

A quarter of intense preparation

Third quarter, 1 July–30 September 2019

- Net sales amounted to SEK 0.0 million (0.3).
- The operating result totalled SEK -35.8 million (-28.8).
- The result for the period amounted to SEK -35.1 million (-29.3).
- Earnings per share before and after dilution amounted to SEK -1.53 (-1.98).
- Cash flow from operating activities totalled SEK -35.8 million (-31.2).

Period: 1 January–30 September 2019

- Net sales amounted to SEK 1.0 million (0.8).
- The operating result totalled SEK -117.1 million (-88.4).
- The result for the period amounted to SEK -115.4 million (-88.9).
- Earnings per share before and after dilution amounted to SEK -5.04 (-6.46).
- Cash flow from operating activities totalled SEK -117.7 million (-85.3).
- At 30 September 2019, cash and cash equivalents amounted to SEK 19.2 million (354.4), short-term investments in fixed-income funds to SEK 211.2 million (150.0) and investments in listed bonds to SEK 151.7 million (0).

Significant events

in the third quarter of 2019

- The management team was strengthened with MD Tiziana di Martino who was appointed Chief Medical Officer and Thomas Fritz who was appointed Chief Commercial Officer.
- The company issued 117,424 new shares in order to ensure delivery of performance shares under the long-term incentive programme (LTIP 2019).

after the end of the period

- The start date for the company's clinical studies was postponed from the first quarter to the second half of 2020.
- Q-linea received a positive response from the US Food and Drug Administration (FDA) regarding the design of the company's planned study in the US.

A quarter of intense preparation



We worked simultaneously across many fronts in the third quarter to continue to build a strong platform for future launches. For example, we strengthened the commercial organisation, started to anchor our health economics studies, attended major trade fairs, had a positive follow-up meeting with the FDA on our study plan, made preparations for our regulatory studies and, last but not least, held intensified discussions with potential partners.

A large and important element of this work was strengthening the commercial organisation. We recruited a highly experienced Chief Commercial Officer, Thomas Fritz, who in previous roles has successfully driven results in both mature and emerging markets. He has already proven himself a major asset ahead of our launches in Europe and the US. At the start of the year we also employed an equally experienced Chief Medical Officer, Tiziana Di Martino (MD, MSc, MBA), who has already conducted several in-depth interviews with clinics and doctors to help us gain even better understanding of our market. The feedback we have received to date has been incredibly positive, particularly on our comprehensive antibiotics panel. This feedback has come not only from the laboratory managers we work with, but also from administering physicians.

We have now started to anchor our health economics studies with the clinical laboratories that we are in contact with and we will soon choose the laboratories that we want to work with. We intend

to start the first health economics study in the second half of 2020. Our preparations for the clinical study are proceeding according to plan and we have now obtained all the isolates that we need.

The positive feedback we have received also came from the trade fairs we visited during the quarter. We attended IDWeek in Washington and the Annual Meeting of the American Association of Clinical Chemistry (AACC) in California. We did not exhibit at these events but participated as visitors. I believe that awareness of Q-linea is relatively high, with particularly high curiosity about our broad offering. Many see that the capacity and potential of our ASTar® system is significantly higher than what is currently found in the market. In mid-November we will exhibit at the FIS, Federation of Infection Societies Conference, in Edinburgh, which was especially interesting since the UK is far advanced in terms of infection diagnostics and antimicrobial resistance.

We have mostly received highly positive feedback regarding ASTar, particularly from the in-depth interviews we conducted both in Europe and the US. We have also learnt that clinics and physicians want to see Meropenem-Vaborbactam (MER-VAB) included in our antibiotics panel. This would provide more comprehensive analytical results for patients with resistant bacterial infections. Greater resistance to antibiotics has meant that combination therapies have become increasingly common and important for treating patients with resistant bacterial infections. The added value provided by MER-VAB is therefore considered substantial, which is why we are now taking measures to include it in our antibiotics panel.

