

Successful capital raise and IPO on Nasdaq Stockholm

Quarter: October–December 2018

- Net sales amounted to SEK 0.3 million (1.5).
- Operating result totalled SEK -39.0 million (-21.8).
- The company reported a loss after tax of SEK -39.4 million (-21.9).
- Earnings per share amounted to SEK -2.33 (-1.90).
- Cash flow from operating activities totalled SEK -37.4 million (-21.1).

Period: 1 January–31 December 2018

- Net sales amounted to SEK 1.1 million (1.5).
- Operating result totalled SEK -127.4 million (-67.9).
- The company reported a loss after tax of SEK -128.4 million (-67.9).
- Earnings per share amounted to SEK -8.82 (-6.50).
- Cash flow from operating activities totalled SEK -122.7 million (-62.9).
- At 31 December 2018, cash and cash equivalents amounted to SEK 354.4 million (6.6) and short-term investments in the fixed-income fund to SEK 150.0 million (0).

Significant events

in the fourth quarter of 2018

- On 7 December, Q-linea was listed on the Nasdaq Stockholm Mid Cap segment and shares corresponding to a value of SEK 550 million were subscribed for.
- Issue proceeds from the new share issue amounting to SEK 550 million before issue costs were generated for the company in December 2018.
- In conjunction with the IPO, a short-term interest-free loan of SEK 12.8 million was repaid to Nexttobe AB.
- An extraordinary general meeting was held in November, during which it was decided that the company would introduce a long-term incentive programme.

after the end of the period

- In January, Carnegie Investment Bank AB (publ) announced that stabilization measures had been concluded and that the over-allotment option issued for 1,213,235 shares had not been utilised.

We have laid a solid foundation for our continued journey



On 7 December 2018, we rang the bell to open Q-linea's first day of trading on Nasdaq Stockholm. The intensive preparations for our new share issue and IPO had paid off. For Q-linea, this marked the end of a pivotal, successful process that strengthened our market position in many ways. We regard our listing on Nasdaq Stockholm as a mark of quality for the company, a fact that is also reflected in Q-linea's new ownership structure, which includes a number of well-known institutional owners. The listing will also help us to attract greater attention going forward, which is positive.

The new share issue generated sufficient capital to finance the development of our core product, ASTar, and the clinical trials to be carried out with ASTar in the EU and the US. We will also be able to build up our market organisation and the production of disposables, and continue to develop new applications for ASTar.

The development of ASTar has now come very close to a final instrument design.

We have also started testing the system in its intended environment at our microbiology laboratory and delivering real sample results. During the fourth quarter, our first external audit was carried out ahead of the coming ISO 13485 certification with highly positive results. An important part of the preparations has been to ensure that the documentation for the system and its components was adequate.

As of January 2019, we have several ASTar systems at our workshop in Uppsala for testing. We are now working intensively to fully integrate functions and software so that function testing can be carried out for every card, every control of the cards and every protocol. We were able to complete numerous tests toward the end of the year, which has now enabled us to enter the next phase: system verification.

During the quarter, we had visits from potential global sales partners. The discussions will continue in 2019.

During the fourth quarter, the workforce grew, as planned, from 72 to 78 people, including consultants.

At the beginning of the quarter, we took part in IDWeek in San Francisco, a clinically oriented scientific conference where we met key opinion leaders in infectious diseases and strengthened our US network.

Towards the end of the quarter, we also entered into a partner agreement for our upcoming clinical trials.



The new share issue generated sufficient capital to finance the development of our core product, ASTar, and the clinical trials to be carried out with ASTar in the EU and the US.

Overall, I am impressed with what Q-linea accomplished in 2018. However, we have no plans to rest on our laurels. We must now work just as hard towards the planned market launch of ASTar. Value-creating work for us, for healthcare and for patients and therefore also for our shareholders.

Jonas Jarvius, President

Continued high tempo in the development of our core product

The ASTar instrument

Q-linea focuses on supplying the market with automated systems for rapid antibiotic susceptibility testing (AST) of bacteria that cause infectious diseases, primarily sepsis. The company's key product, ASTar, was presented at the 2017 ECCMID.

ASTar will be sold to hospital laboratories and is a fully automated instrument for measuring bacteria's antibiotic susceptibility using the disposables developed by the company. The aim of the instrument is to be able to deliver patient-specific treatment prescriptions for the choice of antibiotics more than 24 hours faster than today's traditional technologies and thereby save lives.

Developments in the fourth quarter of 2018

Following the development of ASTar in prototype version alpha 2 during the quarter, we are now very close to our final instrument design. Ongoing function and software testing is now being carried out in a realistic environment at Q-linea's microbiology laboratory, where the system continuously delivers real sample results. As a result of the development work carried out during the quarter, Q-linea had several ASTar systems entering the verification phase in January 2019.

Our development work also focused on ensuring that the documentation for the ASTar system and its components was adequate. An important part of this work involved the external audit ahead of our upcoming ISO 13485 certification, which was conducted during the quarter. The remaining development work will primarily focus on ensuring the integration of functions and software. While we were able to achieve considerable results in December, this work will also continue in the first quarter of 2019.

During the fourth quarter, we signed an additional partner agreement for the clinical trial in Europe, pertaining to the first part of the trial protocol: the collection and analysis of bacterial isolates.

Financial performance in brief

Comments on the report

Figures in parentheses refer to the outcome for the corresponding period in the preceding year with respect to earnings and cash flow and to the closing balance in the preceding financial year with respect to the balance sheet.

