

## Q-linea AB (publ)

### Interim report for 1 January to 30 September 2018

Continued development work has now brought Q-linea very close to the final version of AS<sup>Tar</sup><sup>™</sup>

#### Third quarter in brief, 1 July to 30 September 2018

- Net sales amounted to SEK 250 thousand (0).
- Operating result totalled SEK -28,793 thousand (-16,005).
- The company reported a loss after tax of SEK -29,304 thousand (-16,005).
- Earnings per share amounted to SEK -1.98 (-1.52).
- Cash flow from operating activities totalled SEK -31,244 thousand (-13,625).

#### Period in brief, 1 January to 30 September 2018

- Net sales amounted to SEK 750 thousand (0).
- Operating result totalled SEK -88,377 thousand (-46,028).
- The company reported a loss after tax of SEK -88,934 thousand (-46,025).
- Earnings per share amounted to SEK -6.46 (-4.56).
- Cash flow from operating activities totalled SEK -85,309 thousand (-41,775).
- At 30 September 2018, cash and cash equivalents amounted to SEK 12,363 thousand (6,588) and short-term investments in the fixed-income fund to SEK 37,921 thousand (0).

#### Significant events in the third quarter of 2018

- Shortly after the Annual General Meeting, Nigel Darby gave notice of his intention to step down as a director due to conflicting commitments. The Extraordinary General Meeting in August resolved to elect Hans Johansson as a new director of the company.
- Following the registration of the 1:20 share split, the number of shares in the company increased to a total of 14,818,680 shares outstanding, with a quotient value of SEK 0.05 per share.
- Anders Lundin was employed as CFO and Head of Investor Relations as of 1 August 2018.

#### Significant events after the end of the period

- The Board called an Extraordinary General Meeting and put forward a proposal for the introduction of a long-term incentive programme.

## Comments by the CEO

It has been an intense third quarter and I am particularly proud of the successful integration of the operations acquired from Umbrella Science AB (“Umbrella Science”). I am also pleased with the progress we have made in advancing our key product, ASTar, even closer to a market launch.

Umbrella Science was previously a crucial partner as a supplier of AST discs, which are a key component in the ASTar system. Q-linea acquired the operations of Umbrella Science in June 2018 and its employees have now been successfully integrated with Q-linea’s organisation.

A number of advances have been made in the development of ASTar, both in terms of the performance of the disposables and in terms of the performance and function of the actual instrument. We have also started building the ASTar system with the planned future architecture to enable the system to be put into production together with our manufacturing partner Sanmina. This means that we are now essentially building the final instrument design of ASTar, which feels very satisfying.

Our investigation of the risk of infringing on other parties’ intellectual property rights (freedom-to-operate analysis), which was initiated at the start of the year, continued through the third quarter and will continue until the start of the next financial year. To date, nothing has arisen from this analysis that would prevent Q-linea’s planned launch of the ASTar instrument and the BC G-Kit analysis kit.

The Board was strengthened in August through the election of Hans Johansson. Hans Johansson has extensive experience and a broad network from his previous roles in the medical and diagnostics industry, most recently as Vice President Companion Diagnostics at Thermo Fisher’s Specialty Diagnostics Group.

Our annual strategy day in September was a good opportunity for the new Board to come up to speed with the company in the form of a thorough strategic review. Strategically important decisions were taken, namely to assume ownership of the entire production chain for the AST disc, which was made possible through the acquisition of Umbrella Science’s operations.

During the quarter, the Board proposed an employee incentive programme. This is something I regard very positively, since it will enable us to retain and recruit skilled personnel. During the quarter, the workforce grew to 72 people, including consultants.

After the end of the quarter, we took part in IDWeek in San Francisco, a clinically oriented conference where we met key opinion leaders and broadened our US network.

I would also like to mention World Sepsis Day on 13 September, which was naturally showcased within the company and is an official World Health Day. At Q-linea, we appreciate the increased media attention that sepsis has received over the last few years.

Finally, I am proud of what we achieved during the quarter and thus far in 2018. We will continue to keep our shareholders and our business environment informed about the various milestones on our journey and about how Q-linea manages successes and adversity. This will mainly pertain to our rigorous and intensive efforts with the forthcoming market launch of ASTar – work that will create value for us, for the healthcare sector and for patients and therefore also for our shareholders.