Discussions with potential sales partners intensified considerably during the quarter. We are holding discussions with the most interesting companies in the market and, as promised, I am looking forward to presenting an agreement with future sales partners at the end of the year. Interest in ASTar is widespread since the system stands out from all other systems. Isolates, semi-automatic systems or high value – no matter which it is, ASTar can address all these factors with accurate MIC values. No other product can do this. The capacity of our system is unique and our reference samples are of the highest class.

For a couple of months we have had three alpha

systems operational, essentially 24 hours a day, seven days a week. The ASTar system has, quite simply, been thoroughly tested. Overall, the results have been positive, but an important component that we purchase from a third-party manufacturer has shown errors at a higher rate than we deem acceptable. The reliability of the component needs to be improved and we have postponed our schedule so as to jointly solve the issue together with the supplier.

We do not believe this affects the positive discussions we have with our potential future sales partners. Furthermore, we do not see that it affects the CE marking of the system. However, it does mean that our clinical studies in the US and Europe are expected to begin in the second half of 2020 instead of the first quarter of 2020 as previously anticipated. ASTar will be presented at ECCMID in Paris. This is a more traditional launch strategy with a longer test period of ASTar before commercial launch.

After the end of the quarter, we also received a highly positive response from the FDA regarding our proposed clinical study in the US, allowing Q-linea to perform parts of the study itself based on the high educational level of our clinical microbiologists. The FDA's proposal to change the design of the quality control process during the study could also result in a shorter development period for our planned product for semi-automatic isolate analysis, which is naturally also very positive.

Of course, it feels disappointing to postpone our clinical studies and the launch of ASTar, but overall the quarter has been positive and the feedback from the FDA was highly gratifying. We have taken many important steps to make ASTar ready for approval and launch to market. The feedback we are receiving both from potential customers and in discussions with possible partners is very positive and fills us with enthusiasm. I look forward towards the journey ahead together with you all.

Uppsala, November 2019

Jonas Jarvius, President

Preparations for verification

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 third quarter of 2019

Consumables

- Consumables have been manufactured in the company's internal pilot production line. Internal needs for consumables have increased sharply since the project group is performing many repetitive tests ahead of design verification. The new process for AST discs introduced in the second quarter means that the increased need can be met.
- Design of the sample preparation cartridge was locked ahead of the design review according to the company's production development model.

Instruments

- Work to complete the Alpha 2 instrument for use in microbiology laboratories took place in the third quarter. These activities include the final development process, integration and testing of software and systems. The Alpha 2 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 characterisation of isolates for our clinical study in Europe continued. More than 200 of the 450 isolates that are planned to be used in the clinical performance study have been characterised according to the regulatory reference method. Collection of supplementary isolates is under way to ensure an adequate representation in terms of types of bacteria and resistance mechanisms as well as an appropriate geographic spread.

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 Q3
SEK **-35.8** million

Net sales for the third quarter amounted to SEK 27 thousand (250), down SEK 223 thousand compared with the corresponding quarter in the preceding year. Licensing revenue amounted to zero in the third quarter since knowledge transfer under the agreement with EMPE Diagnostics AB was completed in the second quarter.

Net sales for the January to September period totalled SEK 990 thousand (750), up SEK 240 thousand. This increase was primarily attributable to an increase in income from prototype manufacturing.

Other operating income amounted to SEK 0 thousand (21) for the third quarter and SEK 23 thousand (54) for the January to September period.

Operating expenses including depreciation, amortisation and impairment totalled SEK 35,864 thousand (29,065) for the third quarter, up SEK 6,799 thousand compared with the corresponding quarter in the preceding year. Operating expenses for the January to September period totalled SEK 118,070 thousand (89,181), up SEK 28,889 thousand.

The increases in both the third quarter and the period are primarily attributable to an increase in personnel costs and other external costs. Personnel costs amounted to SEK 14,415 thousand (9,952) for the third quarter and SEK 46,495 thousand (31,799) for the January to September period. The increases in both the third quarter and in the January to September period were mainly due to the increase in the average number of employees, mainly in marketing, product development and production. Other external costs amounted to SEK 16,336 thousand (13,980) for the third quarter and SEK 52,004 thousand (40,395) for the January to September period. The increases in the quarter and the period were due to a higher number of consultants hired within product development and production. The adaptation of the company's administrative capacity to meet its expanded reporting obligations as a listed company resulted in higher costs.

