

Launch preparations continue

Second quarter: 1 April–30 June 2019

- Net sales amounted to SEK 0.5 million (0.3).
- The operating result totalled SEK -44.5 million (-35.7).
- The company reported a loss after tax of SEK -44.0 million (-35.7).
- Earnings per share amounted to SEK -1.92 (-2.41).
- Cash flow from operating activities totalled SEK -40.9 million (-28.4).

Period: 1 January–30 June 2019

- Net sales amounted to SEK 1.0 million (0.5).
- The operating result totalled SEK -81.2 million (-59.6).
- The company reported a loss after tax of SEK -80.3 million (-59.7).
- Earnings per share amounted to SEK -3.50 (-4.51).
- Cash flow from operating activities totalled SEK -81.9 million (-54.1).
- At 30 June 2019, cash and cash equivalents amounted to SEK 19.4 million (354.4), short-term investments in fixed-income funds to SEK 250.1 million (150.0) and investments in listed bonds to SEK 151.8 million (0).

Significant events

in the second quarter of 2019

- The Annual General Meeting was held on 22 May 2019. Refer to “Other information” for information about the resolutions passed at the Annual General Meeting.
- The Annual General Meeting resolved to re-elect directors Erika Kjellberg Eriksson, Mats Nilsson Bernitz, Ulf Landegren, Marcus Storch, Marianne Hansson, Per-Olof Wallström and Hans Johansson. Erika Kjellberg Eriksson was elected Chairperson of the Board.

after the end of the period

- The Board of Directors resolved to issue and repurchase 117,424 shares within the framework of the LTIP 2019 long-term incentive programme.

Intensified partner discussions



The second quarter of 2019 was characterised by feedback from potential customers following our participation in various conferences, preparations for regulatory studies and, last but not least, intensified discussions with several possible partners for the upcoming launch of ASTar.

The European Congress of Clinical Microbiology & Infectious Diseases (ECCMID) is the most important annual conference for Q-linea. This year it was held in Amsterdam on 13–16 April. I am proud of the fantastic feedback we received at ECCMID on ASTar. The same can be said for our participation in the American Society for Microbiology (ASM) Microbe in San Francisco on 20–24 June.

We have received overwhelmingly positive feedback on our broad antibiotics panel, ASTar’s flexible but simple workflow and how easy it is to start using. Potential customers in Europe and the US are equally positive, but in the US we are encountering a somewhat different customer group. Customers in the US have more automated operations and more 24-hour labs. They are especially appreciative of the simplicity and the fully automated workflow, and it is particularly gratifying to be receiving positive feedback on our development process from future customers. Since customers are already starting to plan their budgets in order to purchase the system next year, it has been important for us to be able to present the final design of our ASTar system.

“We have received overwhelmingly positive feedback on our broad antibiotics panel, ASTar’s flexible but simple workflow and how easy it is to start using.

When it comes to our regulatory studies, we achieved an important milestone in June when we submitted a pre-submission supplement to the US Food and Drug Administration (FDA), as planned. The supplement contained a detailed description of how we plan to design the US study and the specifics of the trial protocol and the ASTar system. We will have a meeting with the FDA in September to hear their views on the design of the study and we will thereafter adapt the study to meet their requirements. If everything goes according to plan, we should be able to start the study at the beginning of next year. Our goal is to obtain FDA approval to market and sell the system next year.

I am happy to be leading the company and following its progress. We are methodically working through our goals and the impressive work that has been carried out throughout the company is now being reflected in our discussions with potential sales partners. These discussions intensified during the quarter and are now being conducted with some of the most attractive companies in the market. I look forward to our future partnership agreements with a sense of anticipation and optimism.

To sum up, the feedback we are receiving both from potential customers and in discussions with possible partners is incredibly motivating in our continued work to prepare ASTar for approval and market launch next year. I hope and believe that Q-linea’s shareholders share our enthusiasm.

Uppsala, July 2019

Jonas Jarvius, President

Increased production capacity

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 second quarter of 2019

Consumables

- An improved process for production of AST discs has been implemented in pilot production. The new process enables larger production batches, which is an important step towards achieving the intended batch size for process validation.
- No design changes are planned for the AST disc and the final work will focus on achieving a robust load in all culture chambers in the system.
- Pretesting in preparation for design verification of the sample preparation cartridge has been carried out with favourable results. No design changes are planned for the sample preparation cartridge.