Uppsala, 31 October 2018

Jonas Jarvius, President

*Q-linea AB is a diagnostics company focused on developing and delivering solutions for healthcare providers, enabling them to accurately diagnose and treat infectious diseases in the shortest possible time. Our core product, ASTar™, is a system for quickly and automatically determining the most effective antibiotic for the treatment of infectious diseases. The company was founded in 2008 on technology developed by scientists from the Rudbeck Laboratory at Uppsala University, together with other companies such as Olink Bioscience AB and Uppsala University's holding company, UUAB. [www.qlinea.com](http://www.qlinea.com)*

## ASTar Significant events in the third quarter of 2018

### The ASTar instrument

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

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

### Developments in the third quarter of 2018

The first integrated prototype of ASTar was developed and underwent extensive functionality and software testing during the quarter. Final testing will continue until the next quarter. Testing was carried out with the automated ASTar protocol using realistic samples. Based on experiences from the first prototype, the company worked on the next prototype version (alpha 2), which it expects to have an almost fully complete design. Work with the alpha 2 system is being conducted in close collaboration with Sanmina. This means that we are now essentially building the final instrument design of ASTar.

During the quarter, development of the first ASTar product – the BC G-Kit analysis kit used to analyse gram-negative bacteria from positive blood cultures – continued, with a primary focus on design and development. A number of fundamental decisions regarding the final design of the disposables were taken during the quarter, which is naturally very positive ahead of future production. This has enabled work on the specification and documentation of the production process to be started.

In parallel, three clinics for the European clinical trials have been identified, contract proposals have been sent to all sites and agreements have been entered into with one site for the first part of the trial protocol, the collection of bacterial isolates.

## Financial performance in brief

### Comments on the report

Figures in parentheses refer, in part, to the outcome for the corresponding period in the preceding year in respect of income or cash flow, and partly the closing balance of the previous financial year for 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.

### Board of Directors and employees

Nigel Darby was elected to the Board of Directors at the Annual General Meeting held on 20 June 2018 but shortly thereafter announced his departure due to conflicting commitments. The Extraordinary General Meeting held in August resolved to elect Hans Johansson as a new director of the company.

Anders Lundin was employed as CFO and Head of Investor Relations as of 1 August 2018.

### The share

The Annual General Meeting in June 2018 resolved in accordance with the Board's proposal to increase the number of shares through a 1:20 share split. Following the share split, the company has a total of 14,818,680 shares outstanding, with a quotient value of SEK 0.05 per share.

### Income, expenses and earnings

Net sales for the third quarter amounted to SEK 250 thousand (0), up SEK 250 thousand compared with the year-earlier period. Net sales for the January to September period totalled SEK 750 thousand (0), up SEK 750 thousand. This increase was mainly attributable to licensing revenue.

Other operating income amounted to SEK 21 thousand (22) for the third quarter and SEK 54 thousand (291) for the January to September period.

Operating expenses including depreciation, amortisation and impairment totalled SEK 29,065 thousand (16,027) for the third quarter and SEK 89,181 thousand (46,319) for the January to September period. The increase in the third quarter amounted to SEK 13,038 thousand and the increase for the January to September period to SEK 42,862 thousand compared with the year-earlier period. The increases for the quarter and for the period were attributable to the fact that the company built additional prototype instruments with related disposables, which resulted in higher costs for raw materials and consumables. External costs increased due to a growing number of product development consultants and higher costs for external advisory services and patents. The adaptation of administrative capacity to meet expanded reporting obligations resulted in higher costs. The company has moved to larger and more appropriate premises and has taken over Umbrella Science's lease contracts in conjunction with acquiring the business. Personnel costs increased compared with the year-earlier period, mainly due to the increase in the average number of employees as a result of product development entering a more intense phase and requiring additional personnel resources. Depreciation, amortisation and impairment of tangible and intangible assets amounted to SEK 1,028 thousand (424) for the third quarter and SEK 1,969 thousand (1,269) for the January to September period. The increase was attributable to the start of depreciation and amortisation of acquired non-current assets (see Note 5) in the third quarter. Other operating expenses totalled SEK 18 thousand (0) for the quarter and SEK 69 thousand (0) for the January to September period.