Depreciation, amortisation and impairment of tangible and intangible assets amounted to SEK 1,004 thousand (1028) for the third quarter and SEK 3,033 thousand (1,969) for the January to September period. The increase in the period was attributable to the start of depreciation and amortisation in the third quarter of 2018 of non-current assets acquired in June 2018.

**Equity/
assets ratio**
95%

Other operating expenses amounted to SEK 82 thousand (18) for the third quarter and SEK 237 thousand (69) for the January to September period, and pertain largely to exchange-rate losses.

The operating result totalled SEK -35,837 thousand (-28,793) for the third quarter and SEK -117,057 thousand (-88,377) for the January to September period.

Net financial items amounted to SEK 763 thousand (-511) for the third quarter and SEK 1,703 thousand (-557) for the January to September period. The increases in the third quarter and in the period were mainly due to interest income on other securities held as non-current assets.

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

The result for the period amounted to SEK -35,074 thousand (-29,304) for the third quarter, and SEK -115,354 thousand (-88,934) for the January to September period.

Financial position

Cash and cash equivalents at the end of the third quarter totalled SEK 19,204 thousand, compared with SEK 12,363 thousand at the end of the third 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 are planned to be used within 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 211,228 thousand (150,000) at the end of the third 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 third 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 10 to 33 months.

At the end of the quarter, equity amounted to SEK 400,251 thousand (513,458), the equity/assets ratio to 95% (95) and the debt/equity ratio to -95% (-98).

Cash flow and investments

Cash flow from operating activities totalled SEK -35,777 thousand (-31,244) for the third quarter and SEK -117,696 thousand (-85,309) for the January to September period. The increased cash outflow from operating activities was mainly due to a larger operating loss compared with the year-earlier period. Changes in working capital totalled SEK -2,374 thousand (-3,187) for the third quarter and SEK -6,277 thousand (1,510) for the January to September period. In the third quarter, changes in working capital were primarily attributable to lower other receivables and current liabilities compared with the third quarter of 2018.

Cash flow from investing activities amounted to SEK 35,719 thousand (29,979) for the third quarter and SEK -217,223 thousand (-51,348) for the January to September period. In the third quarter, short-term investments were divested

for SEK 38,865 thousand (30,055). The investments during the January to September period pertain to a net investment of SEK 61,228 thousand (37,921) 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 151,776 thousand (0). Corporate bonds generated a coupon rate of a total of SEK 1,729 thousand (14) in the January to September period. Investments in tangible assets in the quarter and the period amounted to SEK 3,147 thousand (76) and SEK 4,219 thousand (577), respectively. Investments in tangible assets mainly comprised investments in production equipment.

Cash flow from financing activities amounted to SEK -105 thousand (-303) for the third quarter and SEK -315 thousand (142,431) for the January to September period. Cash flow from financing activities in the third quarter was attributable to an issue and acquisition of 117,424 shares at a quotient value of SEK 0.05 per share, intended to ensure the delivery of performance shares under LTIP 2019, which was adopted by the Annual General Meeting on 22 May 2019. The change during the January to September period compared with the year-earlier period was primarily attributable to the new share issue carried out by the company in the year-earlier period, which generated net proceeds of SEK 132,934 thousand for the company after issue costs, 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.

Financing

To provide the company with sufficient liquidity to continue operating and developing according to the company's strategic plan, the company had access to cash and cash equivalents on 30 September 2019 of SEK 19,204 thousand (354,438), short-term investments of SEK 211,228 thousand (150,000) and other securities held as non-current assets of SEK 151,776 thousand (0).

Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. On 30 September 2019, the company had a total of SEK 382,208 thousand (504,438) divided between the following classes of assets: cash and cash equivalents, short and long-term investments, as described in the section "Financing" above. The Board's assessment is that the existing working capital, as of 30 September 2019, is sufficient to cover the company's needs for at least the next 12 months. The postponement of the clinical studies to the second half of 2020 that the company announced in a press release after the end of the period is not deemed to have a material impact on this assessment.