Unless otherwise stated, the amounts are presented in thousands of kronor (SEK thousand). All amounts presented have been rounded correctly, which may mean that certain totals do not tally.

Listing on Nasdaq Stockholm Mid Cap

Q-linea was listed on Nasdaq Stockholm and trading in the company's share commenced on 7 December 2018.

In conjunction with the listing, investors were offered an opportunity, pursuant to the terms and conditions set out in the company's prospectus, to subscribe for a maximum of 9,301,470 newly issued shares in Q-linea (including an over-allotment option for 1,213,235 shares), under the authorisation of the Annual General Meeting on 20 June 2018. As a result of this offering, and the company's announcement after the end of the period that the over-allotment option had not been utilised, the number of shares has increased by 8,088,235 to 22,906,915. This increase corresponds to a dilutive effect of approximately 35.3% of the total number of shares and votes. The new emission of 8,088,235 shares generated approximately SEK 550 million, providing Q-linea with about SEK 505 million after deduction for issue costs. The new share issue will enable Q-linea to devote more resources to completing the product development of ASTar, initiating clinical trials in the EU and the US, and ultimately launching the product.

Income, expenses and earnings

Net sales for the fourth quarter amounted to SEK 316 thousand (1,500), down SEK 1,184 thousand compared with the year-earlier period. Net sales for the January to December period totalled SEK 1,066 thousand (1,500), down SEK 434 thousand. The difference is mainly attributable to the decrease in licensing revenue from the agreement with EMPE Diagnostics at the end of 2017.

Other operating income amounted to SEK -21 thousand (294) for the fourth quarter and SEK 33 thousand (585) for the January to December period and was mainly attributable to exchange-rate gains.

Operating expenses including depreciation, amortisation and impairment totalled SEK 39,283 thousand (23,636) for the fourth quarter and SEK 128,464 thousand (69,955) for the January to December period. The increase in the fourth quarter amounted to SEK 15,647 thousand and the increase in the January to December period to SEK 58,509 thousand compared with the year-earlier period. The increases for the quarter and for the period were attributable to the fact that the company built additional prototype instruments with related disposables, which resulted in higher costs for raw materials and consumables. External costs increased due to a higher number of consultants in product development, external advisory services in conjunction with the IPO and patents. The adaptation of administrative capacity to meet expanded

EBIT Q4
SEK -39 million

reporting obligations resulted in higher costs. The company moved to larger and more appropriate premises and took over Umbrella Science's lease contracts in conjunction with acquiring the business in June 2018. Personnel costs increased compared with the year-earlier period, mainly due to the increase in the average number of employees. Product development and production expansion require additional personnel resources. Depreciation, amortisation and impairment of tangible and intangible assets amounted to SEK 1,068 thousand (451) for the fourth quarter and SEK 3,037 thousand (1,720) for the January to December period. The increase was attributable to the start of depreciation and amortisation of acquired non-current assets (see Note 5) in the third quarter. Other operating expenses totalled SEK 36 thousand (3) for the quarter and SEK 105 thousand (3) for the January to December period.

Operating result amounted to SEK -38,988 thousand (-21,841) for the fourth quarter and SEK -127,366 thousand (-67,869) for the January to December period. The larger operating loss was mainly attributable to the increase in operating expenses.

Net financial items amounted to SEK -431 thousand (-13) for the fourth quarter and SEK -988 thousand (-10) for the January to December period. The increase in the fourth quarter and for the interim period was mainly attributable to the estimated, non-cash, interest expense related to the valuation of the short-term loan raised from Nexttobe AB in conjunction with the acquisition of Umbrella Science (see Note 2 and accounting policies).

No tax was recognised for the fourth quarter or for the January to December period of 2018 and 2017.

The result for the period amounted to SEK -39,419 thousand (-21,854) for the fourth quarter and SEK -128,353 thousand (-67,879) for the January to December period.

Financial position

Cash and cash equivalents at the end of the fourth quarter totalled SEK 354,438 thousand (6,588). The corresponding figure at the beginning of the quarter was SEK 12,363 thousand (2,553). Cash and cash equivalents that will not be used in the daily operations over the coming 12 months have been placed in a fixed-income fund that invests in low-risk interest-bearing securities and other interest-rate instruments, and which amounted to SEK 150,000 thousand (0) at the end of the fourth quarter. After the end of the year, additional cash and cash equivalents were placed in short- and long-term interest-bearing investments.

To finance the acquisition of Umbrella Science's operations, the company raised a short-term interest-free loan of SEK 12,800 thousand (3,000) from the principal owner, Nexttobe AB, during the second quarter. The loan was repaid, in accordance with the loan agreement, in conjunction with the capital raise carried out in December 2018.

In conjunction with the acquisition of Umbrella Science's operations, certain assets and related liabilities were also acquired (description in Note 5). The credit agreements assumed from Umbrella Science extend from 1 July 2018, with a current variable interest rate of 3.20% per year and repayment plans extending for 19 to 42 months.

At the end of the quarter, equity amounted to SEK 513,458 thousand (1,511), the equity/assets ratio to 95% (8) and the debt/equity ratio to -98% (-237).

