



Q-LINEA 

Annual Report 2018

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Q-LINEA IS AN INNOVATIVE INFECTIOUS DISEASE DIAGNOSTICS COMPANY WHOSE AMBITION IS TO OFFER PRODUCTS THAT BENEFIT PATIENTS, HEALTHCARE PROVIDERS AND SOCIETY.



Q-LINEA DEVELOPS AND DELIVERS INNOVATIVE SOLUTIONS FOR THE DIAGNOSIS OF INFECTIOUS DISEASES, WITH A KEEN FOCUS ON IMPROVING SEPSIS TREATMENT WHILE REDUCING ANTIBIOTIC RESISTANCE.

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About sepsis

Sepsis is a life-threatening condition that occurs when the immune system overreacts to an infection in the body.

Sepsis, formerly known as blood poisoning, is a life-threatening illness that occurs when the body's own immune system overreacts to an infection. When bacteria from a local infection leak into the bloodstream,

sepsis is a rapid process and can lead to multiple organ failure and death. Anyone can develop sepsis as a result of conditions such as a common urinary tract infection or pneumonia. Sepsis is a global health problem, afflicting as many as 30 million people every year.

In several studies, mortality from sepsis has proven to be between 15 and 50 percent, with the higher level referring to patients in

septic shock, where mortality increases by 7.6 percent for each hour without correct antibiotic treatment. Over 500,000 people in the US and EU die from sepsis every year; this is more than all of the deaths caused by breast cancer, prostate cancer and colorectal cancer combined.

Rapid diagnosis of sepsis is critical for physicians to be able to provide the correct antibiotic treatment in time.

An innovative company that focuses on improved infection diagnostics

Q-linea is a company that develops innovative solutions for improved infectious disease diagnostics. The company focuses on developing instruments and consumables that benefit patients, healthcare providers and society.

Q-linea develops and delivers solutions for healthcare providers, enabling them to diagnose and treat infectious diseases in the shortest possible time. The company's leading product, ASTar™, is a fully automated instrument (AST, *antibiotic susceptibility testing*), which produces a sensitivity profile from a positive blood culture within three to six hours. This is 24 to 40 hours faster than current diagnostics.

Q-linea was founded in 2008 by scientists from the Rudbeck Laboratory at Uppsala University, together with Olink AB and Uppsala University's holding company, UUAB. Today, Q-linea comprises an interdisciplinary, highly motivated team that operates out of state-of-the-art, customised facilities in Uppsala Science Park.

Mission

Q-linea develops and delivers preferred solutions for healthcare providers, enabling them to accurately diagnose and treat infectious diseases in the shortest possible time. The company's solutions help healthcare providers worldwide to reduce the use of antibiotics by providing optimal treatment information for each patient.

Vision

As an innovative pioneer, Q-linea helps to save lives by ensuring antibiotics continue to be an effective treatment for future generations.

Business concept and strategy

Q-linea's business concept is to develop and deliver solutions for healthcare providers, enabling them to diagnose and treat infectious diseases in the shortest possible time.

Q-linea has continuously built up and reinforced both competence and infrastructure in all areas needed to develop and supply integrated diagnostics systems.

IQ-linea's business strategies can be summarised as follows:

- **Regulatory strategy:** make regulatory preparations for the launch of the ASTar instrument and consumables as well as performing clinical studies in Europe and the US. The first product focuses on sepsis diagnostics;
- **Commercial strategy:** Q-linea intends to enter an agreement with a worldwide, already established sales partner that has local sales teams in the markets where the company's products are to be launched in order to achieve broad and speedy market penetration. Sales are to comprise instruments and consumables, the latter of which are expected to account for the majority of income;
- **Operational strategy:** continue to build up Q-linea's infrastructure to ensure its development and production capacity;
- **Product development strategy:** continue to develop new applications; and
- **Intellectual property rights strategy:** continue to develop and maintain a broad and relevant intellectual property portfolio.

2018 in brief



In March, Q-linea raised SEK 151.5 million before transaction costs through a private placement. The shares were subscribed for by previous shareholders and new investors, including Investment AB Öresund and the Fourth Swedish National Pension Fund.



During the quarter, Q-linea acquired the operations of Umbrella Science, a strategically important supplier that designs, develops and produces highly specialised plastic consumables for customers in the life sciences industry. This acquisition was strategically important to the continued development and production of Q-linea's AST disc.