Other information

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 in the form of a performance share-based programme.

Performance shares may be allotted after the end of the performance period, which runs for three years from the time of implementation of the incentive programme. The programme measures performance over a three-year period starting in December 2019 and the performance targets are linked to various

operational sub-targets during the same period. The rights to receive performance shares will be distributed free of charge no later than 31 December 2019.

The performance share-based programme comprises 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.

Nomination Committee

Q-linea's Nomination Committee ahead of the 2020 Annual General Meeting has been appointed and comprises: Øystein Engebretsen, Chairman of the Nomination Committee (Investment AB Öresund), Jannis Kitsakis (AP4) and Erika Kjellberg Eriksson, Chairperson Q-linea AB (Nexttobe AB).

Employees

Calculated on the basis of full-time equivalents, Q-linea had 64 (52) employees at the end of the quarter, 24 (19) of whom are women. The number of consultants at the end of the quarter was 40 (20), nine (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. 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.
Adjusted equity	Equity recognised in the balance sheet plus untaxed reserves less the tax portion of untaxed reserves.	The equity measure is used to calculate all performance measures that include equity, for example, equity/assets ratio and equity per share.
Operating result	Result before financial items according to the income statement.	This earnings measurement is used for external comparisons.
Equity/assets ratio, %	Adjusted equity 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 recognised equity according to the balance sheet. 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).	This performance measure is a measure of capital strength and is used to determine the relationship between adjusted liabilities and adjusted equity. In the case of positive equity, a negative debt/equity ratio means that available cash and cash equivalents and short-term investments exceed total borrowing.
Equity per share before and after dilution	Adjusted Equity attributable to the company's shareholders in relation to the number of shares outstanding, excluding treasury holdings, at the end of the period.	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 and LTIP 2019. The company's holding of treasury shares has been excluded from the calculation of per-share performance measures.

EBITDA

SEK thousand (unless otherwise stated)	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating result	-35,837	-28,793	-117,057	-88,377	-127,366
Depreciation, amortisation and impairment	1,004	1,028	3,033	1,969	3,037
EBITDA	-34,833	-27,765	-114,024	-86,408	-124,329

Equity/assets ratio

SEK thousand (unless otherwise stated)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Total assets	421,783	80,676	539,068
Equity	400,251	47,258	513,458
Equity/assets ratio (%)	95%	59%	95%

Debt/equity ratio

SEK thousand (unless otherwise stated)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Long-term liabilities to credit institutions (a)	411	814	709
Current liabilities to credit institutions (b)	403	420	420
Liabilities to Group companies (c)	-	12,417	-
Total borrowing (d=a+b+c)	814	13,651	1,129
- Less cash and cash equivalents (e)	-19,204	-12,363	-354,438
- Less short-term investments (f)	-211,228	-37,921	-150,000
- Less long-term investments (g)	-151,776	-	-
Net debt (h=d+e+f+g)	-381,393	-36,633	-503,309
Equity (i)	400,251	47,258	513,458
Debt/equity ratio (h/i) (%)	-95%	-78%	-98%

Equity per share

SEK thousand (unless otherwise stated)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Equity (a)	400,251	47,258	513,458
Total number of shares outstanding (b)	23,235,387	14,818,680	22,906,915
- Less holding of treasury shares (c)	328,472	-	-
Equity per share (a/(b-c)), SEK	17.47	3.19	22.41

Performance measures and other information

SEK thousand (unless otherwise stated)	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Earnings					
Net sales	27	250	990	750	1,066
EBITDA	-34,833	-27,765	-114,024	-86,408	-124,329
Operating result	-35,837	-28,793	-117,057	-88,377	-127,366
Result for the period	-35,074	-29,304	-115,354	-88,934	-128,353
Per share					
Equity per share, SEK	17.47	3.19	17.47	3.19	22.41
Earnings per share before and after dilution, SEK	-1.53	-1.98	-5.04	-6.46	-8.82
Total number of shares outstanding	23,235,387	14,818,680	23,235,387	14,818,680	22,906,915
- of which, treasury shares	328,472	-	328,472	-	-
Number of shares outstanding excl. treasury shares	22,906,915	14,818,680	22,906,915	14,818,680	22,906,915
Total average number of shares	23,213,689	14,818,680	23,104,611	13,761,053	14,559,462
- of which, average number of treasury shares	306,774	-	197,696	-	-
Average number of shares, excl. treasury shares	22,906,915	14,818,680	22,906,915	13,761,053	14,559,462
Cash flow					
Cash flow from operating activities	-35,777	-31,244	-117,696	-85,309	-122,712
Cash flow from investing activities	35,719	29,979	-217,223	-51,348	-164,248
Cash flow from financing activities	-105	-303	-315	142,431	634,810