Operating result amounted to SEK -28,793 thousand (-16,005) for the third quarter and SEK -88,377 thousand (-46,028) for the January to September period. The larger operating loss was mainly attributable to the increase in operating expenses.

Net financial items amounted to SEK -511 thousand (0) for the third quarter and SEK -557 thousand (3) for the January to September period. The increase in the third quarter and for the nine-month period was mainly attributable to the estimated, non-cash, interest expense related to the valuation of the short-term loan raised from Nexttobe AB in conjunction with the acquisition of Umbrella Science (see accounting policies).

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

The result for the period amounted to SEK -29,304 thousand (-16,005) for the third quarter and SEK -88,934 thousand (-46,025) for the January to September period.

### Financial position

Cash and cash equivalents at the end of the third quarter totalled SEK 12,363 thousand (6,588). The corresponding figure at the beginning of the quarter was SEK 13,931 thousand (29,242). Cash and cash equivalents not used in the daily operations have been placed in a fixed-income fund that invests in low-risk interest-bearing securities and other interest-rate instruments, and which amounted to SEK 37,921 thousand (0) at the end of the third quarter.

To finance the acquisition of Umbrella Science's operations, the company raised a short-term interest-free loan of SEK 12,800 thousand (3,000) from the principal owner, Nexttobe AB, during the second quarter. The loan is to be repaid on the next planned financing date. The loan is measured at amortised cost and amounted to SEK 12,417 thousand (3,000) plus interest of SEK 822 thousand (0) at the end of the third quarter, which was recognised as a shareholder contribution.

In conjunction with the acquisition of Umbrella Science's operations, certain assets and related liabilities were also acquired (description in Note 5). The credit agreements assumed from Umbrella Science extend from 1 July 2018, with a current variable interest rate of 2.95% per year and repayment plans extending for 22 to 45 months.

At the end of the quarter, equity amounted to SEK 47,258 thousand (1,511), the equity/assets ratio to 59% (8) and the debt/equity ratio to -78% (-237).

### Cash flow and investments

Cash flow from operating activities amounted to SEK -31,244 thousand (-13,625) for the third quarter and SEK -85,309 thousand (-41,775) 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 -3,187 thousand (1,843) for the third quarter and SEK 1,510 thousand (2,821) for the January to September period. In the third quarter, changes in working capital were primarily attributable to increased accounts payable and other receivables.

Changes in cash flow from investing activities totalled SEK 29,979 thousand (-13,064) for the third quarter and SEK -51,348 thousand (-12,926) for the January to September period. SEK 30,055 thousand (0) of the short-term fixed-income fund where the company invests surplus liquidity not used in daily operations was divested in the third quarter. In the January to September period, the company acquired the operations of Umbrella Science and the purchase consideration totalled SEK 12,800 thousand (0). Investments in tangible assets comprised investments in production equipment.

Cash flow from financing activities totalled SEK -303 thousand (0) for the third quarter and SEK 142,431 thousand (50,000) for the January to September period. In the third quarter, cash flow from financing activities comprised repayments of the credit agreements taken over from Umbrella Science. In the January to September period, the company raised a short-term interest-free loan with Nexttobe AB of SEK 12,800 thousand (0) to finance the acquisition of Umbrella Science's operations. The company conducted a private placement that generated SEK 132,934 thousand (50,000) in cash and cash equivalents. In conjunction with the private placement, the company repaid an existing short-term interest-free loan of SEK 3,000 thousand, net, from the company's largest owner, Nexttobe AB.

## Financing

To provide the company with sufficient liquidity to continue operating and developing according to the company's strategic plan, the company conducted a new share issue during the first quarter of 2018, which generated SEK 132,934 thousand (50,000) in cash and cash equivalents.

The company raised a short-term interest-free loan with Nexttobe AB of SEK 12,800 thousand to finance the acquisition of Umbrella Science's operations.

## Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. In March 2018, the company conducted a private placement (described under "Financing" above) and taking into account the proceeds generated for the company, the Board considers the company's prospects to finance the operations over the current financial year to be favourable.

However, the Board's assessment is that the existing working capital, as of 30 September, is insufficient to cover the company's needs over the next 12 months. This means that without additional financing, the company will not be able to fulfil its payment obligations as they fall due.