Instruments

- Work is under way to complete the Alpha 2 instrument for use in microbiology laboratories and the company has conducted several successful tests of the full instrument protocol. The instrument will continue to be used to optimise the company's analysis algorithm in preparation for the upcoming verification and validation.

Clinical performance study

- The collection and characterisation of isolates for our clinical study in Europe is under way. In total, more than 450 isolates have been collected in accordance with the trial protocol and delivered to Q-linea, which is deemed sufficient to carry out the reference study. The project will now focus on characterisation of the collected isolates and collection of supplementary isolates to ensure an adequate representation in terms of types of bacteria and resistance mechanisms.
- An additional step was taken in the official communication concerning the US study in the form of a pre-submission supplement to the FDA. The supplement contained a detailed description of the system, a description of the planned analytical studies, the protocol for the planned clinical studies and a number of direct questions to the FDA.

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.

Income, expenses and earnings

EBIT Q2
SEK -44.5 million

Net sales for the first quarter amounted to SEK 537 thousand (250), up SEK 287 thousand compared with the corresponding quarter in the preceding year. Net sales for the first half of the year totalled SEK 963 thousand (500), up SEK 463 thousand. This increase is primarily attributable to an increase in income from prototype manufacturing.

Other operating income amounted to SEK 0 thousand (46) for the second quarter and SEK 23 thousand (32) for the first half of the year.

Operating expenses including depreciation, amortisation and impairment totalled SEK 45,031 thousand (35,950) for the second quarter, up SEK 9,082 thousand compared with the corresponding quarter in the preceding year. Operating expenses for the first half of the year totalled SEK 82,206 thousand (60,116), up SEK 22,090 thousand.

The increases in both the second quarter and the period are primarily attributable to an increase in personnel costs and other external costs. Personnel costs amounted to SEK 17,098 thousand (12,481) for the second quarter and SEK 32,080 thousand (21,847) for the January to June period. The increases in both the quarter and the first half of the year are mainly due to a higher average number of employees, since product development and production scale-up require additional personnel resources. Other external costs amounted to SEK 20,742 thousand (17,331) for the second quarter and SEK 35,668 thousand (26,415) for the January to June period. The increases in the quarter and the period are due to a higher number of consultants hired within 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.

Depreciation, amortisation and impairment of tangible and intangible assets amounted to SEK 925 thousand (476) for the second quarter and SEK 2,029 thousand (941) for the first half of the year. The increases in the second quarter and the period were attributable to the start of depreciation and amortisation of acquired non-current assets in the third quarter of 2018.

Other operating expenses amounted to SEK 57 thousand (51) for the second quarter and SEK 154 thousand (51) for the first half of the year, and pertain largely to exchange-rate losses.

The operating result totalled SEK -44,495 thousand (-35,654) for the second quarter and SEK -81,220 thousand (-59,584) for the first half of the year.

Equity/
assets ratio
94%

Net financial items amounted to SEK 537 thousand (-24) for the second quarter and SEK 940 thousand (-46) for the first half of the year. The increases in the second quarter and the period were mainly due to the coupon rate paid out on the listed corporate bonds in which the company has invested (see Note 5).

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

The result for the period amounted to SEK -43,958 thousand (-35,678) for the second quarter and SEK -80,280 thousand (-59,630) for the January to June period.

Financial position

Cash and cash equivalents at the end of the second quarter totalled SEK 19,367 thousand, compared with SEK 13,931 thousand at the end of the second quarter of 2018 and SEK 354,438 thousand at the beginning of the year. Cash and cash equivalents that will not be used in the daily operations but will be used over the coming 12 months have been placed in fixed-income funds. The fixed-income funds, which invest in low-risk interest-bearing securities and other interest-rate instruments, amounted to SEK 250,000 thousand (150,000) at the end of the second quarter. Cash and cash equivalents that will not be used within the next 12 months have been invested in listed corporate bonds. The value of the company's investments in listed bonds amounted to SEK 151,776 thousand (0) at the end of the second quarter.

In conjunction with the acquisition of Umbrella Science's operations in the preceding financial year, certain assets and related liabilities were also acquired. 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 13 to 36 months.