SEK thousand (unless otherwise stated)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Financial position			
Total assets	421,783	80,676	539,068
Cash and cash equivalents	19,204	12,363	354,438
Equity	400,251	47,258	513,458
Equity/assets ratio, %	95	59	95
Debt/equity ratio, %	-95	-78	-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, 6 November 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.

Upcoming reporting dates

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
26 May 2020	Annual General Meeting	
16 July 2020	Interim report, Q2	January to June 2020
5 November 2020	Interim report, Q3	January to September 2020

About the company

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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 7 November 2019 at 7:30 a.m. (CET).

Presentation

Q-linea invites investors, analysts and the media to an audiocast and teleconference (in English) today, 7 November, 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 September 2019 period and respond to questions.

Webcast: <https://tv.streamfabriken.com/q-linea-q3-2019>

Telephone number for the teleconference: SE: +46856642705 UK: +443333009262 US: +18338230586

Income statement

Amounts in SEK thousand	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating income						
Net sales	1	27	250	990	750	1,066
Other operating income		0	21	23	54	33
Total operating income		27	271	1,013	804	1,098
Operating expenses						
Raw materials and consumables		-4,026	-4,086	-16,301	-14,949	-21,054
Other external costs		-16,336	-13,980	-52,004	-40,395	-54,851
Personnel costs	3	-14,415	-9,952	-46,495	-31,799	-49,417
Depreciation/amortisation of tangible and intangible assets		-1,004	-1,028	-3,033	-1,969	-3,037
Other operating expenses		-82	-18	-237	-69	-105
Total operating expenses		-35,864	-29,065	-118,070	-89,181	-128,464
Operating result		-35,837	-28,793	-117,057	-88,377	-127,366
Other interest income and similar profit items	5	771	–	1,729	14	14
Interest expenses and similar loss items		-8	-511	-26	-571	-1,002
Result from financial items		763	-511	1,703	-557	-988
Result before tax		-35,074	-29,304	-115,354	-88,934	-128,353
Tax on result for the period		–	–	–	–	–
Result for the period		-35,074	-29,304	-115,354	-88,934	-128,353

Statement of comprehensive income

Amounts in SEK thousand	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Result for the period		-35,074	-29,304	-115,354	-88,934	-128,353
Other comprehensive income, net after tax		–	–	–	–	–
Total comprehensive income		-35,074	-29,304	-115,354	-88,934	-128,353
Earnings per share before and after dilution, SEK	6	-1.53	-1.98	-5.04	-6.46	-8.82
Average number of shares excl. treasury shares		22,906,915	14,818,680	22,906,915	13,761,053	14,559,462

Balance sheet

Amounts in SEK thousand	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS				
Non-current assets				
<i>Intangible assets</i>				
Licences		256	685	488
Technology and customer relationships		628	794	752
Goodwill		6,247	7,333	7,061
Total intangible assets		7,130	8,811	8,302
<i>Tangible assets</i>				
Equipment, tools, fixtures and fittings		10,920	8,299	8,562
Total tangible assets		10,920	8,299	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		172,873	20,157	19,911
Current assets				
<i>Current receivables</i>				
Accounts receivable		13	50	–
Inventories		–	–	–
Other receivables		16,519	7,509	13,050
Prepaid expenses and accrued income		1,946	2,676	1,669
Short-term investments	4	211,228	37,921	150,000
Total current receivables		229,706	48,156	164,719
Cash and bank balances		19,204	12,363	354,438
Total current assets		248,910	60,519	519,156
TOTAL ASSETS		421,783	80,676	539,068