Equity/
assets ratio
95%

Cash flow and investments

Cash flow from operating activities amounted to SEK -37,404 thousand (-21,090) for the fourth quarter and SEK -122,712 thousand (-62,865) for the January to December period. The increased cash outflow from operating activities was mainly due to a larger operating loss compared with the year-earlier period. Changes in working capital amounted to SEK 640 thousand (1,513) for the fourth quarter and SEK 2,150 thousand (4,334) for the January to December period. Changes in working capital in the fourth quarter were primarily attributable to increased accounts payable and other current liabilities, but were offset by an increase in current receivables, primarily advance payments to supplier and VAT receivables.

Cash flow from investing activities amounted to SEK -112,901 thousand (12,126) for the fourth quarter and SEK -164,248 thousand (-800) for the January to December period. During the fourth quarter, the company made a net investment of SEK -112,079 thousand (13,000) in the short-term fixed-income funds where the company invests surplus liquidity not used in daily operations. The corresponding net investment in short-term fixed-income funds for the January to December period was SEK -150,000 thousand (0). In the January to December period, the company acquired the operations of Umbrella Science and the purchase consideration totalled SEK 12,800 thousand (0). Investments in tangible assets comprised investments in production equipment.

Cash flow from financing activities amounted to SEK 492,379 thousand (13,000) for the fourth quarter and SEK 634,810 thousand (63,000) for the January to December period. Cash flow from financing activities for the fourth quarter comprised cash and cash equivalents of SEK 505,284 thousand (0), which the company received as a result of the capital raise carried out during the quarter. The company repaid SEK -105 thousand (0) of the credit agreements taken over from Umbrella Science in conjunction with the acquisition in the second quarter as well as an interest-free loan of SEK -12,800 (0) from the principal owner, Nexttobe AB, in accordance with the loan agreement. In the comparative period in the preceding interim period, the company received a loan of SEK 3,000 thousand and a shareholder contribution of SEK 10,000 thousand from Nexttobe AB, the company's largest owner.

Cash flow from financing activities for the January to December period comprised cash and cash equivalents of SEK 638,219 thousand (50,000), which the company received as a result of the two capital raises carried out in the first and fourth quarters of 2018. The company repaid SEK -409 thousand (0) of the credit agreements taken over from Umbrella Science in conjunction with the acquisition in the second quarter as well as two interest-free loans totalling SEK -15,800 from the principal owner, Nexttobe AB, in accordance with the loan agreements.

Financing

To provide the company with sufficient liquidity to continue operating and developing according to the company's strategic plan, the company conducted two new share issues during the first and fourth quarters of 2018. These share issues generated a total of SEK 638,219 thousand (50,000) in cash and cash equivalents. In connection with the issue proceeds generated for the company, a short-term interest-free loan of SEK 12,800 thousand to Nexttobe AB was repaid.

New share
issue

SEK **550** million

Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. In 2018, the company carried out two new share issues, which are described in section "Financing" above. Based on the proceeds generated for the company at the time, the Board's assessment is that the existing working capital, as of 31 December 2018, is sufficient to cover the company's needs over the next 12 months.

Other information

Extraordinary general meeting

An extraordinary general meeting on 12 November 2018 decided that a long-term incentive programme in the form of a performance-based share programme would be implemented in conjunction with the listing on Nasdaq Stockholm. A total of up to 16 key individuals in the company, including the President and management team, will be offered an opportunity to participate in the incentive programme. The aim of the incentive programme is to closely align the interests of the key individuals and shareholders, recruit and retain competent employees and create greater motivation to achieve or surpass the company's strategic and operational objectives.

In February, the Board of Directors has resolved to issue 211 048 class C shares to Carnegie Investment Bank. The share issue is made on the basis of the authorization that was resolved by an extraordinary shareholders' meeting on 12 November 2018 and aims to ensure delivery of performance shares within the framework of the long-term incentive programme that was decided at the same shareholders' meeting. The shares will be repurchased by Q-linea from Carnegie Investment Bank and thereafter be converted into ordinary shares. Both the share issue and the repurchase will take place at the quotient value of the share.

No allotment had taken place as of the publication date of this year-end report, although an allotment is expected to be made prior to the Annual General Meeting in May 2019.

Employees

Calculated on the basis of full-time equivalents, Q-linea had 53 (37) employees at year-end, 19 (18) of whom are women. The number of consultants at year-end was 25 (15).

Information about risks and uncertainties

Q-linea's management makes assumptions, assessments and estimates that impact the contents of the company's financial statements. As is stated in the company's accounting policies, actual outcomes may differ from these assessments and estimates.

The goal of the company's risk management is to identify, measure, control and limit the risks associated with its operations. Risks can be divided into financial risks and operational and business environment risks. Q-linea's operational and business environment risks mainly comprise risks related to research and development, clinical trials and the dependence on key individuals. With respect to financial risks, the company's financing risk decreased during the quarter since sufficient financing was secured to ensure the company has the necessary prerequisites to qualify as a going concern. A detailed description of the company's risk exposure and risk management is presented on pages 7-9 of the 2017 Annual Report.

Dividends

The Board of Directors proposes that no dividend be paid for the 2018 financial year.

Annual General Meeting

The Annual General Meeting will be held at 4:00 p.m. on 22 May 2019 at Hubben Konferens (Room 3+4), Dag Hammarskjölds väg 38 in Uppsala, Sweden. Shareholders who wish to contact the Nomination Committee may do so in writing at: Nomination Committee, Q-linea AB, Dag Hammarskjölds väg 52A, SE-752 37 Uppsala, Sweden or by e-mail at: contact@qlinea.com.

Definition of performance measures

In this financial report, Q-linea presents certain alternative performance measures that are not defined in accordance with IFRS. These performance measures are generic and are often used for the purpose of analysing and comparing different companies. Accordingly, the company believes that these alternative performance measures serve as an important supplement to enable readers to conduct a quick overview and assessment of Q-linea's financial situation. These financial performance measures are not to be considered independent and are not deemed to replace the presentation measures calculated in accordance with IFRS. Moreover, such performance measures, as defined by Q-linea, are not to be compared with other performance measures with similar names used by other companies. This is because the above performance measures have not always been defined in the same way and because other companies may not calculate them in the same way as Q-linea.

The performance measures “Net sales”, “Result for the period”, “Earnings per share” and “Cash flow from operating activities” are defined in accordance with IFRS.

Performance measure	Definition	Purpose
EBITDA	Operating result before depreciation/amortisation and impairment.	This performance measure provides an overall view of profit for the operating activities.
Operating result	Result before financial items according to the income statement.	This earnings measurement is used for external comparisons.
Equity/assets ratio, %	Equity plus untaxed reserves less the tax portion of untaxed reserves in relation to total assets.	This performance measure shows the amount of the balance sheet that has been financed by equity and is used to measure the company’s financial position.
Debt/equity ratio	Net debt divided by equity. Net debt is defined as total borrowing (comprising the items short-term borrowing and long-term borrowing in the balance sheet, including borrowing from related parties/Group companies and provisions, less cash and cash equivalents and short-term investments). Equity according to the balance sheet.	This performance measure is a measure of capital strength and is used to determine the relationship between adjusted liabilities and adjusted equity. In the case of positive equity, a negative debt/equity ratio means that available cash and cash equivalents and short-term investments exceed total borrowing.
Equity per share before and after dilution	Equity attributable to the company’s shareholders in relation to the number of shares at the end of the year.	This performance measure shows the amount of the company’s equity that can be attributed to a share.

Reconciliation of alternative performance measures

The following is a reconciliation of certain alternative performance measures showing the various performance measure components that make up the alternative performance measures.

EBITDA

SEK thousand (unless otherwise stated)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating result	-38,988	-21,841	-127,366	-67,869
Depreciation, amortisation and impairment	1,068	451	3,037	1,720
EBITDA	-37,921	-21,390	-124,329	-66,149

Equity/assets ratio

SEK thousand (unless otherwise stated)	31 Dec 2018	31 Dec 2017
Total assets	539,068	18,397
Equity	513,458	1,511
Equity/assets ratio (%)	95%	8%

Debt/equity ratio

SEK thousand (unless otherwise stated)	31 Dec 2018	31 Dec 2017
Long-term liabilities to credit institutions (a)	709	–
Current liabilities to credit institutions (b)	420	–
Liabilities to Group companies (c)	–	3,000
Total borrowing (d=a+b+c)	1,129	3,000
- Less cash and cash equivalents (e)	-354,438	- 6,588
- Less short-term investments (f)	-150,000	–
Net debt (g=d+e+f)	-503,309	-3,588
Equity (h)	513,458	1,511
Debt/equity ratio (g/h) (%)	-98%	-237%

Equity per share

SEK thousand (unless otherwise stated)	31 Dec 2018	31 Dec 2017
Equity	513,458	1,511
Total number of shares outstanding ¹⁾	22,906,915	11,499,920
Equity per share, SEK ¹⁾	22.41	0.13

¹⁾ Calculated on the number of shares outstanding at the end of the year taking into account the registered 1:20 share split.

Performance measures and other information

SEK thousand (unless otherwise stated)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Earnings				
Net sales	316	1,500	1,066	1,500
EBITDA	-37,921	-21,390	-124,329	-66,149
Operating result	-38,988	-21,841	-127,366	-67,869
Result for the period	-39,419	-21,854	-128,353	-67,879
Per share				
Equity per share, SEK ¹⁾	22.41	0.13	22.41	0.13
Earnings per share before and after dilution, SEK ²⁾	-2.33	-1.90	-8.82	-6.50
Total number of shares outstanding ¹⁾	22,906,915	11,499,920	22,906,915	11,499,920
Average number of shares ²⁾	16,928,654	11,499,920	14,559,462	10,442,188
Cash flow				
Cash flow from operating activities	-37,404	-21,090	-122,712	-62,865
Cash flow from investing activities	-112,901	12,126	-164,248	-800
Cash flow from financing activities	492,379	13,000	634,810	63,000

SEK thousand (unless otherwise stated)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Financial position				
Total assets	539,068	18,397	539,068	18,397
Cash and cash equivalents	354,438	6,588	354,438	6,588
Equity	513,458	1,511	513,458	1,511
Equity/assets ratio, %	95	8	95	8
Debt/equity ratio, % ³⁾	-98	-237	-98	-237

¹⁾ Calculated on the number of shares outstanding at the end of the year taking into account the registered 1:20 share split.

²⁾ Calculated on the average number of shares taking into account the registered 1:20 share split.

³⁾ Q-linea has changed the definition of the debt/equity ratio since the 2017 Annual Report to correspond more closely with the accepted definition, and the performance measure for 31 December 2017 has thus been restated in accordance with the new definition.

CERTIFICATION AND UPCOMING REPORT DATES

The Board of Directors and the President hereby certify that this year-end report provides a fair and true overview of the company's operations, financial position and earnings and describes the material risks and uncertainties facing the company.