Efforts are continuously being made to identify other financing alternatives. This work includes negotiations with new and existing investors, financiers, lenders and potential business partners to secure resources for the company's continued development. However, the company's principal owner, Nexttobe AB, has issued a capital and liquidity guarantee covering the next 12 months, which will enter force if other financing is not arranged.

## Other information

### Employees

Calculated on the basis of full-time equivalents, Q-linea had 52 (36) employees at the end of the period, 19 (15) of whom are women. The number of consultants at the end of the period amounted to 20 (14).

### 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. Financial risks mainly included the fact that the company's financing risk has increased. In other words, if sufficient financing is not secured, there is a risk that the company will not have the prerequisites to qualify as a going concern. A detailed description of the company's risk exposure and risk management is presented on pages 7-9 of the 2017 Annual Report.

### Definition of performance measures

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

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

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

### EBITDA

SEK thousand (unless otherwise stated)	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Operating result	-28,793	-16,005	-88,377	-46,028	-67,869
<i>Depreciation, amortisation and impairment</i>	1,028	424	1,969	1,269	1,720
<b>EBITDA</b>	<b>-27,765</b>	<b>-15,581</b>	<b>-86,408</b>	<b>-44,759</b>	<b>-66,149</b>

### Equity/assets ratio

SEK thousand (unless otherwise stated)	30 Sep 2018	30 Sep 2017	31 Dec 2017
Total assets	80,676	23,950	18,397
Equity	47,258	13,132	1,511
<b>Equity/assets ratio (%)</b>	<b>59 %</b>	<b>55 %</b>	<b>8 %</b>



### *Debt/equity ratio*

SEK thousand (unless otherwise stated)	30 Sep 2018	30 Sep 2017	31 Dec 2017
Long-term liabilities to credit institutions (a)	814	–	–
Current liabilities to credit institutions (b)	420	–	–
Liabilities to Group companies (c)	12,417	–	3,000
<b>Total borrowing (d=a+b+c)</b>	<b>13,651</b>	<b>–</b>	<b>3,000</b>
- Less cash and cash equivalents (e)	-12,363	-2,553	-6,588
- Less short-term investments (f)	-37,921	-13,000	–
<b>Net debt (g=d+e+f)</b>	<b>-36,632</b>	<b>-15,553</b>	<b>-3,588</b>
<b>Equity (h)</b>	<b>47,258</b>	<b>13,132</b>	<b>1,511</b>
<b>Debt/equity ratio (g/h) (%)</b>	<b>-78 %</b>	<b>-118 %</b>	<b>-237 %</b>

### *Equity per share*

SEK thousand (unless otherwise stated)	30 Sep 2018	30 Sep 2017	31 Dec 2017
Equity	47,258	13,132	1,511
Total number of shares outstanding <sup>1)</sup>	14,818,680	11,499,920	11,499,920
<b>Equity per share, SEK <sup>1)</sup></b>	<b>3.19</b>	<b>1.14</b>	<b>0.13</b>

<sup>1)</sup> Calculated on the number of shares outstanding at the end of the period taking into account the registered 1:20 share split. The total number of shares after the share split amounts to 14,818,680.



## Performance measures and other information

SEK thousand (unless otherwise stated)	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
<b>Earnings</b>					
Net sales	250	–	750	–	1,500
EBITDA	-27,765	-15,581	-86,408	-44,759	-66,149
Operating result	-28,793	-16,005	-88,377	-46,028	-67,869
Result for the period	-29,304	-16,005	-88,934	-46,025	-67,879
<b>Per share</b>					
Equity per share, SEK <sup>1)</sup>	3.19	1.14	3.19	1.14	0.13
Earnings per share before and after dilution, SEK <sup>2)</sup>	-1.98	-1.52	-6.46	-4.56	-6.50
Total number of shares outstanding <sup>1)</sup>	14,818,680	11,499,920	14,818,680	11,499,920	11,499,920
Average number of shares <sup>2)</sup>	14,818,680	10,535,633	13,761,053	10,085,736	10,442,188
<b>Cash flow</b>					
Cash flow from operating activities	-31,244	-13,625	-85,309	-41,775	-62,865
Cash flow from investing activities	29,979	-13,064	-51,348	-12,926	-800
Cash flow from financing activities	-303	–	142,431	50,000	63,000