The first integrated prototype of the ASTar instrument was developed and underwent extensive functionality and software testing during the 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, a contract manufacturer and partner. This means that we are now essentially building the final instrument design of ASTar.

During the quarter, development of the first ASTar product – the BCG-Kit analysis kit used to analyse gram-negative bacteria from positive blood cultures from sepsis patients – continued. A number of fundamental decisions regarding the final design of the consumables 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 studies 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 study protocol, the collection of bacterial isolates.



In order to realise Q-linea's long-term strategy and finance its operations, Q-linea decided, in consultation with its principal owner Nexttobe AB, to diversify its ownership by issuing new shares and listing the company on Nasdaq Stockholm. Listing Q-linea's shares was a logical next step, since it would also increase awareness of Q-linea and provide access to Swedish and international capital markets as well as expanding the ownership base.

Following the development of ASTar in prototype version alpha 2 during the quarter, we are now very close to our final instrument design. Ongoing functionality and software testing of our first prototype is now being carried out in a realistic environment at Q-linea's microbiology laboratory, where the system continuously delivers real sample results. The remaining development work will primarily focus on the full integration of functions and software. During the fourth quarter, we signed an additional partner agreement for the clinical trial in Europe, pertaining to the first part of the trial protocol: the collection and analysis of bacterial isolates.



Employees

Q-linea believes that all employees and job applicants should be treated equally. All individuals are equally valuable and should have the same opportunities regardless of individual differences. In fact, Q-linea believes that these differences improve its capacity to develop and change and are an asset to the organisation. The company's diversity efforts focus on eliminating discrimination and instead valuing and cultivating diversity. During the year, Q-linea reviewed its processes to ensure that they function properly in terms of taking diversity into consideration when hiring employees and consultants.

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

We have laid a solid foundation for our continued journey

On 7 December 2018, we rang the bell to open Q-linea's first day of trading on Nasdaq Stockholm. The intensive preparations for our new share issue and IPO had paid off.

For Q-linea, this marked the end of a pivotal, successful process that strengthened our market position in many ways. We regard our listing on Nasdaq Stockholm as a mark of quality for the company, a fact that is also reflected in Q-linea's new ownership structure, which includes a number of well-known institutional owners. The listing will also help us to attract greater attention going forward, which is positive.

The new share issue generated sufficient capital to secure financing for the development of our core product, ASTar, and the clinical studies to be carried out with ASTar in the EU and the US. We will also be able to build up our market organisation and the production of consumables, and continue to develop new applications for ASTar. The development of ASTar has now come very close to a final instrument design.

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

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

During the fourth quarter, we were visited by prospective global sales partners. Discussions will continue in 2019.

In 2018, the workforce grew, as planned, from 53 to 78 people, including consultants.

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

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

To take advantage of strong market interest and positive feedback from the US FDA we announced in mid-March 2019 that we have decided to change our launch strategy. Our first product ASTar is now expected to launch on our main market, the U.S., three to four months than earlier communicated and the European launch is thus postponed to the same extent.

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

Uppsala in April 2019

Jonas Jarvius, President



THE NEW SHARE ISSUE SECURED FINANCING FOR THE DEVELOPMENT OF OUR CORE PRODUCT, ASTar, AND THE CLINICAL STUDIES TO BE CARRIED OUT WITH ASTar IN THE EU AND THE US.

"We must now work just as hard towards the planned market launch of ASTar. Value-creating work for us, for healthcare and for patients and therefore also for our shareholders," says Q-linea's CEO Jonas Jarvius

When the immune system overreacts

Sepsis is a life-threatening condition that occurs when the immune system overreacts to an infection in the body. There is some amount of confusion about the concept of sepsis, and its definition has changed over time. Sepsis is a medical term that refers to a potentially deadly condition involving a general inflammatory response. Sepsis is SIRS (*systemic inflammatory response syndrome*) caused by an infection.



Frequently but not always, patients with sepsis have bacteria in their blood which comes from a local infection or has infected the bloodstream directly. However, the presence of bacteria

in the blood is not synonymous with sepsis. This is bacteraemia, which may occur temporarily and with no symptoms after mouth or throat surgery. The historic term septicaemia still appears occasionally. This is a synonym for sepsis that refers to sepsis with proven bacteria growth in the blood.