Balance sheet

Amounts in SEK thousand	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
EQUITY				
Restricted equity				
Share capital		1,162	741	1,145
<i>Total restricted equity</i>		<i>1,162</i>	<i>741</i>	<i>1,145</i>
Unrestricted equity				
Share premium reserve		695,528	190,648	695,528
Retained earnings		-181,086	-55,197	-54,862
Result for the period		-115,354	-88,934	-128,353
<i>Total unrestricted equity</i>		<i>399,089</i>	<i>46,517</i>	<i>512,313</i>
Total equity		400,251	47,258	513,458
LIABILITIES				
Long-term liabilities				
Loans from credit institutions		411	814	709
Total long-term liabilities		411	814	709
Current liabilities				
Loans from credit institutions		403	420	420
Accounts payable		7,597	7,815	9,824
Current tax liabilities		896	437	564
Liabilities to Group companies	2	–	12,417	–
Other liabilities		1,957	1,530	4,685
Accrued expenses and deferred income		10,268	9,985	9,407
Total current liabilities		21,121	32,603	24,900
TOTAL LIABILITIES AND EQUITY		421,783	80,676	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		-	-	-	-88,934	-88,934
<i>Appropriation of profits in accordance with AGM decision</i>						
- Carried forward to unrestricted equity		-	-	-67,879	67,879	-
Total comprehensive income			-	-67,879	-21,054	-88,934
Transactions with shareholders						
New share issue		166	141,346	-	-	141,512
Issue costs		-	-8,578	-	-	-8,578
Shareholder contribution received		-	-	822	-	822
Option programme	3	-	-	924	-	924
Total transactions with shareholders		166	132,768	1,746	-	134,681
Closing balance, 30 September 2018		741	190,648	-55,197	-88,934	47,258
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	-
Total comprehensive income		-	-	-67,879	-60,474	-128,353
Transactions with shareholders						
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		-	-	-	-115,354	-115,354
<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	12,999	-115,354
Transactions with shareholders						
New share issue	3	16	-	-	-	16
Acquisition of own shares	3	-	-	-16	-	-16
Incentive programmes	3	-	-	2,146	-	2,146
Total transactions with shareholders		16	-	2,130	-	2,146
Closing balance, 30 September 2019		1,162	695,528	-181,086	-115,354	400,251

Cash flow statement

Amounts in SEK thousand	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Cash flow from operating activities						
Operating result		-35,837	-28,793	-117,057	-88,377	-127,366
Adjustments for non-cash items						
- Depreciation reversal		1,004	1,028	3,033	1,969	3,037
- Incentive programmes	3	853	319	2,146	924	1,260
- Licensing revenue paid through shares		-	-250	-500	-750	-1,000
- Accrued acquisition costs		-	-130	-	-	-
Interest received		771	-	1,729	14	14
Interest paid		-8	-71	-26	-131	-180
Tax paid		-187	-160	-745	-468	-628
Cash flow from operating activities before changes in working capital		-33,403	-28,057	-111,420	-86,819	-124,863
<i>Changes in working capital</i>						
Increase/decrease in inventories		-	165	-	165	165
Increase/decrease in accounts receivable		30	-50	-13	743	793
Increase/decrease in other current receivables		1,148	-2,290	-3,747	-6,253	-10,786
Increase/decrease in other current liabilities		-2,622	1,226	-290	6,281	9,397
Increase/decrease in accounts payable		-930	-2,238	-2,226	574	2,582
<i>Changes in working capital</i>		<i>-2,374</i>	<i>-3,187</i>	<i>-6,277</i>	<i>1,510</i>	<i>2,150</i>
Cash flow from operating activities		-35,777	-31,244	-117,696	-85,309	-122,712
Cash flow from investing activities						
Investments in tangible assets		-3,147	-76	-4,219	-577	-1,398
Acquisition of business		-	-	-	-12,800	-12,800
Short-term investments	4	-	-	-170,000	-67,976	-238,014
Divestment of short-term investments		38,865	30,055	108,772	30,055	88,014
Investments in financial assets		-	-	-151,776	-50	-50
Cash flow from investing activities		35,719	29,979	-217,223	-51,348	-164,248
Cash flow from financing activities						
New share issue	3	6	-	16	141,512	691,512
Issue costs		-	-	-	-8,578	-53,294
Acquisition of own shares	3	-6	-	-16	-	-
Loans raised	2	-	-	-	12,800	12,800
Repayment of loans		-105	-303	-315	-3,304	-16,209
Cash flow from financing activities		-105	-303	-315	142,431	634,810
Cash flow for the period		-163	-1,568	-335,234	5,774	347,849
Cash and cash equivalents at the beginning of the period		19,367	13,931	354,438	6,588	6,588
Cash and cash equivalents at the end of the period		19,204	12,363	19,204	12,363	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 third quarter, Q-linea had a holding of 328,472 treasury shares. The aim of these shares is to ensure the delivery of performance shares under the long-term incentive programmes LTIP 2018 and LTIP 2019. 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 1–13 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	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Jan–Dec 2018
Sweden	27	250	990	750	1,066
Total net sales by geographic market	27	250	990	750	1,066