SEK thousand (unless otherwise stated)	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>Financial position</b>					
Total assets	80,676	23,950	80,676	23,950	18,397
Cash and cash equivalents	12,363	2,553	12,363	2,553	6,588
Equity	47,258	13,132	47,258	13,132	1,511
Equity/assets ratio, %	59	55	59	55	8
Debt/equity ratio, % <sup>3)</sup>	-78	-118	-78	-118	-237

<sup>1)</sup> Calculated on the number of shares outstanding at the end of the period taking into account the registered 1:20 share split. The total number of shares after the share split amounts to 14,818,680.

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

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

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, 31 October 2018

_____ Jonas Jarvius President	_____ Erika Kjellberg Eriksson Chairperson	_____ Jon Heimer Director
_____ Mats Nilsson Director	_____ Ulf Landegren Director	_____ Marcus Storch Director
_____ Marianne Hansson Director	_____ Per-Olof Wallström Director	_____ Hans Johansson Director

This report has been prepared in both Swedish and English. In the event of any discrepancies between the two, the Swedish version is to apply.

## Upcoming reporting dates

14 February 2019	Year-end report	January to December 2018
3 May 2019	Interim report	January to March 2019
22 May 2019	Annual General Meeting	
18 July 2019	Interim report	January to June 2019
7 November 2019	Interim report	January to September 2019

## About the company

Q-linea AB (publ)

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## FINANCIAL STATEMENTS

Unless otherwise stated, all amounts in the financial statements and accompanying notes are presented in thousands of kronor (SEK thousand).

### INCOME STATEMENT

Amounts in SEK thousand	Note	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
<i>Operating income</i>						
Net sales	1	250	–	750	–	1,500
Other operating income		21	22	54	291	585
<b>Total operating income</b>		<b>271</b>	<b>22</b>	<b>804</b>	<b>291</b>	<b>2,085</b>
<i>Operating expenses</i>						
Raw materials and consumables	2	-4,086	-2,799	-14,949	-5,934	-10,610
Other external costs		-13,980	-5,806	-40,395	-16,229	-27,857
Personnel costs	3	-9,952	-6,997	-31,799	-22,887	-29,764
Depreciation/amortisation of tangible and intangible assets		-1,028	-424	-1,969	-1,269	-1,720
Other operating expenses		-18	–	-69	–	-3
<b>Total operating expenses</b>		<b>-29,065</b>	<b>-16,027</b>	<b>-89,181</b>	<b>-46,319</b>	<b>-69,955</b>
<b>Operating result</b>		<b>-28,793</b>	<b>-16,005</b>	<b>-88,377</b>	<b>-46,028</b>	<b>-67,869</b>
Other interest income and similar profit items		–	0	14	4	14
Interest expenses and similar loss items		-511	0	-571	-2	-24
<b>Result from financial items</b>		<b>-511</b>	<b>0</b>	<b>-557</b>	<b>2</b>	<b>-10</b>
<b>Result before tax</b>		<b>-29,304</b>	<b>-16,005</b>	<b>-88,934</b>	<b>-46,025</b>	<b>-67,879</b>
Tax on result for the period		–	–	–	–	–
<b>Result for the period</b>		<b>-29,304</b>	<b>-16,005</b>	<b>-88,934</b>	<b>-46,025</b>	<b>-67,879</b>

### Statement of comprehensive income

Amounts in SEK thousand	Note	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
<b>Result for the period</b>		<b>-29,304</b>	<b>-16,005</b>	<b>-88,934</b>	<b>-46,025</b>	<b>-67,879</b>
<b>Other comprehensive income, net after tax</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income</b>		<b>-29,304</b>	<b>-16,005</b>	<b>-88,934</b>	<b>-46,025</b>	<b>-67,879</b>
Earnings per share before and after dilution, SEK <sup>1)</sup>		-1.98	-1.52	-6.46	-4.56	-6.50
Average number of shares <sup>1)</sup>		14,818,680	10,535,633	13,761,053	10,085,736	10,442,188