Sepsis is a syndrome involving life-threatening organ failure caused by a dysfunctional systemic immune response. Sepsis occurs when an infection has spread to the entire body, and it affects vital organs such as the heart, lungs and kidneys. The infection is often the result of conditions such as influenza, tonsillitis, infected wounds, pneumonia or urinary tract infections.

Sepsis has two levels of severity: sepsis and septic shock. The definition of sepsis (*SIRS plus infection*) encompasses conditions that are not life-threatening. Therefore, the term sepsis is used – somewhat improperly – for severe sepsis, meaning sepsis that has resulted in hypotension, poor oxygen saturation of the blood or various types of organ failure. Septic shock is severe sepsis where blood pressure cannot be normalised quickly despite fluid resuscitation.

Disease mechanism

When sepsis occurs, the immune system gets out of control and releases substances that cause blood vessels to leak fluid. Blood pressure drops, making it difficult for the body to provide critical organs with oxygen, frequently damaging organs such as the kidneys, heart and lungs. Amputation may be necessary in some cases due to extensive tissue damage, and in a worst-case scenario a patient may die in only a few hours. The overreaction of the immune system has been compared to using an atomic bomb to defend one's country. The attackers may be killed, but your own population dies at the same time.

The disease mechanism is complex and not completely understood. In cases of sepsis, the body has a general inflammatory response to molecules from the microorganism that caused the infection. Depending on the bacteria, these molecules may be lipoteichoic acid or lipopolysaccharides. The body's immune system excretes large quantities of an inflammatory signalling substances, cytokines and chemokines, that activate immune cells and affect blood vessels, similar to the action of hormonal systems.



SEPSIS IS A SYNDROME INVOLVING LIFE-THREATENING ORGAN FAILURE CAUSED BY A DYSFUNCTIONAL SYSTEMIC IMMUNE RESPONSE.

The activation of the immune system results in fever and causes cells to release bactericidal substances, which can also damage blood vessels and impair circulation. In cases of sepsis, heart and lung function may also deteriorate, and the cells, platelets and coagulation factors responsible for coagulation may be activated, causing both haemorrhaging and blood clots.

Causes of sepsis

Sepsis is ordinarily caused by bacteria, but in rare cases it may be caused by fungi, parasites (*such as malaria*) or viruses. In cases of sepsis, the bacterial infection ordinarily originates in the lungs (*pneumonia*), kidneys (*pyelitis*), abdominal cavity, meninges (*meningitis*) or in the bones and joints. Endocarditis, an infection of the heart valves, is less common. Sometimes sepsis may be caused by an infection without finding it located anywhere but the blood. The bacteria mostly commonly found in sepsis patients are *Streptococcus pneumoniae*, *Staphylococcus aureus* and *E. coli*. Other relatively common bacteria include certain varieties of streptococcus, enterococci, *Klebsiella pneumoniae* and meningococci.

Staphylococci cause infections of the skin, soft tissue, heart valves and joints. Pneumococci cause pneumonia and meningitis. *E. coli* cause urinary tract and abdominal infections. Streptococci may produce skin and soft tissue infections as well as heart valve infections. Enterococci cause urinary tract and abdominal infections. Meningococci cause meningitis, and *Klebsiella* cause urinary tract infections. *Pseudomonas* may cause sepsis in patients with severe burn injuries or whose immune systems are otherwise compromised. Sepsis involving coagulase-negative Staphylococci (*CoNS*) or other bacteria that ordinarily do not cause illnesses is also found in intensive care patients.

Who develops sepsis?

Anyone can develop sepsis as a consequence of a common infection, but children and seniors run a greater risk, as do people with other serious illnesses or compromised immune systems. Intensive care patients are also a risk group.

