

# Final version of ASTar shows favourable results and garners positive reception

## Quarter: January–March 2019

- Net sales amounted to SEK 0.4 million (0.3).
- The operating result totalled SEK -36.7 million (-23.9).
- The company reported a loss after tax of SEK -36.3 million (-24.0).
- Earnings per share amounted to SEK -1.59 (-2.06).
- Cash flow from operating activities totalled SEK -41.0 million (-25.7).
- At 31 March 2019, cash and cash equivalents amounted to SEK 20.6 million (354.4). Short-term investments in fixed-income funds totalled SEK 290.0 million (150.0) and long-term investments in listed corporate bonds amounted to SEK 151.8 million (0).

## Significant events

### *in the first quarter of 2019*

- Q-linea has changed its launch strategy, which is expected to lead to a faster launch in the US.
- In order to ensure delivery of performance shares within the framework of the long-term incentive program LTIP 2018, the company carried out an issue of 211,048 new shares.

### *after the end of the period*

- No significant events took place after the end of the period.

# Final version of ASTar under way



The first quarter of 2019 was an intense period for Q-linea – a period spent fine-tuning the final version of ASTar, preparing for the regulatory US study and, not least, engaging in numerous discussions with potential partners for the future launch of our system.

One of the most important decisions made during the quarter was the decision to reschedule our US launch for an earlier date. Although the European market is larger than the US market, we expect a significantly higher growth rate and gain a faster foothold in the US, which is why we are prioritising this market. When talking with potential partners, we have seen that certain players have a heavy focus on the US, making our new strategy an even better fit with their operations.

The most important annual conference for Q-linea is the European Congress of Clinical Microbiology & Infectious Diseases (ECCMID), which was held in Amsterdam on 13–16 April. We spent the first quarter preparing for the conference and, as promised, were able to present the final design of ASTar in two pre-production systems. We developed a common antibiotics panel for the US and EU markets, featuring a broad antibiotics panel with a large concentration interval. We also presented the ability to use ASTar as a semi-automatic system for analysing isolates. Both of these developments were presented at ECCMID and being able to present the final design of the system to potential customers was a true milestone for the company.

**“...we will be able to gain a faster foothold in the US.”**

We carried out a number of usability studies during the quarter and presented a new graphical interface at ECCMID that will make using ASTar even simpler than before, with a hands-on time of less than one minute. Our previous requirement specification was less than two minutes, so reducing this time – through close cooperation with potential customers – to less than one minute will be a strong selling point as we move forward.

Having presented the final design of our ASTar systems – as they will appear when they are launched next year – we are now well on schedule, and this was an important step since customers are already starting to plan their budgets in order to purchase the system next year. Many visitors expressed their interest in Q-linea during the conference and we are now following up on these leads. We also had productive meetings with a number of potential future sales partners.

Our very first ASTar customers will be our ambassadors and we plan to work closely with them during the initial launch phase. We expect to be able to offer the system at a competitive price for both fully automatic and semi-automatic sample analyses.

In summary, the entire company is feeling energised and full of enthusiasm as we continue with our important task of preparing ASTar for approval and market launch next year. We have come a long way on this journey and will continue to devote the utmost energy and care to the final stages of the process. I look forward to keeping Q-linea’s shareholders up to date on our progress.

Uppsala, 2 May 2019

Jonas Jarvius, President

# Outstanding result for ASTar

## 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.

ASTar will be sold to hospital laboratories and is a fully automated instrument for measuring bacteria's antibiotic susceptibility using the consumables 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 first quarter of 2019

The company now has three ASTar instruments undergoing rigorous testing, including climate chamber testing to ensure that the systems meet the requirements for customer delivery. We have also made certain updates in terms of thermal management properties and have now developed the final design for ASTar. We are also on track when it comes to our clinical studies, particularly with respect to the collection of isolates but also the design of the study that will form the basis for approval in the US.

During the quarter, the second of a total of three external audits to be carried out ahead of our upcoming ISO 13485 certification was completed with highly positive results. Since our products are built for both the US and European markets, these audits are extensive in scope. The outcome of the second audit was positive and no remarks were made. We have devoted considerable resources to ensuring that the documentation for the system and its components is of a high quality and adequate level.