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

## BALANCE SHEET

Amounts in SEK thousand	Note	30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
<i>Intangible assets</i>				
Licences		685	1,470	1,274
Technology and customer relationships	5	794	–	–
Goodwill	5	7,333	–	–
<i>Total intangible assets</i>		<b>8,811</b>	<b>1,470</b>	<b>1,274</b>
<i>Tangible assets</i>				
Equipment, tools, fixtures and fittings	5	8,299	2,193	2,812
<i>Total tangible assets</i>		<b>8,299</b>	<b>2,193</b>	<b>2,812</b>
<i>Financial assets</i>				
Other securities held as non-current assets		2,997	–	2,997
Other long-term receivables		50	–	–
<i>Total financial assets</i>		<b>3,047</b>	<b>–</b>	<b>2,997</b>
<b>Total non-current assets</b>		<b>20,157</b>	<b>3,663</b>	<b>7,083</b>
<b>Current assets</b>				
<i>Current receivables</i>				
Accounts receivable		50	21	793
Other receivables		7,509	1,872	2,375
Prepaid expenses and accrued income		2,676	2,841	1,558
Short-term investments	4	37,921	13,000	–
<i>Total current receivables</i>		<b>48,156</b>	<b>17,734</b>	<b>4,725</b>
Cash and bank balances		12,363	2,553	6,588
<b>Total current assets</b>		<b>60,519</b>	<b>20,287</b>	<b>11,314</b>
<b>TOTAL ASSETS</b>		<b>80,676</b>	<b>23,950</b>	<b>18,397</b>
<b>EQUITY</b>				
<b>Restricted equity</b>				
Share capital		741	575	575
<i>Total restricted equity</i>		<b>741</b>	<b>575</b>	<b>575</b>
<b>Unrestricted equity</b>				
Share premium reserve		190,648	57,880	57,880
Retained earnings		-55,197	702	10,936
Result for the period		-88,934	-46,025	-67,879
<i>Total unrestricted equity</i>		<b>46,517</b>	<b>12,557</b>	<b>936</b>
<b>Total equity</b>		<b>47,258</b>	<b>13,132</b>	<b>1,511</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Loans from credit institutions	5	814	–	–
<b>Total long-term liabilities</b>		<b>814</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>				
Loans from credit institutions	5	420	–	–
Accounts payable		7,815	5,435	7,242
Current tax liabilities		437	351	234
Liabilities to Group companies	2.5	12,417	–	3,000
Other liabilities		1,530	1,031	1,150
Accrued expenses and deferred income		9,985	4,002	5,260
<b>Total current liabilities</b>		<b>32,603</b>	<b>10,818</b>	<b>16,886</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>80,676</b>	<b>23,950</b>	<b>18,397</b>

## CHANGES IN EQUITY

Amounts in SEK thousand	Note	Share capital	Share premium reserve	Retained earnings	Result for the period	Total equity
<b>Opening balance, 1 January 2017</b>		<b>493</b>	<b>155,757</b>	<b>-87,705</b>	<b>-60,091</b>	<b>8,455</b>
<i>Comprehensive income</i>						
Result for the period					-46,025	-46,025
Appropriation of profits in accordance with AGM decision			-147,796	87,705	60,091	0
Total comprehensive income		493	7,962	0	-46,025	-37,571
<i>Transactions with shareholders</i>						
New share issue		82	49,918			50,000
Option programme	3			702		702
Total transactions with shareholders		82	49,918	702	–	50,703
<b>Closing balance, 30 September 2017</b>		<b>575</b>	<b>57,880</b>	<b>702</b>	<b>-46,025</b>	<b>13,132</b>
<b>Opening balance, 1 January 2017</b>		<b>493</b>	<b>155,757</b>	<b>-87,705</b>	<b>-60,091</b>	<b>8,455</b>
<i>Comprehensive income</i>						
Result for the year					-67,879	-67,879
Appropriation of profits in accordance with AGM decision						
- Profit/loss deducted from share premium reserve			-147,796	87,705	60,091	0
Total comprehensive income		–	-147,796	87,705	-7,789	-67,879
<i>Transactions with shareholders</i>						
New share issue		82	49,918			50,000
Shareholder contribution received				10,000		10,000
Option programme	3			936		936
Total transactions with shareholders		82	49,918	10,936	–	60,936
<b>Closing balance, 31 December 2017</b>		<b>575</b>	<b>57,880</b>	<b>10,936</b>	<b>-67,879</b>	<b>1,511</b>
<b>Opening balance, 1 January 2018</b>		<b>575</b>	<b>57,880</b>	<b>10,936</b>	<b>-67,879</b>	<b>1,511</b>
<i>Comprehensive income</i>						
Result for the period					-88,934	-88,934
Appropriation of profits in accordance with AGM decision						
- Carried forward to unrestricted equity				-67,879	67,879	0
Total comprehensive income		–	–	-67,879	-21,054	-88,934
<i>Transactions with shareholders</i>						
New share issue		166	141,346			141,512
Issue costs			-8,578			-8,578
Shareholder contribution received	5			822		822
Option programme	3			924		924
Total transactions with shareholders		166	132,768	1,746	–	134,681
<b>Closing balance, 30 September 2018</b>		<b>741</b>	<b>190,648</b>	<b>-55,197</b>	<b>-88,934</b>	<b>47,258</b>