Net sales specified by type of income:

Amounts in SEK thousand	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Jan–Dec 2018
Licensing revenue	–	250	500	750	1,000
Prototype development	27	–	490	–	66
Total net sales by type of income	27	250	990	750	1,066

Licensing revenue in the January to September 2019 period derives from the licensing agreement signed between EMPE Diagnostics AB and Q-linea during 2017. This licensing revenue ended in the second quarter of 2019 when Q-linea completed knowledge transfer under the agreement with EMPE Diagnostics AB.

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 39.9% (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 0 thousand (250) was recognised as income in the third quarter and SEK 500 thousand (750) in the January to September 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 third quarter, Q-linea had three 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 September 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 third 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.

The cost recognised amounted to SEK 228 thousand (319) for the third quarter and SEK 692 thousand (924) for the January to September period.

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 625 thousand (0) for the third quarter and SEK 1,454 thousand (0) for the January to September period.

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 in the form of a performance share-based programme 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 third 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. Interest income on other securities held as non-current assets amounted to SEK 636 thousand (0) for the third quarter and SEK 1,501 thousand (0) for the January to September period.

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)	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Result for the period	-35,074	-29,304	-115,354	-88,934	-128,353
Average number of shares	23,213,689	14,818,680	23,104,611	13,761,053	14,559,462
- Less average number of treasury shares	306,774	–	197,696	–	–
Earnings per share before and after dilution (SEK)	-1.53	-1.98	-5.04	-6.46	-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. On 30 September 2019, the company had a total of SEK 382,208 thousand (504,438) divided between the following classes of shares: cash and cash equivalents, short and long-term investments, as described in the section "Financing." The Board's assessment is that the existing working capital, as of 30 September 2019, is insufficient to cover the company's needs for at least the next 12 months. The postponement of the clinical studies to the second half of 2020 that the company announced in a press release after the end of the period is not deemed to have a material impact on future financing requirements.

Note 9 Significant events after the end of the period

The company announced that the clinical studies in the US and Europe for the company's first ASTar[®] product are expected to begin in the second half of 2020. This is a postponement because the studies were previously expected to start in the first quarter of 2020. The reason is partly that, during the evaluation of ASTar during the autumn, Q-linea realised that the reliability of a third-party component needs to be improved. The company also conducted several interviews with physicians in Europe and the US during the summer, which resulted in the company wanting to investigate the possibility of including Meropenem-Vaborbactam (MER-VAB) into its antibiotics panel to provide more comprehensive analytical results for patients with resistant bacterial infections.

The company announced that it had received an official response from the FDA, including a number of clarifications and highly positive feedback regarding the company's planned pivotal study with ASTar[®] in the US.

Auditor's report

Q-linea AB corp. reg. no. 556729-0217

Introduction

We have reviewed the condensed interim financial information (interim report) of Q-linea AB as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with the Swedish Annual Accounts Act.

Uppsala, 6 November 2019

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant