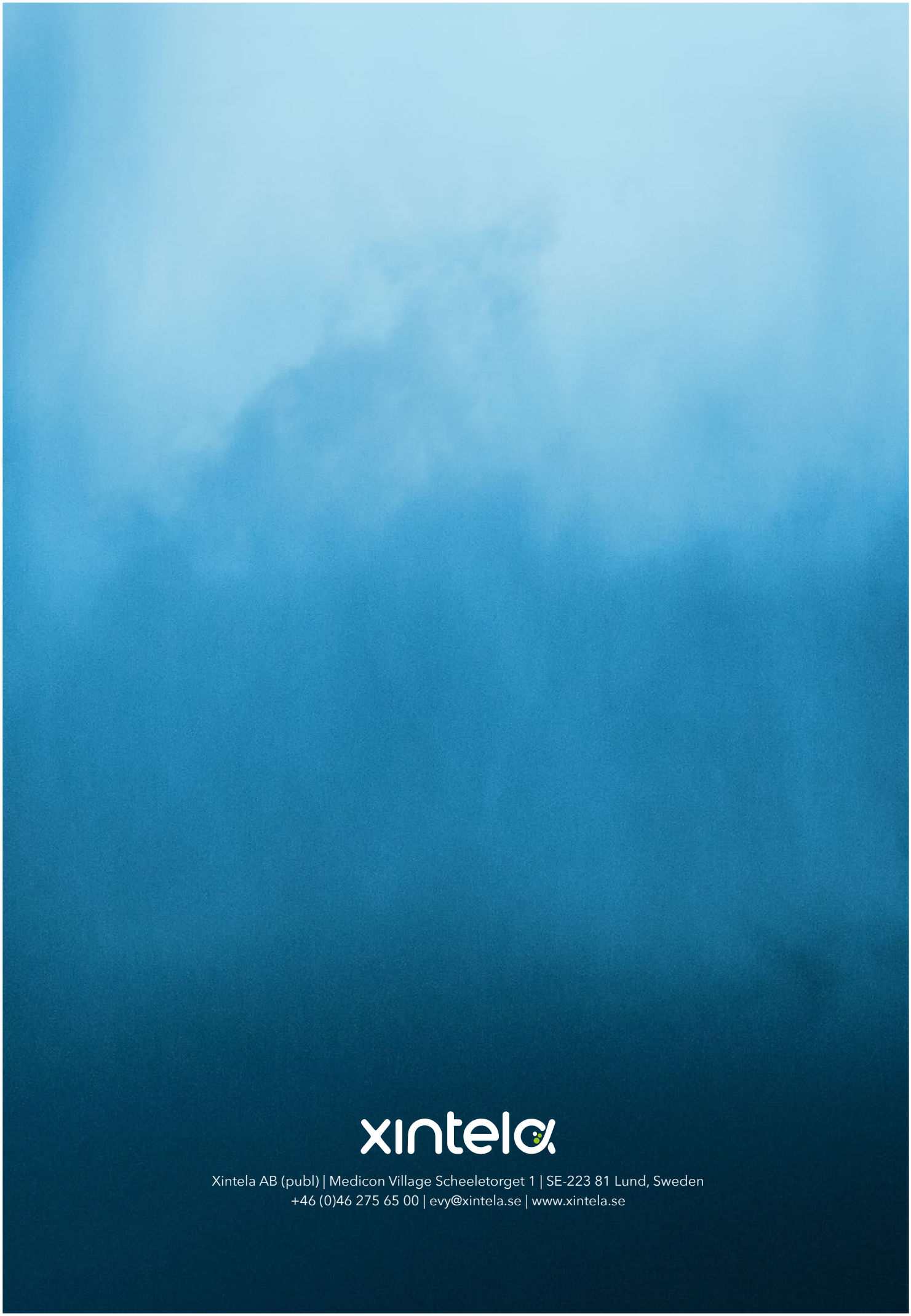
This information is such information that Xintela AB is required to publish under the EU Market Abuse Regulation. The information was issued for publication through the agency of the above contact person on 27 November 2020.



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