## CASH FLOW STATEMENT

Amounts in SEK thousand	Note	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
<b>Cash flow from operating activities</b>						
Operating result		-28,793	-16,005	-88,377	-46,028	-67,869
Adjustments for non-cash items						
- Depreciation reversal		1,028	424	1,969	1,269	1,720
- Employee option programme	3	319	234	924	702	936
- Licensing revenue paid through shares		-250	-	-750	-	-1,497
- Accrued acquisition costs		-130	-	-	-	-
Interest received		-	-	14	4	14
Interest paid		-71	-	-131	-2	-24
Tax paid		-160	-121	-468	-542	-479
<b>Cash flow from operating activities before changes in working capital</b>		<b>-28,057</b>	<b>-15,468</b>	<b>-86,819</b>	<b>-44,596</b>	<b>-67,199</b>
<u>Changes in working capital</u>						
Increase/decrease in inventories		165	-	165	-	-
Increase/decrease in accounts receivable		-50	-21	743	1,052	280
Increase/decrease in other current receivables		-2,290	-1,083	-6,253	-1,185	-404
Increase/decrease in other current liabilities		1,226	-111	6,281	1,654	1,351
Increase/decrease in accounts payable		-2,238	3,058	574	1,300	3,107
<i>Changes in working capital</i>		<i>-3,187</i>	<i>1,843</i>	<i>1,510</i>	<i>2,821</i>	<i>4,334</i>
<b>Cash flow from operating activities</b>		<b>-31,244</b>	<b>-13,625</b>	<b>-85,309</b>	<b>-41,775</b>	<b>-62,865</b>
<b>Cash flow from investing activities</b>						
Investments in tangible assets		-76	-64	-577	-64	-938
Acquisition of business	5	-	-	-12,800	-	-
Short-term investments	4	-	-13,000	-67,976	-13,000	-
Divestment of short-term investments	4	30,055	-	30,055	-	-
Investments in financial assets		-	-	-50	-	-
Sales of financial assets		-	-	-	138	138
<b>Cash flow from investing activities</b>		<b>29,979</b>	<b>-13,064</b>	<b>-51,348</b>	<b>-12,926</b>	<b>-800</b>
<b>Cash flow from financing activities</b>						
New share issue		-	-	141,512	50,000	50,000
Issue costs		-	-	-8,578	-	-
Shareholder contribution received		-	-	-	-	10,000
Loans raised	2.5	-	-	12,800	-	3,000
Repayment of loans	2	-303	-	-3,304	-	-
<b>Cash flow from financing activities</b>		<b>-303</b>	<b>0</b>	<b>142,431</b>	<b>50,000</b>	<b>63,000</b>
<b>Cash flow for the period</b>		<b>-1,568</b>	<b>-26,689</b>	<b>5,774</b>	<b>-4,701</b>	<b>-665</b>
Cash and cash equivalents at the beginning of the period		13,931	29,242	6,588	7,254	7,254
<b>Cash and cash equivalents at the end of the period</b>		<b>12,363</b>	<b>2,553</b>	<b>12,363</b>	<b>2,553</b>	<b>6,588</b>