Uppsala, 13 February 2019

Jonas Jarvius
President

Erika Kjellberg Eriksson
Chairperson

Jon Heimer
Director

Mats Nilsson
Director

Ulf Landegren
Director

Marcus Storch
Director

Marianne Hansson
Director

Per-Olof Wallström
Director

Hans Johansson
Director

This report has been prepared in a Swedish original and an English translation. In the event of any discrepancies between the two, the Swedish version is to apply. This interim report has not been reviewed by the company's auditor.

Upcoming reporting dates

Week of 15 April 2019 ¹⁾	Annual Report	January to December 2018
3 May 2019	Interim report, Q1	January to March 2019
22 May 2019	Annual General Meeting	
18 July 2019	Interim report, Q2	January to June 2019
7 November 2019	Interim report, Q3	January to September 2019

¹⁾ To be published on the company's website, www.qlinea.com, or be sent to shareholders who so request.

About the company

Q-linea AB (publ)

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For questions about the report, contact:

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This is information that Q-linea AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7.30 CET on February 14, 2019.

Presentation

Q-linea invites investors, analysts and the media to an audiocast and teleconference (in English) today, 14 February 2019 at 1:00 to 2:00 p.m. (CET). President Jonas Jarvius and CFO Anders Lundin will present Q-linea, comment on the year-end report for the January to December period 2018 and respond to questions.

Webcast: <https://tv.streamfabriken.com/q-linea-q4-2018>

Telephone number for the teleconference: SE: +46850558350 UK: +443333009271 US: 18335268347

Income statement

Amounts in SEK thousand	Note	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating income					
Net sales	1	316	1,500	1,066	1,500
Other operating income		-21	294	33	585
Total operating income		295	1,794	1,098	2,085
Operating expenses					
Raw materials and consumables	2	-6,105	-4,676	-21,054	-10,610
Other external costs		-14,457	-11,628	-54,851	-27,857
Personnel costs	3	-17,618	-6,877	-49,417	-29,764
Depreciation/amortisation of tangible and intangible assets		-1,068	-451	-3,037	-1,720
Other operating expenses		-36	-3	-105	-3
Total operating expenses		-39,283	-23,636	-128,464	-69,955
Operating result		-38,988	-21,841	-127,366	-67,869
Other interest income and similar profit items		-	9	14	14
Interest expenses and similar loss items		-431	-22	-1,002	-24
Result from financial items		-431	-13	-988	-10
Result before tax		-39,419	-21,854	-128,353	-67,879
Tax on result for the period		-	-	-	-
Result for the period		-39,419	-21,854	-128,353	-67,879

Statement of comprehensive income

Amounts in SEK thousand	Note	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Result for the period		-39,419	-21,854	-128,353	-67,879
Other comprehensive income, net after tax		-	-	-	-
Total comprehensive income		-39,419	-21,854	-128,353	-67,879
Earnings per share before and after dilution, SEK ¹⁾		-2.33	-1.90	-8.82	-6.50
Average number of shares ¹⁾		16,928,654	11,499,920	14,559,462	10,442,188

¹⁾ Calculated on the average number of shares taking into account the registered 1:20 share split.

Balance sheet

Amounts in SEK thousand	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Licences		488	1,274
Technology and customer relationships	5	752	–
Goodwill	5	7,061	–
<i>Total intangible assets</i>		<i>8,302</i>	<i>1,274</i>
<i>Tangible assets</i>			
Equipment, tools, fixtures and fittings	5	8,562	2,812
<i>Total tangible assets</i>		<i>8,562</i>	<i>2,812</i>
<i>Financial assets</i>			
Other securities held as non-current assets		2,997	2,997
Other long-term receivables		50	–
<i>Total financial assets</i>		<i>3,047</i>	<i>2,997</i>
Total non-current assets		19,911	7,083
Current assets			
<i>Current receivables</i>			
Accounts receivable		–	793
Other receivables		13,050	2,375
Prepaid expenses and accrued income		1,669	1,558
Short-term investments	4	150,000	–
<i>Total current receivables</i>		<i>164,719</i>	<i>4,725</i>
Cash and bank balances		354,438	6,588
Total current assets		519,156	11,314
TOTAL ASSETS		539,068	18,397

Balance sheet

Amounts in SEK thousand	Note	31 Dec 2018	31 Dec 2017
EQUITY			
Restricted equity			
Share capital		1,145	575
<i>Total restricted equity</i>		<i>1,145</i>	<i>575</i>
Unrestricted equity			
Share premium reserve		695,528	57,880
Retained earnings		-54,862	10,936
Result for the year		-128,353	-67,879
<i>Total unrestricted equity</i>		<i>512,313</i>	<i>936</i>
Total equity		513,458	1,511
LIABILITIES			
Long-term liabilities			
Loans from credit institutions	5	709	–
Total long-term liabilities		709	–
Current liabilities			
Loans from credit institutions	5	420	–
Accounts payable		9,824	7,242
Current tax liabilities		564	234
Liabilities to Group companies	2, 5	–	3,000
Other liabilities		4,685	1,150
Accrued expenses and deferred income		9,407	5,260
Total current liabilities		24,900	16,886
TOTAL LIABILITIES AND EQUITY		539,068	18,397

Changes in equity

Amounts in SEK thousand	Note	Share capital	Share premium reserve	Retained earnings	Result for the period	Total equity
Opening balance, 1 January 2017		493	155,757	-87,705	-60,091	8,455
<i>Comprehensive income</i>						
Result for the year					-67,879	-67,879
Appropriation of profits in accordance with AGM decision						
- Profit/loss deducted from share premium reserve			-147,796	87,705	60,091	0
<i>Total comprehensive income</i>		-	-147,796	87,705	-7,789	-67,879
<i>Transactions with shareholders</i>						
New share issue		82	49,918			50,000
Shareholder contribution received				10,000		10,000
Option programme	3			936		936
<i>Total transactions with shareholders</i>		82	49,918	10,936	-	60,936
Closing balance, 31 December 2017		575	57,880	10,936	-67,879	1,511
Opening balance, 1 January 2018		575	57,880	10,936	-67,879	1,511
<i>Comprehensive income</i>						
Result for the year					-128,353	-128,353
Appropriation of profits in accordance with AGM decision						
- Carried forward to unrestricted equity				-67,879	67,879	0
<i>Total comprehensive income</i>		-	-	-67,879	-60,474	-128,353
<i>Transactions with shareholders</i>						
New share issue		570	690,942			691,512
Issue costs			-53,294			-53,294
Shareholder contribution received				822		822
Option programme	3			1,260		1,260
<i>Total transactions with shareholders</i>		570	637,648	2,082	-	640,300
Closing balance, 31 December 2018		1,145	695,528	-54,862	-128,353	513,458

Cash flow statement

Amounts in SEK thousand	Note	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Cash flow from operating activities					
Operating result		-38,988	-21,741	-127,366	-67,869
Adjustments for non-cash items					
- Depreciation reversal		1,068	451	3,037	1,720
- Employee option programme	3	335	234	1,260	936
- Licensing revenue paid through shares		-250	-1,497	-1,000	-1,497
Interest received		-	9	14	14
Interest paid		-48	-22	-180	-24
Tax paid		-160	63	-628	-479
Cash flow from operating activities before changes in working capital		-38,044	-22,603	-124,963	-67,199
<i>Changes in working capital</i>					
Increase/decrease in inventories		-	-	165	-
Increase/decrease in accounts receivable		-50	-772	793	280
Increase/decrease in other current receivables		-4,534	780	-10,786	-404
Increase/decrease in other current liabilities		3,115	-302	9,397	1,352
Increase/decrease in accounts payable		2,009	1,807	2,582	3,107
<i>Changes in working capital</i>		<i>640</i>	<i>1,513</i>	<i>2,150</i>	<i>4,334</i>
Cash flow from operating activities		-37,404	-21,090	-122,712	-62,865
Cash flow from investing activities					
Investments in tangible assets		-822	-874	-1,398	-938
Acquisition of business	5	-	-	-12,800	-
Short-term investments	4	-150,000	-	-238,014	-33,000
Divestment of short-term investments	4	37,921	13,000	88,014	33,000
Investments in financial assets		-	-	-50	-
Sales of financial assets		-	-	-	138
Cash flow from investing activities		-112,901	12,126	-164,248	-800
Cash flow from financing activities					
New share issue		550,000	-	691,512	50,000
Issue costs		-44,716	-	-53,294	-
Shareholder contribution received		-	10,000	-	10,000
Loans raised	2, 5	-	3,000	12,800	3,000
Repayment of loans	2	-12,905	-	-16,209	-
Cash flow from financing activities		492,379	13,000	634,810	63,000
Cash flow for the period		342,075	4,036	347,849	-665
Cash and cash equivalents at the beginning of the period		12,363	2,533	6,588	7,254
Cash and cash equivalents at the end of the year		354,438	6,588	354,438	6,588

Accounting policies and notes

This year-end report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2.

Compliance with IFRS

Q-linea AB has prepared its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

RFR 2 entails that Q-linea applies all of the EU-endorsed International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU and statements, with the limitations that follow the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

The most significant accounting policies applied when this year-end report was prepared are set out below. Unless otherwise stated, these policies have been applied consistently for all years presented.

Standards, amendments and interpretations that took effect on 1 January 2018

IFRS 9 Financial Instruments

The standard is applied as of the financial year commencing on 1 January 2018. The company applies the exemptions set out in RFR 2 and the company's analysis shows that the standard will not therefore have any effect on the company's income statement and balance sheet.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 outlines how revenue is recognised. The underlying principles of IFRS 15 are to provide users of financial statements with sufficient information about the company's revenue. The expanded disclosure requirements entail that the nature, timing and uncertainty of revenue and cash flows attributable to the company's customer contracts must be disclosed. Under IFRS 15, revenue is recognised when control over the promised goods or service is transferred to the customer, and the customer is able to use and obtain the benefits of the goods or service. IFRS 15 supersedes IAS 18 Revenue Recognition and IAS 11 Accounting for Construction Contracts and the related SIC and IFRIC interpretations. IFRS 15 took effect on 1 January 2018.

The company's revenue mainly derives from licences under which a customer acquires a licence to utilise the company's technology to manufacture and sell products. These licences grant the customer with access rights for which revenue is recognised over time. The company has a performance obligation that is recognised over time since the customer simultaneously receives and utilises the benefits associated with the company providing the customer with access to its intangible assets as this occurs. Revenue from licences is recognised on a straight-line basis over the contract period.

Under fixed-price agreements, the customer pays the agreed price on agreed payment dates. If the services delivered by the company exceed the payment, a contract asset is recognised. If the payment exceeds the services delivered, a contract liability is recognised.

A small part of Q-linea's revenue arises from projects related to the development of customer-specific prototypes. The analysis of these contracts according to the five-step model focuses on determining the number of performance obligations and when they are fulfilled, meaning over time or at a given point in time.

Q-linea's projects that relate to the development of prototypes often involve a considerable amount of customisation and integration of goods and services, which often means that the goods and services are deemed to be one performance obligation. For those development projects that consist of several sub-projects/phases, so-called work packages, an analysis needs to be performed in order to assess whether these sub-projects/phases are separate performance obligations. Each work package is often deemed to be a separate performance obligation. Revenue from each work package is normally recognised at a point in time, meaning when control of the prototype has been transferred to the customer in accordance with the terms of the contract, since the criteria for recognising revenue over time are not satisfied.

For Q-linea's service agreements which include the sale of consulting hours, the customer normally obtains the benefits when the obligation is satisfied. Revenue is therefore mainly recognised over time as the service is performed according to the contract.

The transition to IFRS 15 has not had any impact on the company's earnings or balance sheet. The company has not therefore identified any accounting differences in the transition to IFRS 15, except for the expanded disclosure requirements. Q-linea uses a full retrospective application of the standard.

Business combinations

The company's business combinations are recognised according to the acquisition method. The purchase consideration for a business combination comprises the fair value of the transferred assets and liabilities. The assets acquired and liabilities assumed in a business combination are initially measured at fair value on the acquisition date.

Goodwill

Goodwill arises in business combinations and pertains to the amount by which the purchase consideration exceeds the fair value of the identifiable net assets acquired. Goodwill is recognised at cost less accumulated amortisation. Amortisation takes place on a straight-line basis in order to distribute the cost of goodwill over the estimated useful life of seven years.

Acquired intangible assets

Technology (software protocol) and customer relationships acquired through a business combination are measured at fair value on the acquisition date. Technology (software protocol) and customer relationships have a determinable useful life and are recognised at cost less accumulated amortisation.

Amortisation takes place on a straight-line basis in order to distribute the cost of technology (software protocol) and customer relationships over their estimated useful lives:

- Technology (software protocol) 7 years
- Customer relationships 3 years

Financial assets (fixed-income fund) and liabilities

IFRS 9 is not applied by the company and financial instruments are initially measured at cost in accordance with RFR2. In subsequent periods, financial assets acquired with the intention of being held over the short term are recognised at the lower of cost and market value.

Loan receivables and accounts receivable are recognised after the acquisition date at amortised cost using the effective interest method. For the purpose of the financial statements, an interest rate has been calculated for the interest-free loan and classified as a shareholder contribution at the time the loan was raised. During the quarter, an estimated interest expense was charged to the result from financial items. The carrying amounts for the company's financial assets and liabilities are expected to correspond to their fair values.

Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the operating activities less applicable variable selling expenses.

For a more detailed description of the accounting policies applied in this year-end report, refer to page 17 of the Annual Report for the 2017 financial year. The year-end report comprises pages 1-24 and pages 1-12 thus comprise an integrated component of this financial report.

Standards, amendments and interpretations of existing standards that came into force in 2019 or later and that may affect, or have already affected, the financial statements

Under IFRS 16, which came into effect on January 1, 2019, the lessee is required to recognise assets and liabilities for all leases, except for leases with a term of 12 months or less and/or leases of low-value assets. The standard supersedes IAS 17 Leases and related interpretations. The implications are that the distinction between an operating lease and a finance lease no longer applies, and is replaced by the right-of-use approach and the obligation to make lease payments.

As with the current standard, IAS 17 Leases, legal entities are not required to apply IFRS 16, so Q-linea does not expect the new standard to have any material effect on the company's financial statements.

Note 1 Specification of net sales

Amounts in SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Sweden	316	1,500	1,066	1,500

Q-linea's net sales in all material respects comprise licensing revenue from the agreement with EMPE Diagnostics at the end of 2017.

Note 2 Related-party transactions

Related parties are defined as owners with a significant or controlling influence, senior executives in the company, meaning directors and members of the management team, and their close family members. Disclosures concerning transactions between the company and other related parties are presented below. Related-party transactions are performed on an arm's length basis.

Q-linea raised a short-term interest-free loan of SEK 12,800 thousand (3,000) from Nexttobe AB in connection with the acquisition of the operations of Umbrella Science AB in June 2018. Nexttobe AB is Q-linea's largest owner with a holding of 40.5% (73.5). In connection with the issue proceeds generated for the company in December 2018, Q-linea repaid this loan in accordance with the terms of the loan.

A licensing agreement was signed between EMPE Diagnostics AB and Q-linea, and SEK 250 thousand (1,500) was recognised as income in the fourth quarter and SEK 1,000 thousand (1,500) in the January to December period. One of EMPE Diagnostics AB's co-founders, shareholders and directors is Mats Nilsson, who is also a co-founder, shareholder and director of Q-linea AB. One of Q-linea's senior executives, Mats Gullberg, is director of EMPE Diagnostics AB.

During the 2017 financial year and until Q-linea acquired the business on 30 June 2018, Umbrella Science was owned by parties including Jonas Jarvius and Nexttobe AB, who are also shareholders and/or senior executives of Q-linea. The valuation of the company was carried out by an external supplier and the decision to acquire the operations of Umbrella Science was made by the Annual General Meeting. Q-linea was invoiced for SEK 4,213 thousand (230) by Umbrella Science in the January to June period. Q-linea had no unpaid invoices from Umbrella Science on the balance sheet date.