During the quarter, we conducted an electromagnetic compatibility (EMC) test, with outstanding results. The Alfa-2 system easily met the requirements for Class A, which is the standard required for our upcoming CE certification and launch.

# Financial performance in brief

EBIT Q1  
SEK -36.7 million

Equity/  
assets ratio  
96%

## 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.

## Income, expenses and earnings

Net sales for the first quarter amounted to SEK 426 thousand (250), up SEK 176 thousand compared with the year-earlier period. The difference is primarily attributable to an increase in income from prototype manufacturing.

Other operating income for the first quarter amounted to SEK 23 thousand (-13) and was mainly attributable to exchange-rate gains.

Operating expenses including depreciation, amortisation and impairment totalled SEK 37,175 thousand (24,167). The increase in the first quarter amounted to SEK 13,008 thousand compared with the year-earlier period and was attributable to an increase in external costs due to a higher number of consultants in product development. The adaptation of the company's administrative capacity to meet its expanded reporting obligations as a listed company resulted in higher costs. The company took over Umbrella Science's lease contracts in conjunction with acquiring the business's operations in June 2018.

Personnel costs increased compared with the year-earlier period, mainly due to an 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 1,104 thousand (464) for the fourth quarter. The increase was attributable to the start of depreciation and amortisation of acquired non-current assets (see Note 6) in the third quarter of 2018. Other operating expenses totalled SEK -97 thousand (0) for the first quarter.

The operating result totalled SEK -36,725 thousand (-23,930) for the first quarter. The larger operating loss was mainly attributable to the increase in operating expenses.

Net financial items amounted to SEK 403 thousand (-22) for the fourth quarter. The increase in the first quarter was mainly due to the coupon rate paid out on the corporate bonds in which the company has invested; refer also to Note 5.

No tax was recognised for the first quarter of 2019 or for 2018.

The result for the period amounted to SEK -36,322 thousand (-23,953) for the first quarter.

## Financial position

Cash and cash equivalents at the end of the first quarter totalled SEK 20,585 thousand (354,438). The corresponding figure at the beginning of the quarter

was SEK 354,438 thousand (6,588). Cash and cash equivalents that will not be used in the daily operations over the coming 12 months have been placed in fixed-income funds and listed corporate bonds. The fixed-income funds, which invest in low-risk interest-bearing securities and other interest-rate instruments, amounted to SEK 290,020 thousand (150,000) at the end of the first quarter. During the quarter, cash and cash equivalents from the new share issue in December 2018 were invested in 20 low-risk listed corporate bonds. The value of these bonds amounted to SEK 151,776 thousand (0) at the end of the first quarter.

In conjunction with the acquisition of Umbrella Science's operations in the preceding financial year, certain assets and related liabilities were also acquired (description in Note 6). 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 16 to 39 months.

At the end of the quarter, equity amounted to SEK 477,582 thousand (513,458), the equity/assets ratio to 96% (95) and the debt/equity ratio to -97% (-98).

### Cash flow and investments

Cash flow from operating activities totalled SEK -41,004 thousand (-25,704) for the first quarter. 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 -5,610 thousand (-2,103) for the first quarter. Changes in working capital in the first quarter were mainly attributable to an increase in other current liabilities.

Cash flow from investing activities amounted to SEK -292,743 thousand (-90) for the first quarter. During the first quarter, the company made a net investment of SEK -140,020 thousand (0) in the short-term fixed-income funds where the company invests surplus liquidity not used in its daily operations. The company also invested in SEK -151,776 thousand (0) in 20 listed corporate bonds.

Cash flow from financing activities amounted to SEK -105 thousand (154,923) for the first quarter. Cash flow from financing activities in the first quarter was attributable to an issue and acquisition of 211,048 shares at a quotient value of SEK 0.05 per share, intended to ensure the delivery of performance shares under LTIP 2018, which was adopted by an extraordinary general meeting on 12 November 2018. During the corresponding quarter in the preceding year, the company carried out a private placement amounting to SEK 132,934 thousand and increased its existing short-term interest-free loan from the company's largest shareholder, Nexttobe AB.