## REPORTING POLICIES AND VALUATION PRINCIPLES

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

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

#### IFRS 9 Financial Instruments

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

#### IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

## Business combinations

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

## Goodwill

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

## Acquired intangible assets

Technology (software protocol) and customer relationships acquired through a business combination are measured at fair value on the acquisition date. Technology (software protocol) and customer relationships have a determinable useful life and are recognised at cost less accumulated amortisation. Amortisation takes place on a straight-line basis in order to distribute the cost of technology (software protocol) and customer relationships over their estimated useful lives:

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

## Financial assets (fixed-income fund) and liabilities

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

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

## Inventories

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

For a more detailed description of the accounting policies applied in this interim report, refer to page 17 of the Annual Report for the 2017 financial year. The interim report comprises pages 1-22 and pages 1-11 thus comprise an integrated component of this financial report.

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

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

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

## NOTES

### Note 1 Specification of net sales

Amounts in SEK thousand	2018	2017	2018	2017	2017
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Sweden	250	–	750	–	1,500

### Note 2 Related-party transactions

Related parties are defined as owners with a significant or controlling influence, senior executives in the company, meaning directors and members of the management team, and their close family members. Disclosures concerning transactions between the company and other related parties are presented below.

Related-party transactions are performed on an arm's length basis.

Q-linea raised a short-term interest-free loan of SEK 12,800 thousand (3,000) from Nexttobe AB, Q-linea's largest owner with a holding of 59.3% (73.5). The liability to Nexttobe AB is to be paid on the next financing date.

A licensing agreement was signed between EMPE Diagnostics AB and Q-linea and SEK 250 thousand (0) was recognised as income in the third quarter and SEK 750 thousand (0) 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.

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

### Note 3 Shared-based option programme

Q-linea has an ongoing performance-based employee share option programme that encompasses senior executives and other key individuals at the company. The programme encompasses employees who joined the company within four years after it was founded (2008-2012). The programme encompasses a total of 7,778 employee share options, of which 7,450 (7,645) employee share options were outstanding on 30 September 2018 and were allotted free of charge to programme participants. Vesting is based on employment terms and the fulfilment of agreed targets. In the third quarter, 350 employee share options expired and the number of options outstanding was corrected by the addition of 155 options.

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 319 thousand (234) for the third quarter and SEK 924 thousand (702) for the January to September period.

### Note 4 Short-term investments

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

### Note 5 Business combinations

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

be paid. The agreement also contains standard guarantees and liability clauses. More information about the purchase consideration, acquired net assets and goodwill is presented in the table below.

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

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

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

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

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

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

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

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

## Note 6 Risk management

The company is exposed to various types of risks during the course of its operations. By creating an awareness of the risks associated with the operations, such risks can be limited, controlled and managed while allowing business opportunities to be utilised in order to increase the company's earnings. The

material risks associated with Q-linea's operations are presented in the Annual Report for the 1 January to 31 December 2017 financial year. Financial risks mainly included the fact that the company's financing risk has increased. In other words, if sufficient financing is not secured, there is a risk that the company will not have the prerequisites to qualify as a going concern. Other than these risks, no material risks arose during the quarter.

### Note 7 Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. In March 2018, the company conducted a private placement (described under "Financing" above) and taking into account the proceeds generated for the company, the Board considers the company's prospects to finance the operations over the current financial year to be favourable.

However, the Board's assessment is that the existing working capital, as of 30 September, is insufficient to cover the company's needs over the next 12 months. This means that without additional financing, the company will not be able to fulfil its payment obligations as they fall due.

Efforts are continuously being made to identify other financing alternatives. This work includes negotiations with new and existing investors, financiers, lenders and potential business partners to secure resources for the company's continued development. However, the company's principal owner, Nexttobe AB, has issued a capital and liquidity guarantee covering the next 12 months, which will enter force if other financing is not arranged.

### Note 8 Significant events after the end of the period

The Board has called an Extraordinary General Meeting and put forward a proposal for the introduction of a long-term incentive programme.

## 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 2018 and as of 30 September 2017 and the nine-month period ended 30 September 2018 respectively 30 September 2017. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with RFR 2 and 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 RFR 2 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Uppsala, 31 October 2018

Öhrlings PricewaterhouseCoopers AB

Leonard Daun

Authorized Public Accountant