Note 3 Shared-based option programme

Q-linea has an ongoing performance-based employee share option programme that encompasses senior executives and other key individuals at the company. The programme encompasses employees who joined the company within four years after it was founded (2008-2012). The programme encompasses a total of 7,778 employee share options, of which 7,750 (7,645) employee share options were outstanding on 31 December 2018 and were allotted free of charge to programme participants. Vesting is based on employment terms and the fulfilment of agreed targets. In the fourth quarter, no employee share options expired and the number of options outstanding was corrected by the addition of 300 (0) options.

The employee share options could originally be exercised to subscribe for shares up to an including 31 December 2016. However, the conditions of the employee share options were changed in 2016 with the term being extended up to and including 31 December 2019. In connection with this, the term of the underlying warrants was also extended.

The company has issued warrants to ensure the delivery of the shares to the appropriate employees when they exercise the employee share options.

The employee share options originally carried entitlement to subscription for one share per employee share option and the exercise price for the employee share options originally amounted to SEK 300 per share. In light of the share split implemented by the company in connection with the 2018 Annual General Meeting, the employee share options and the underlying warrants were subject to recalculation in accordance with signed employee share option agreements and the conditions of the underlying warrants. This means that each employee share option carries entitlement to subscription for 20 shares for an exercise price of SEK 15 per share (provided that no further recalculation takes place) and that each registered warrant carries entitlement to subscription for 20 shares.

The cost recognised amounted to SEK 335 thousand (234) for the fourth quarter and SEK 1,260 thousand (936) for the January to December period.

Note 4 Short-term investments

Cash and cash equivalents not used in the daily operations have been placed in fixed-income funds that invest in low-risk interest-bearing securities and other interest-rate instruments. Since most of the securities in these funds have a remaining term of more than three months, the securities have been recognised as short-term investments in the balance sheet and measured at cost.

Note 5 Business combinations

Q-linea acquired the operations of Umbrella Science for SEK 12.8 million on 30 June 2018. Umbrella Science AB is a strategically important supplier focusing on the design, development and production of highly specialised plastic disposables for customers in the life sciences industry. Synergy effects are mainly expected derive from the expertise of the company's employees and more efficient use of production facilities. The purchase consideration was paid in cash and was financed through a short-term interest-free loan in a corresponding amount from the company's principal owner, Nexttobe AB. No earn-out will be paid. The agreement also contains standard guarantees and liability clauses. More information about the purchase consideration, acquired net assets and goodwill is presented in the table below.

The following assets and liabilities have been recognised as a result of the acquisition:

Amounts in SEK thousand	Fair value
Preliminary acquisition analysis, assets and liabilities	
Technology (software protocol)	590
Customer relationships	245
Tangible assets	5,977
Inventories	165
Interest-bearing liabilities	-1,537
Accrued expenses and deferred income	-244
Acquired identifiable assets and liabilities	5,195
Goodwill	7,605
Acquired net assets	12,800

The difference between the purchase consideration paid and the identified assets and liabilities has been allocated to goodwill. Goodwill is deemed to be attributable to synergy effects and expertise in the company and is to be amortised over an estimated useful life of seven years. Since the goodwill arose through the acquisition of assets and liabilities, it is deemed to be tax deductible.

Acquired technology refers to a software protocol adapted for mould injection that is expected to be used in the production of new structures and is to be amortised on an estimated useful life of seven years. Customer relationships refer to a customer register and customer orders on hand and are amortised over three years.

The acquisition was completed on 30 June 2018. If the acquisition had taken place on 1 January 2018, management deems that the company's net sales and net income for the period 1 January to 30 June 2018 would not have increased significantly, since Q-linea AB was Umbrella Science's main customer during this period.

The impact on the company's cash flow comprises the paid purchase consideration of SEK 12.8 million and the raising of a short-term interest-free loan in a corresponding amount. No cash was assumed in connection with the acquisition.

Impact on the company's cash flow

Amounts in SEK thousand	Jan-Jun 2018
Cash consideration	12,800
Cash and cash equivalents in the acquired company	-
Net outflow of cash and cash equivalents – investing activities	-12,800
Loans raised	12,800
Net inflow of cash and cash equivalents – financing activities	12,800
Cash flow for the period	-

Acquisition-related expenses of SEK 130 thousand are included in other external costs in profit or loss.

Note 6 Risk management

The company is exposed to various types of risks during the course of its operations. By creating an awareness of the risks associated with the operations, such risks can be limited, controlled and managed while allowing business opportunities to be utilised in order to increase the company's earnings. With respect to financial risks, the company's financing risk decreased during the quarter since sufficient financing was secured to ensure the company has the necessary prerequisites to qualify as a going concern. Other than these risks, no material risks arose during the quarter. The material risks associated with Q-linea's operations are presented in the Annual Report for the 1 January to 31 December 2017 financial year and on pages 17-33 of the prospectus prepared in conjunction with the listing on Nasdaq Stockholm.

Note 7 Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. In 2018, the company carried out two new share issues in order to provide sufficient liquidity to continue operating and developing according to the company's strategic plan. These share issues generated a total of SEK 638,219 thousand (50,000) in cash and cash equivalents. Based on the proceeds generated for the company, the Board's assessment is that the existing working capital, as of 31 December 2018, is sufficient to cover the company's needs over the next 12 months.

Note 8 Significant events after the end of the period

Carnegie Investment Bank AB (publ) announced that stabilisation measures had been undertaken in Q-linea AB (publ). The stabilisation measures were initiated in conjunction with the listing on 7 December 2018 and ended on 4 January 2019. The over-allotment option was not utilised.