### 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, the short-term interest-free loan of SEK 12,800 thousand to Nexttobe AB was repaid.

### 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 March 2019 is sufficient to cover the company's needs over the next 12 months.

### Other information

#### *Performance share-based programme LTIP 2018*

An extraordinary general meeting on 12 November 2018 decided that a long-term incentive programme in the form of a performance share-based 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, may 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 2019, the Board decided to issue 211,048 class C shares to Carnegie Investment Bank based on the authorisation decided on by the extraordinary general meeting on 12 November 2018. The shares were repurchased from Carnegie Investment Bank by Q-linea and reclassified as ordinary shares. The aim of these shares is to ensure the delivery of performance shares under the long-term incentive programme (LTIP 2018). Both the share issue and the buy-back were carried out at the share's quotient value. The rights to receive performance shares were allotted free of charge in March 2019. The table below shows the actual number of performance share rights issued per participant category as of the publication date of this annual report.

As of the publication date of this interim report, allotment has been carried out in accordance with the following table:

Actual number of performance share rights issued

Category	No. of participants	No. of performance share rights per participant	No. of performance share rights per category
President	1	30,250	30,250
Management team	6	12,620	75,720
Other key employees	7	5,250	36,750
<b>Total</b>	<b>14</b>	<b>-</b>	<b>142,720</b>

The programme measures performance over a three-year period starting in March 2019. The performance targets are linked to various operational sub-targets during the same period. The targets include such areas as product development, product approval and that commercialisation is achieved. The performance share rights are earned as the performance targets are met. The value of each performance share right is SEK 55.54 and is based on the closing price on the allotment date (1 March 2019).

### *Employees*

Calculated on the basis of full-time equivalents, Q-linea had 56 (42) employees

at the end of the quarter, 20 (17) of whom are women. The number of consultants at the end of the quarter was 29 (18), six (five) of whom were women.

### *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 has decreased since sufficient financing has been 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 28–64 of the 2018 Annual Report.

### *Annual General Meeting*

The 2019 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.

### **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
<b>EBITDA</b>	Operating result before depreciation/amortisation and impairment.	This performance measure provides an overall view of profit for the operating activities.
<b>Operating result</b>	Result before financial items according to the income statement.	This earnings measurement is used for external comparisons.
<b>Equity/assets ratio, %</b>	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.
<b>Debt/equity ratio</b>	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 and long-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.
<b>Equity per share before and after dilution</b>	Equity attributable to the company’s shareholders in relation to the number of shares outstanding, excluding treasury holdings, 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. Treasury shares refer to the company's own holding to ensure the delivery of performance shares under LTIP 2018. The company's holding of treasury shares has been excluded from the calculation of per-share performance measures.

#### EBITDA

SEK thousand (unless otherwise stated)	Jan–Mar 2019	Jan–Mar 2018	Jan–Dec 2018
Operating result	-36,725	-23,930	-127,366
Depreciation, amortisation and impairment	1,104	464	3,037
<b>EBITDA</b>	<b>-35,621</b>	<b>-23,466</b>	<b>-124,329</b>

#### Equity/assets ratio

SEK thousand (unless otherwise stated)	31 Mar 2019	31 Mar 2018	31 Dec 2018
Total assets	498,598	147,854	539,068
Equity	477,582	110,778	513,458
<b>Equity/assets ratio (%)</b>	<b>95%</b>	<b>75%</b>	<b>95%</b>

#### Debt/equity ratio

SEK thousand (unless otherwise stated)	31 Mar 2019	31 Mar 2018	31 Dec 2018
Long-term liabilities to credit institutions (a)	604	–	709
Current liabilities to credit institutions (b)	420	–	420
Liabilities to Group companies (c)	–	24,989	–
<b>Total borrowing (d=a+b+c)</b>	<b>1,024</b>	<b>24,989</b>	<b>1,129</b>
- Less cash and cash equivalents (e)	-20,585	-135,718	-354,438
- Less short-term investments (f)	-290,020	–	-150,000
- Less long-term investments (g)	-151,776	–	–
<b>Net debt (h=d+e+f+g)</b>	<b>-461,357</b>	<b>-110,728</b>	<b>-503,309</b>
<b>Equity (i)</b>	<b>477,582</b>	<b>110,778</b>	<b>513,458</b>
<b>Debt/equity ratio (h/i) (%)</b>	<b>-97%</b>	<b>-100%</b>	<b>-98%</b>

#### Equity per share

SEK thousand (unless otherwise stated)	31 Mar 2019	31 Mar 2018	31 Dec 2018
Equity (a)	477,582	110,778	513,458
Total number of shares outstanding (b)	23,117,963	14,818,680	22,906,915
- Less holding of treasury shares (c)	-211,048	–	–
<b>Equity per share (a/(b+c)), SEK</b>	<b>20.85</b>	<b>7.48</b>	<b>22.41</b>

**Performance measures and other information**

SEK thousand (unless otherwise stated)	Jan–Mar 2019	Jan–Mar 2018	Jan–Dec 2018
<b>Earnings</b>			
Net sales	426	250	1,066
EBITDA	-35,621	-23,466	-124,329
Operating result	-36,725	-23,930	-127,366
Result for the period	-36,322	-23,953	-128,353
<b>Per share</b>			
Equity per share, SEK	20.85	7.48	22.41
Earnings per share before and after dilution, SEK	-1.59	-2.06	-8.82
Total number of shares outstanding	23,117,963	14,818,680	22,906,915
- of which, treasury shares	211,048	–	–
Average number of shares	22,979,609	11,610,540	14,559,462
- of which, average number of treasury shares	-72,694	–	–
<b>Cash flow</b>			
Cash flow from operating activities	-41,004	-25,704	-122,712
Cash flow from investing activities	-292,743	-90	-164,248
Cash flow from financing activities	-105	154,923	634,810

SEK thousand (unless otherwise stated)	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>Financial position</b>			
Total assets	498,598	147,854	539,068
Cash and cash equivalents	20,585	135,718	354,438
Equity	477,582	110,778	513,458
Equity/assets ratio, %	96	75	95
Debt/equity ratio, %	-97	-100	-98

## CERTIFICATION AND UPCOMING REPORT DATES

The Board of Directors and the President hereby certify that this interim 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, 2 May 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

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

### About the company

#### Q-linea AB (publ)

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#### For questions about the report, contact:

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*This information is information that Q-linea AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 3 May 2019 at 7:30 a.m. CET.*

### Presentation

Q-linea invites investors, analysts and the media to an audiocast and teleconference (in English) today, 3 May, at 1:00 to 2:00 p.m. (CET). President Jonas Jarvius and CFO Anders Lundin will present Q-linea, comment on the interim report for the January to March 2019 period and respond to questions.

Webcast: <https://tv.streamfabriken.com/q-linea-q1-2019>

Telephone number for the teleconference: SE: +46850558351 UK: +443333009263 US: +18335268380

# Income statement

Amounts in SEK thousand	Note	Jan–Mar 2019	Jan–Mar 2018	Jan–Dec 2018
<b>Operating income</b>				
Net sales	1	426	250	1,066
Other operating income		23	-13	33
<b>Total operating income</b>		<b>449</b>	<b>237</b>	<b>1,098</b>
<b>Operating expenses</b>				
Raw materials and consumables	2	-6,066	-5,252	-21,054
Other external costs		-14,926	-9,084	-54,851
Personnel costs	3	-14,982	-9,366	-49,417
Depreciation/amortisation of tangible and intangible assets		-1,104	-464	-3,037
Other operating expenses		-97	–	-105
<b>Total operating expenses</b>		<b>-37,175</b>	<b>-24,167</b>	<b>-128,464</b>
<b>Operating result</b>		<b>-36,725</b>	<b>-23,930</b>	<b>-127,366</b>
Other interest income and similar profit items	5	412	–	14
Interest expenses and similar loss items		-9	-22	-1,002
<b>Result from financial items</b>		<b>403</b>	<b>-22</b>	<b>-988</b>
<b>Result before tax</b>		<b>-36,322</b>	<b>-23,953</b>	<b>-128,353</b>
Tax on result for the period		–	–	–
<b>Result for the period</b>		<b>-36,322</b>	<b>-23,953</b>	<b>-128,353</b>

## Statement of comprehensive income

Amounts in SEK thousand	Note	Jan–Mar 2019	Jan–Mar 2018	Jan–Dec 2018
Result for the period		-36,322	-23,953	-128,353
Other comprehensive income, net after tax		–	–	–
<b>Total comprehensive income</b>		<b>-36,322</b>	<b>-23,953</b>	<b>-128,353</b>
Earnings per share before and after dilution, SEK	7	-1.59	-2.06	-8.82
Average number of shares		22,906,915	11,610,545	14,559,462

# Balance sheet

Amounts in SEK thousand	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
<i>Intangible assets</i>				
Licences		292	1,077	488
Technology and customer relationships	6	711	–	752
Goodwill	6	6,790	–	7,061
<i>Total intangible assets</i>		<i>7,792</i>	<i>1,077</i>	<i>8,302</i>
<i>Tangible assets</i>				
Equipment, tools, fixtures and fittings	6	8,915	2,634	8,562
<i>Total tangible assets</i>		<i>8,915</i>	<i>2,634</i>	<i>8,562</i>
<i>Financial assets</i>				
Other securities held as non-current assets	5	154,773	2,997	2,997
Other long-term receivables		50	–	50
<i>Total financial assets</i>		<i>154,823</i>	<i>2,997</i>	<i>3,047</i>
<b>Total non-current assets</b>		<b>171,530</b>	<b>6,709</b>	<b>19,911</b>
<b>Current assets</b>				
<i>Current receivables</i>				
Accounts receivable		16	26	–
Other receivables		13,997	3,980	13,050
Prepaid expenses and accrued income		2,450	1,420	1,669
Short-term investments	4	290,020	–	150,000
<i>Total current receivables</i>		<i>306,483</i>	<i>5,427</i>	<i>164,719</i>
Cash and bank balances		20,585	135,718	354,438
<b>Total current assets</b>		<b>327,068</b>	<b>141,144</b>	<b>519,156</b>
<b>TOTAL ASSETS</b>		<b>498,598</b>	<b>147,854</b>	<b>539,068</b>

# Balance sheet

Amounts in SEK thousand	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>EQUITY</b>				
<b>Restricted equity</b>				
Share capital		1,156	741	1,145
<i>Total restricted equity</i>		<i>1,156</i>	<i>741</i>	<i>1,145</i>
<b>Unrestricted equity</b>				
Share premium reserve		695,528	190,648	695,528
Retained earnings		-182,780	-56,659	-54,862
Result for the period		-36,322	-23,953	-128,353
<i>Total unrestricted equity</i>		<i>476,526</i>	<i>110,037</i>	<i>512,313</i>
<b>Total equity</b>		<b>477,582</b>	<b>110,778</b>	<b>513,458</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Loans from credit institutions	6	604	–	709
<b>Total long-term liabilities</b>		<b>604</b>	<b>–</b>	<b>709</b>
<b>Current liabilities</b>				
Loans from credit institutions	6	420	–	420
Accounts payable		8,388	5,415	9,824
Current tax liabilities		503	288	564
Liabilities to Group companies	2.6	–	24,989	–
Other liabilities		1,921	1,099	4,685
Accrued expenses and deferred income		9,181	5,284	9,407
<b>Total current liabilities</b>		<b>20,412</b>	<b>37,076</b>	<b>24,900</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>498,598</b>	<b>147,854</b>	<b>539,068</b>

# Changes in equity

Amounts in SEK thousand	Note	Share capital	Share premium reserve	Retained earnings	Result for the year	Total equity
<b>Opening balance, 1 January 2018</b>		<b>575</b>	<b>57,880</b>	<b>10,936</b>	<b>-67,879</b>	<b>1,511</b>
<i>Comprehensive income</i>						
Result for the period		–	–	–	-23,953	<b>-23,953</b>
Appropriation of profits		–	–	-67,879	67,879	<b>0</b>
<i>Total comprehensive income</i>		–	–	<b>-67,879</b>	<b>43,927</b>	<b>-23,953</b>
<i>Transactions with shareholders</i>						
New share issue		166	141,346	–	–	<b>141,512</b>
Issue costs		–	-8,578	–	–	<b>-8,578</b>
Option programme	3	–	–	285	–	<b>285</b>
<i>Total transactions with shareholders</i>		<b>166</b>	<b>132,768</b>	<b>285</b>	–	<b>133,219</b>
<b>Closing balance, 31 March 2018</b>		<b>741</b>	<b>190,648</b>	<b>-56,659</b>	<b>-23,953</b>	<b>110,778</b>
<b>Opening balance, 1 January 2018</b>		<b>575</b>	<b>57,880</b>	<b>10,936</b>	<b>-67,879</b>	<b>1,511</b>
<i>Comprehensive income</i>						
Result for the year		–	–	–	-128,353	-128,353
<i>Appropriation of profits in accordance with AGM decision</i>						
- Carried forward to unrestricted equity		–	–	-67,879	67,879	<b>0</b>
<i>Total comprehensive income</i>		–	–	<b>-67,879</b>	<b>-60,474</b>	<b>-128,353</b>
<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>		<b>570</b>	<b>637,648</b>	<b>2,082</b>	–	<b>640,300</b>
<b>Closing balance, 31 December 2018</b>		<b>1,145</b>	<b>695,528</b>	<b>-54,862</b>	<b>-128,353</b>	<b>513,458</b>
<b>Opening balance, 1 January 2019</b>		<b>1,145</b>	<b>695,528</b>	<b>-54,862</b>	<b>-128,353</b>	<b>513,458</b>
<i>Comprehensive income</i>						
Result for the period		–	–	–	-36,311	<b>-36,311</b>
Appropriation of profits		–	–	-128,353	128,353	<b>0</b>
<i>Total comprehensive income</i>		–	–	<b>-128,353</b>	<b>92,031</b>	<b>-36,311</b>
<i>Transactions with shareholders</i>						
New share issue	3	11	–	–	–	<b>11</b>
Acquisition of own shares	3	–	–	-11	–	<b>-11</b>
Option programme	3	–	–	446	–	<b>446</b>
<i>Total transactions with shareholders</i>		<b>11</b>	–	<b>435</b>	–	<b>446</b>
<b>Closing balance, 31 March 2019</b>		<b>1,156</b>	<b>695,528</b>	<b>-182,780</b>	<b>-36,322</b>	<b>477,582</b>

# Cash flow statement

Amounts in SEK thousand	Note	Jan–Mar 2019	Jan–Mar 2018	Jan–Dec 2018
<b>Cash flow from operating activities</b>				
Operating result		-36,725	-23,930	-127,366
Adjustments for non-cash items				
- Depreciation reversal		1,104	464	3,037
- Employee option programme	3	446	285	1,260
- Licensing revenue paid through shares		-250	-250	-1,000
Interest received		412	–	14
Interest paid		-9	-22	-180
Tax paid		-372	-147	-628
<b>Cash flow from operating activities before changes in working capital</b>		<b>-35,394</b>	<b>-23,601</b>	<b>-124,963</b>
<i>Changes in working capital</i>				
Increase/decrease in inventories		–	–	165
Increase/decrease in accounts receivable		-16	767	793
Increase/decrease in other current receivables		-1,728	-1,468	-10,786
Increase/decrease in other current liabilities		-2,430	424	9,397
Increase/decrease in accounts payable		-1,436	-1,826	2,582
<i>Changes in working capital</i>		<i>-5,610</i>	<i>-2,103</i>	<i>2,150</i>
<b>Cash flow from operating activities</b>		<b>-41,004</b>	<b>-25,704</b>	<b>-122,712</b>
<b>Cash flow from investing activities</b>				
Investments in tangible assets		-947	-90	-1,398
Acquisition of business	6	–	–	-12,800
Short-term investments	4	-161,000	–	-238,014
Divestment of short-term investments	4	20,980	–	88,014
Investments in financial assets	5	-151,776	–	-50
<b>Cash flow from investing activities</b>		<b>-292,743</b>	<b>-90</b>	<b>-164,248</b>
<b>Cash flow from financing activities</b>				
New share issue	4	11	132,934	691,512
Issue costs		–	–	-53,294
Acquisition of own shares	4	-11	–	–
Loans raised	2.6	–	21,989	12,800
Repayment of loans	2	-105	–	-16,209
<b>Cash flow from financing activities</b>		<b>-105</b>	<b>154,923</b>	<b>634,810</b>
<b>Cash flow for the period</b>		<b>-333,853</b>	<b>129,129</b>	<b>347,849</b>
Cash and cash equivalents at the beginning of the period		354,438	6,588	6,588
<b>Cash and cash equivalents at the end of the year</b>		<b>20,585</b>	<b>135,718</b>	<b>354,438</b>

# 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 interim report was prepared are set out below. Unless otherwise stated, these policies have been applied consistently for all years presented.

## Standards, amendments and interpretations of existing standards that took effect in 2019 and that may affect, or have already affected, the financial statements

### *IFRS 9 Financial Instruments*

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. It supersedes those parts of IAS 39 that address classification and measurement of financial instruments. The standard has been applied as of the financial year commencing on 1 January 2018. The company recognised financial instruments at cost according to the principles of RFR 2. According to RFR 2, the principles concerning impairment testing and loss allowances in IFRS 9 are to be applied (for more information, refer to the accounting policies concerning financial instruments). The transition to IFRS 9 has not had any material impact on the company's earnings or balance sheet.

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 outlines how revenue is to be 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.

### **IFRS 16 Leases**

Under IFRS 16, which took effect on 1 January 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 the new standard has not had any effect on the company's financial statements.

### **Share-based remuneration**

In the first quarter of 2019, Q-linea allotted performance share rights to participants in the LTIP 2018 performance share-based programme free of charge. The fair value of the performance share rights was determined on the allotment date and corresponded to the closing price of the share on that

date. The value has been recognised as a personnel cost in profit or loss, distributed over the vesting period, with a corresponding increase in equity. The amount recognised corresponds to the fair value of the performance shares expected to be vested. In subsequent periods, this cost will be adjusted to reflect the actual number of vested performance shares.

Additional social security contributions have been recognised as an expense and liability and will be remeasured on a continuous basis to reflect any changes in the fair value of the options in accordance with the Swedish Financial Reporting Board's recommendation UFR 7.

### Holding of treasury shares

At the end of the quarter, Q-linea had a holding of 211,048 treasury shares. The aim of these shares is to ensure the delivery of performance shares under the long-term incentive programme (LTIP 2018). The holding of treasury shares has been excluded from the calculation of per-share performance measures.

For a more detailed description of the accounting policies applied in this interim report, refer to page 50 of the Annual Report for the 2018 financial year. The interim report comprises pages 1–23, and pages 1–11 thus comprise an integrated component of this financial report.

### Note 1 Specification of net sales

Net sales specified by geographic market:

Amounts in SEK thousand	2019 Jan–Mar	2018 Jan–Mar	2018 Jan–Dec
Sweden	426	250	1,066
<b>Total net sales by geographic market</b>	<b>426</b>	<b>250</b>	<b>1,066</b>

Net sales specified by type income:

Amounts in SEK thousand	2019 Jan–Mar	2018 Jan–Mar	2018 Jan–Dec
Licensing revenue	250	250	1,000
Prototype development	176	–	66
<b>Total net sales by type of income</b>	<b>426</b>	<b>250</b>	<b>1,066</b>

Licensing revenue derives from the licensing agreement signed between EMPE Diagnostics AB and Q-linea during 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.

In June 2018, 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. Nexttobe AB is Q-linea's largest owner with a holding of 40.1% (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 (250) was recognised as income in the first quarter. 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 2018 period. Q-linea had no unpaid invoices from Umbrella Science on the balance sheet date.

### Note 3 Shared-based remuneration programmes

Q-linea has two ongoing share-based remuneration programmes.

#### *Performance-based employee share option programme*

Q-linea has a 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 (7,185) employee share options were outstanding on 31 March 2019 and were allotted free of charge to programme participants. Vesting is based on employment terms and the fulfilment of agreed targets. No employee share options expired during the first quarter.

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 in the first quarter amounted to SEK 234 thousand (285).

#### *Performance share-based programme*

An extraordinary general meeting on 12 November 2018 decided that a long-term incentive programme in the form of a performance share-based 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, may be offered an opportunity to participate in the incentive programme.

The table below shows the maximum number of performance shares that may be allotted to the participants.

Category	Maximum no. of participants	Maximum no. of performance-based share rights per participant	Maximum no. of performance-based share rights per category
President	1	30,250	30,250
Management team	7	12,620	88,340
Other key employees	8	5,250	42,000
<b>Total</b>	<b>16</b>	<b>–</b>	<b>160,590</b>

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 2019, the Board decided to issue 211,048 class C shares to Carnegie Investment Bank based on the authorisation decided on by the extraordinary general meeting on 12 November 2018. The shares were repurchased from Carnegie Investment Bank by Q-linea and reclassified as ordinary shares. Both the share issue and the buy-back were carried out at the share's quotient value. Of the total number of performance shares included in the incentive programme,

160,590 shares may be transferred to participants in the programme, while 50,458 shares may be transferred over Nasdaq Stockholm in order to cash-flow hedge certain payments related to social security contributions associated with the programme.

The rights to receive performance shares were allotted free of charge in March 2019. The table below shows the actual number of performance share rights issued per participant category as of the publication date of this annual report. As of the publication date of this interim report, allotment has been carried out in accordance with the following table:

Actual number of performance share rights issued as of 31 March 2019

Category	No. of participants	No. of performance-based share rights per participant	No. of performance-based share rights per category
President	1	30,250	30,250
Management team	6	12,620	75,720
Other key employees	7	5,250	36,750
<b>Total</b>	<b>14</b>	<b>–</b>	<b>142,720</b>

The programme measures performance over a three-year period starting in March 2019. The performance targets are linked to various operational sub-targets during the same period. The targets include such areas as product development, product approval and commercialisation. The performance share rights are earned as the performance targets are met. The value of each performance share right is SEK 55.54 and is based on the closing price on the allotment date (1 March 2019). The cost recognised in the first quarter amounted to SEK 211 thousand (0).

#### 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 Other securities held as non-current assets

Other securities held as non-current assets primarily comprise low-risk listed corporate bonds and amounted to SEK 151,776 thousand (0) at the end of the first quarter. The bonds have a term of more than 12 months. Other securities held as non-current assets have been recognised at cost.

The bonds carry both variable and fixed interest with periodic payments. The coupon rate paid out in the first quarter amounted to SEK 392 thousand (0).

#### Note 6 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 consumables for customers in the life sciences industry. Synergy effects are mainly expected to 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
Final 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
<b>Acquired identifiable assets and liabilities</b>	<b>5,195</b>
Goodwill	7,605
<b>Acquired net assets</b>	<b>12,800</b>

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	–

### Note 7 Earnings per share

Earnings per share are calculated by dividing the result for the year by a weighted average of the number of ordinary shares outstanding, excluding holdings of treasury shares, during the period.

SEK thousand (unless otherwise stated)	Jan–Mar 2019	Jan–Mar 2018	Jan–Dec 2018
Result for the period	-36,322	-23,953	-128,353
Weighted average number of shares outstanding	22,976,609	11,610,545	14,559,462
- Less average holding of treasury shares	-72,694	–	–
<b>Earnings per share before and after dilution (SEK)</b>	<b>1.59</b>	<b>2.06</b>	<b>-8.82</b>

### Note 8 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 2018 financial year and on pages 17–33 of the prospectus prepared in conjunction with the listing on Nasdaq Stockholm.

### **Note 9 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 10 Significant events after the end of the period**

No significant events took place after the end of the period.