At the end of the quarter, equity amounted to SEK 434,471 thousand (513,458), the equity/assets ratio to 94% (95) and the debt/equity ratio to -97% (-98).

Cash flow and investments

Cash flow from operating activities totalled SEK -40,915 thousand (-28,361) for the second quarter and SEK -81,919 thousand (-54,065) for the first half of the year. 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 1,707 thousand (6,800) for the second quarter and SEK -3,903 thousand (4,697) for the January to June period. In the second quarter, changes in working capital were primarily attributable to higher accounts payable in the comparative quarter in the preceding year.

Cash flow from investing activities amounted to SEK 39,802 thousand (-81,237) for the second quarter and SEK -252,941 thousand (-81,327) for the first half of the year. In the second quarter, short-term investments were divested for SEK 39,927 thousand (-67,976). The investments during the January to June period pertain to a net investment of SEK -100,093 thousand (-67,976) in short-term fixed-income funds where the company invests surplus liquidity not used in its daily operations and to investments in 20 listed corporate bonds totalling SEK -151,775 thousand (0). Corporate bonds generated a coupon rate of SEK 958 thousand (0) in the first half of the year.

Cash flow from financing activities totalled SEK -105 thousand (-12,189) for the second quarter and SEK -210 thousand (142,734) for the first half of the year.

The change during the first half of the year compared with the year-earlier period is primarily attributable to the new share issue carried out by the company, which amounted to SEK 132,934 thousand, as well as the raising of a short-term interest-free loan of SEK 12,800 thousand from the company's largest shareholder, Nexttobe AB, in the comparative period in the preceding year.

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 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, the Board's assessment is that the existing working capital, as of 30 June 2019, is sufficient to cover the company's needs over the next 12 months.

Other information

2019 Annual General Meeting

In addition to the standard matters addressed by the Annual General Meeting, the following resolutions were passed:

- To re-elect directors Erika Kjellberg Eriksson, Mats Nilsson Bernitz, Ulf Landegren, Marcus Storch, Marianne Hansson, Per-Olof Wallström and Hans Johansson. Erika Kjellberg Eriksson was elected Chairperson and it was noted that Jon Heimer declined re-election.
- Due to the introduction of a long-term incentive programme (LTIP 2019):
 - On the adoption of the long-term incentive programme (LTIP 2019)
 - On authorising the Board of Directors to issue and repurchase shares ¹⁾
 - On the transfer of treasury shares
- To re-elect the registered accounting firm Öhrlings PricewaterhouseCoopers AB as auditor.

¹⁾ As of the publication date of this interim report, the Board of Directors has resolved to issue and repurchase 117,424 shares.

Performance share-based programme LTIP 2019

The Annual General Meeting on 22 May 2019 decided that a long-term incentive programme (LTIP 2019) would be implemented according to the following primary terms:

In total, up to ten of the Company's current or future employees will be offered to participate in the LTIP 2019. The participants, who will be divided into two categories depending on their position, will be offered the opportunity to receive ordinary shares free of charge under the framework of LTIP 2019,

known as “performance shares.”

The aim of the incentive programme is to recruit and retain particularly competent employees and create greater motivation to achieve or surpass the Company’s strategic and operational objectives and to closely align the interests of these key individuals and the shareholders.

Participation in the performance share-based programme enables employees to receive performance shares, provided that a number of targets set by the Board regarding product development, product approval and commercialisation are achieved.

Performance shares will be allotted after the end of the performance period, which runs for three years from the time of implementation of the incentive programme. The rights to receive performance shares will be distributed free of charge no later than 31 December 2019. In addition to the requirement that internal targets are met, the allocation of performance shares requires that the participant has been permanently employed at the Company throughout the performance period. The Board, or a special committee established by the Board, will be responsible for the further development and management of the terms of the incentive programme.

The performance share-based programme is expected to comprise a total of no more than 117,424 shares, of which no more than 89,350 shares may be transferred to participants in the programme, and no more than 28,074 shares may be transferred through Nasdaq Stockholm at a price within the price range registered at any time in order to cash-flow hedge certain payments related to social security contributions associated with the programme.

As of the publication date of this interim report, no performance share rights had been distributed.

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.

The programme measures performance over a three-year period starting in March 2019 and 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.

As of the Annual General Meeting on 22 May 2019, when the programme was closed to new participants, 142,720 performance share rights had been allotted to participants of the programme. See Note 3.

Employees

Calculated on the basis of full-time equivalents, Q-linea had 61 (48) employees at the end of the quarter, 24 (19) of whom are women. The number of consultants at the end of the quarter was 38 (20), ten (one) 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. The company’s financing risks have decreased since sufficient cash and cash equivalents have 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.

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 performance 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	This performance measure is a measure of capital strength and is used to determine the relationship between adjusted liabilities and adjusted equity.

	from related parties/Group companies and provisions, less cash and cash equivalents and short and long-term investments). Equity according to the balance sheet.	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 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)	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Operating result	-44,495	-35,654	-81,220	-59,584	-127,366
Depreciation, amortisation and impairment	925	476	2,029	941	3,037
EBITDA	-43,570	-35,178	-79,191	-58,643	-124,329

Equity/assets ratio

SEK thousand (unless otherwise stated)	30 Jun 2019	30 Jun 2018	31 Dec 2018
Total assets	459,847	111,076	539,068
Equity	434,471	76,243	513,458
Equity/assets ratio (%)	94%	69%	95%

Debt/equity ratio

SEK thousand (unless otherwise stated)	30 Jun 2019	30 Jun 2018	31 Dec 2018
Long-term liabilities to credit institutions (a)	499	893	709
Current liabilities to credit institutions (b)	420	644	420
Liabilities to Group companies (c)	–	11,978	–
Total borrowing (d=a+b+c)	919	13,515	1,129
- Less cash and cash equivalents (e)	-19,367	-13,931	-354,438
- Less short-term investments (f)	-250,093	-67,976	-150,000
- Less long-term investments (g)	-151,776	–	–
Net debt (h=d+e+f+g)	-420,317	-68,392	-503,309
Equity (i)	434,471	76,243	513,458
Debt/equity ratio (h/i) (%)	-97%	-90%	-98%

Equity per share

SEK thousand (unless otherwise stated)	30 Jun 2019	30 Jun 2018	31 Dec 2018
Equity (a)	434,471	76,243	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	–	–
Equity per share (a/(b+c)), SEK	18.97	5.15	22.41

Performance measures and other information

SEK thousand (unless otherwise stated)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Earnings					
Net sales	537	250	963	500	1,066
EBITDA	-43,570	-35,178	-79,191	-58,643	-124,329
Operating result	-44,495	-35,654	-81,220	-59,584	-127,366
Result for the period	-43,958	-35,678	-80,280	-59,630	-128,353
Per share					
Equity per share, SEK	18.97	5.15	18.97	5.15	22.41
Earnings per share before and after dilution, SEK	-1.92	-2.41	-3.50	-4.51	-8.82
Total number of shares outstanding	23,117,963	14,818,680	23,117,963	14,818,680	22,906,915
- of which, treasury shares	211,048	–	211,048	–	–
Total number of shares outstanding excl. treasury shares	22,906,915	14,818,680	22,906,915	14,818,680	22,906,915
Average number of shares	23,117,963	14,818,680	23,049,168	13,223,475	14,559,462
- of which, average number of treasury shares	211,048	–	142,253	–	–
Average number of shares excl. treasury shares	22,906,915	14,818,680	22,906,915	13,223,475	14,559,462
Cash flow					
Cash flow from operating activities	-40,915	-28,361	-81,919	-54,065	-122,712
Cash flow from investing activities	39,802	-81,237	-252,941	-81,327	-164,248
Cash flow from financing activities	-105	-12,189	-210	142,734	634,810

SEK thousand (unless otherwise stated)	30 Jun 2019	30 Jun 2018	31 Dec 2018
Financial position			
Total assets	459,847	111,076	539,068
Cash and cash equivalents	19,367	13,931	354,438
Equity	434,471	76,243	513,458
Equity/assets ratio, %	94	69	95
Debt/equity ratio, %	-97	-90	-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, 17 July 2019

Jonas Jarvius
President

Erika Kjellberg Eriksson
Chairperson

Mats Nilsson
Director

Hans Johansson
Director

Ulf Landegren
Director

Marcus Storch
Director

Marianne Hansson
Director

Per-Olof Wallström
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

7 November 2019	Interim report, Q3	January to September 2019
13 February 2020	Year-end report, Q4	January to December 2019
Week of 13 April 2020	Annual Report 2019	January to December 2019
7 May 2020	Interim report, Q1	January to March 2020
16 July 2020	Interim report, Q2	January to June 2020
5 November 2020	Interim report, Q3	January to September 2020

About the company

Q-linea AB (publ)

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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 18 July 2019 at 7:30 a.m. (CET).

Presentation

Q-linea invites investors, analysts and the media to an audiocast and teleconference (in English) today, 18 July, 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 June 2019 period and respond to questions.

Webcast: <https://tv.streamfabriken.com/q-linea-q2-2019>

Telephone number for the teleconference: SE: +46851999383 UK: +443333009262 US: +16467224956

Income statement

Amounts in SEK thousand	Note	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Operating income						
Net sales	1	537	250	963	500	1,066
Other operating income		-	46	23	32	33
Total operating income		537	296	986	532	1,098
Operating expenses						
Raw materials and consumables	2	-6,210	-5,611	-12,275	-10,863	-21,054
Other external costs		-20,742	-17,331	-35,668	-26,415	-54,851
Personnel costs	3	-17,098	-12,481	-32,080	-21,847	-49,417
Depreciation/amortisation of tangible and intangible assets		-925	-476	-2,029	-941	-3,037
Other operating expenses		-57	-51	-154	-51	-105
Total operating expenses		-45,031	-35,950	-82,206	-60,116	-128,464
Operating result		-44,495	-35,654	-81,220	-59,584	-127,366
Other interest income and similar profit items	5	546	14	958	14	14
Interest expenses and similar loss items		-9	-38	-18	-60	-1,002
Result from financial items		537	-24	940	-46	-988
Result before tax		-43,958	-35,678	-80,280	-59,630	-128,353
Tax on result for the period		-	-	-	-	-
Result for the period		-43,958	-35,678	-80,280	-59,630	-128,353
Statement of comprehensive income						
Amounts in SEK thousand	Note	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Result for the period		-43,958	-35,678	-80,280	-59,630	-128,353
Other comprehensive income, net after tax		-	-	-	-	-
Total comprehensive income		-43,958	-35,678	-80,280	-59,630	-128,353
Earnings per share before and after dilution, SEK	6	-1.92	-2.41	-3.50	-4.51	-8.82
Average number of shares		22,906,915	14,818,680	22,906,915	13,223,475	14,559,462

Balance sheet

Amounts in SEK thousand	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS				
Non-current assets				
<i>Intangible assets</i>				
Licences		274	881	488
Technology and customer relationships		669	835	752
Goodwill		6,518	7,605	7,061
Total intangible assets		7,461	9,321	8,302
<i>Tangible assets</i>				
Equipment, tools, fixtures and fittings		8,446	8,741	8,562
Total tangible assets		8,446	8,741	8,562
<i>Financial assets</i>				
Other securities held as non-current assets	5	154,773	2,997	2,997
Other long-term receivables		50	50	50
Total financial assets		154,823	3,047	3,047
Total non-current assets		170,730	21,109	19,911
Current assets				
<i>Current receivables</i>				
Accounts receivable		43	-	-
Inventories		-	165	-
Other receivables		17,270	6,537	13,050
Prepaid expenses and accrued income		2,343	1,357	1,669
Short-term investments	4	250,093	67,976	150,000
Total current receivables		269,750	76,036	164,719
Cash and bank balances		19,367	13,931	354,438
Total current assets		289,117	89,967	519,156
TOTAL ASSETS		459,847	111,076	539,068

Balance sheet

Amounts in SEK thousand	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
EQUITY				
Restricted equity				
Share capital		1,156	741	1,145
<i>Total restricted equity</i>		<i>1,156</i>	<i>741</i>	<i>1,145</i>
Unrestricted equity				
Share premium reserve		695,528	190,648	695,528
Retained earnings		-181,933	-55,516	-54,862
Result for the period		-80,280	-59,630	-128,353
<i>Total unrestricted equity</i>		<i>433,315</i>	<i>75,502</i>	<i>512,313</i>
Total equity		434,471	76,243	513,458
LIABILITIES				
Long-term liabilities				
Loans from credit institutions		499	893	709
Total long-term liabilities		499	893	709
Current liabilities				
Loans from credit institutions		420	644	420
Accounts payable		8,527	10,053	9,824
Current tax liabilities		696	347	564
Liabilities to Group companies	2	–	11,978	–
Other liabilities		2,226	2,286	4,685
Accrued expenses and deferred income		13,008	8,632	9,407
Total current liabilities		24,877	33,940	24,900
TOTAL LIABILITIES AND EQUITY		459,847	111,076	539,068

Changes in equity

Amounts in SEK thousand	Note	Restricted equity	Unrestricted equity			Total equity
		Share capital	Share premium reserve	Retained earnings	Result for the year	
Opening balance, 1 January 2018		575	57,880	10,936	-67,879	1,511
Comprehensive income						
Result for the period		-	-	-	-59,630	-59,630
<i>Appropriation of profits in accordance with AGM decision</i>						
- Carried forward to unrestricted equity		-	-	-67,879	67,879	0
Total comprehensive income		-	-	-67,879	8,249	-59,630
<i>Transactions with shareholders</i>						
New share issue		166	141,346	-	-	141,512
Issue costs		-	-8,578	-	-	-8,578
Shareholder contribution received		-	-	822	-	822
Option programme	3	-	-	605	-	605
Total transactions with shareholders		166	132,768	1,428	-	134,362
Closing balance, 30 June 2018		741	190,648	-55,516	-59,630	76,243
Opening balance, 1 January 2018		575	57,880	10,936	-67,879	1,511
Comprehensive income						
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	0
Total comprehensive income		-	-	-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
Total transactions with shareholders		570	637,648	2,082	-	640,300
Closing balance, 31 December 2018		1,145	695,528	-54,862	-128,353	513,458
Opening balance, 1 January 2019		1,145	695,528	-54,862	-128,353	513,458
Comprehensive income						
Result for the period		-	-	-	-80,280	-80,280
<i>Appropriation of profits in accordance with AGM decision</i>						
- Carried forward to unrestricted equity		-	-	-128,353	128,353	0
Total comprehensive income		-	-	-128,353	48,073	-80,280
<i>Transactions with shareholders</i>						
New share issue	3	11	-	-	-	11
Acquisition of own shares	3	-	-	-11	-	-11
Incentive programmes	3	-	-	1,293	-	1,293
Total transactions with shareholders		11	-	1,282	-	1,293
Closing balance, 30 June 2019		1,156	695,528	-181,933	-80,280	434,471

Cash flow statement

Amounts in SEK thousand	Note	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Cash flow from operating activities						
Operating result		-44,495	-35,654	-81,220	-59,584	-127,366
Adjustments for non-cash items						
- Depreciation reversal		925	476	2,029	941	3,037
- Incentive programmes	3	847	321	1,293	605	1,960
- Licensing revenue paid through shares		-250	-250	-500	-500	-1,000
- Accrued acquisition costs		-	130	-	130	-
Interest received		546	14	958	14	14
Interest paid		-9	-38	-18	-60	-180
Tax paid		-187	-160	-558	-307	-628
Cash flow from operating activities before changes in working capital		-42,622	-35,161	-76,017	-58,762	-124,863
<i>Changes in working capital</i>						
Increase/decrease in inventories		-	-	-	-	165
Increase/decrease in accounts receivable		-27	26	43	793	793
Increase/decrease in other current receivables		-3,167	-2,494	-4,895	-3,962	-10,786
Increase/decrease in other current liabilities		4,762	4,631	2,332	5,055	9,397
Increase/decrease in accounts payable		139	4,637	-1,297	2,811	2,582
<i>Changes in working capital</i>		<i>1,707</i>	<i>6,800</i>	<i>-3,903</i>	<i>4,697</i>	<i>2,150</i>
Cash flow from operating activities		-40,915	-28,361	-81,919	-54,065	-122,712
Cash flow from investing activities						
Investments in tangible assets		-125	-410	-1,072	-500	-1,398
Acquisition of business		-	-12,800	-	-12,800	-12,800
Short-term investments	4	-	-67,976	-170,000	-67,976	-238,014
Divestment of short-term investments		39,927	-	69,907	-	88,014
Investments in financial assets		-	-50	-151,776	-50	-50
Cash flow from investing activities		39,802	-81,237	-252,941	-81,327	-164,248
Cash flow from financing activities						
New share issue	3	11	-	11	132,934	691,512
Issue costs		-	-	-	-	-53,294
Acquisition of own shares	3	-11	-	-11	-	-
Loans raised	2	-	12,800	-	12,800	12,800
Repayment of loans		-105	-24,989	-210	-3,000	-16,209
Cash flow from financing activities		-105	-12,189	-210	142,734	634,810
Cash flow for the period		-1,218	-121,787	-335,071	7,342	347,849
Cash and cash equivalents at the beginning of the period		20,585	135,718	354,438	6,588	6,588
Cash and cash equivalents at the end of the period		19,367	13,931	19,367	13,931	354,438

Accounting policies and notes

This interim 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 company's accounting policies, which are unchanged compared with the preceding year with the exception of the changes stated below, are presented in the company's Annual Report for 2018.

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

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 second 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 1–22, and pages 1–12 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	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Sweden	537	250	963	500	1,066
Total net sales by geographic market	537	250	963	500	1,066

Net sales specified by type of income:

Amounts in SEK thousand	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Licensing revenue	250	250	500	500	1,000
Prototype development	287	-	463	-	66
Total net sales by type of income	537	250	963	500	1,066

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 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% (59.3). 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 second quarter and SEK 500 thousand (500) in the January to June 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 a 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 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

As of the end of the second quarter, Q-linea had 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 (7,645) employee share options were outstanding on 30 June 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 were allotted, expired or forfeited during the second quarter.

The employee share options could originally be exercised to subscribe for shares up to and 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 229 thousand (321) for the second quarter and SEK 464 thousand (605) for the first half of the year.

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 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. 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 at a price within the price range registered at any time 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. As of the Annual General Meeting on 22 May 2019, when the programme was closed to new participants, 142,720 performance share rights had been allotted to participants of the programme.

The programme measures performance over a three-year period starting in March 2019 and 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 amounted to SEK 618 thousand (0) for the second quarter and SEK 829 thousand (0) for the first half of the year.

Performance share-based programme LTIP 2019

The Annual General Meeting on 22 May 2019 decided that a long-term incentive programme (LTIP 2019) would be implemented according to the following primary terms:

In total, up to ten of the Company's current or future employees will be offered to participate in the LTIP 2019. The participants, who will be divided into two categories depending on their position, will be offered the opportunity to receive ordinary shares free of charge under the framework of LTIP 2019, known as "performance shares."

The aim of the incentive programme is to recruit and retain particularly competent employees and create greater motivation to achieve or surpass the Company's strategic and operational objectives and to closely align the interests of these key individuals and the shareholders.

Participation in the performance share-based programme enables employees to receive performance shares, provided that a number of targets set by the Board regarding product development, product approval and commercialisation are achieved.

Performance shares will be allotted after the end of the performance period, which runs for three years from the time of implementation of the incentive programme. The rights to receive performance shares will be distributed free of charge no later than 31 December 2019. In addition to the requirement that internal targets are met, the allocation of performance shares requires that the participant has been permanently employed at the Company throughout the performance period. The Board, or a special committee established by the Board, will be responsible for the further development and management of the terms of the incentive programme.

The performance share-based programme is expected to comprise a total of no more than 117,424 shares, of which no more than 89,350 shares may be transferred to participants in the programme, and no more than 28,074 shares may be transferred through Nasdaq Stockholm at a price within the price range registered at any time in order to cash-flow hedge certain payments related to social security contributions associated with the programme.

As of the publication date of this interim report, no performance share rights had been distributed.

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 second 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 amounted to SEK 428 thousand (0) for the second quarter and SEK 865 thousand (0) for the first half of the year.

Note 6 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)	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Result for the period	-43,958	-35,678	-80,280	-59,630	-128,353
Weighted average number of shares outstanding	23,117,963	14,818,680	23,049,168	13,223,475	14,559,462
- Less average holding of treasury shares	-211,048	-	-142,253	-	-
Earnings per share before and after dilution (SEK)	-1.92	-2.41	-3.50	-4.51	-8.82

Note 7 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 8 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 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 30 June 2019, is sufficient to cover the company's needs over the next 12 months.

Note 9 Significant events after the end of the period

The Board of Directors resolved to issue and repurchase 117,424 shares within the framework of the LTIP 2019 long-term incentive programme.