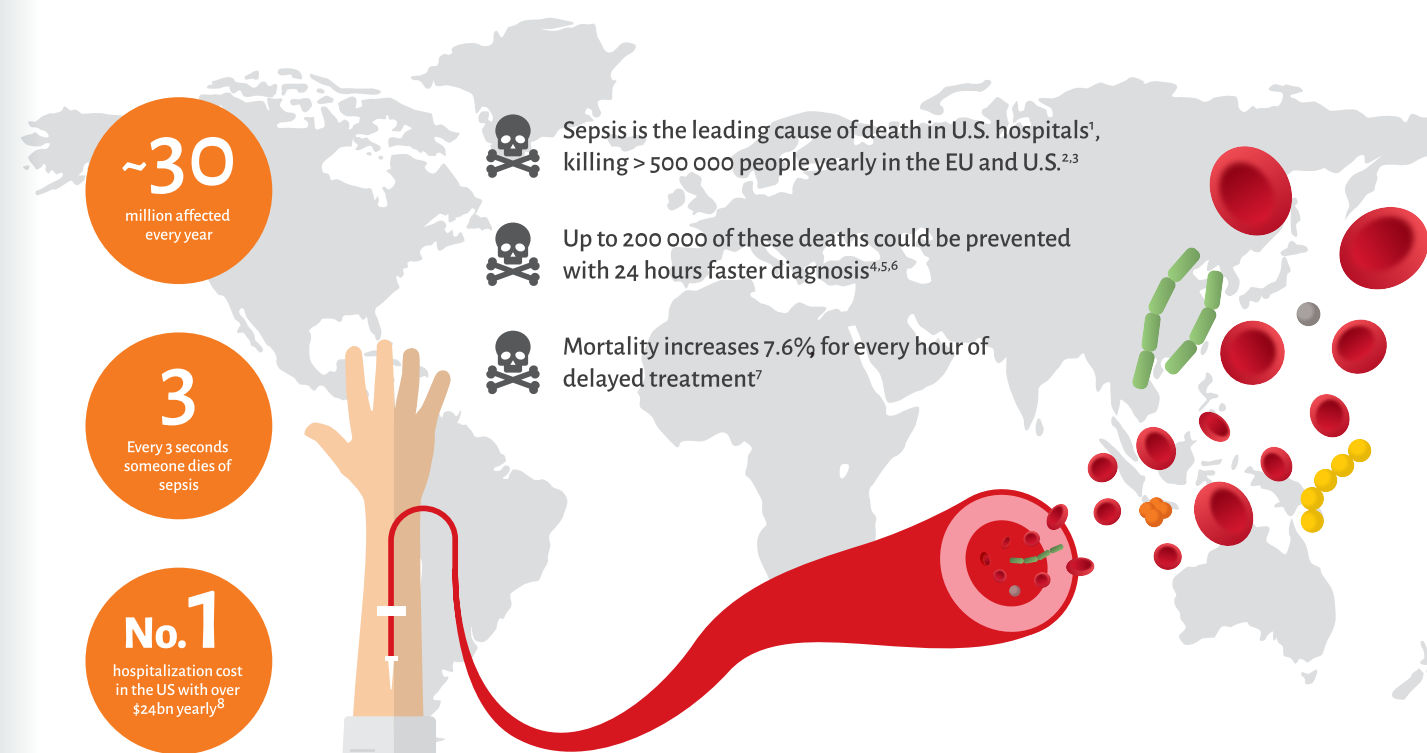
According to the Swedish Sepsis Trust, nearly 40,000 people suffer from sepsis every year in Sweden. About 20 percent of them die every year. The mortality rate depends on factors including whether the patient is otherwise healthy, and if sepsis or septic shock develops.

Incidence and mortality

Sepsis is a global health problem, afflicting as many as 30 million people every year. According to the Swedish Sepsis Trust, the risk of dying for a patient with sepsis is five times higher than a stroke or heart attack patient, and in the developing world sepsis is responsible for 60 to 80 percent of all deaths, frequently in newborns and pregnant women.

In several studies, mortality from sepsis has proven to be between 15 and 50 percent, with the higher level referencing patients in septic shock.

In the US, it is reported that approximately two million people suffer from sepsis every year, about 250,000 of whom die from the disease. The incidence and mortality of sepsis are similar in the EU. Overall, this means that the number of deaths caused by sepsis exceeds the total number of deaths due to breast cancer, prostate cancer and colorectal cancer in the same countries. Furthermore, sepsis is the most costly illness to treat in the US, with costs amounting to USD 24 billion per year.



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If correct and powerful treatment is provided, four out of five patients will recover. In the case of sepsis, every hour that effective treatment is delayed can be disastrous.



The importance of swift treatment

If correct and powerful treatment is provided, four out of five patients will recover. In the case of sepsis, every hour that effective treatment is delayed can be disastrous. Mortality for patients who develop septic shock increases by 7.6 percent for each hour without correct antibiotic treatment.

Sepsis can be treated with antibiotics, fluids and oxygen. But this requires that the physicians have realised a patient has sepsis, and this can be difficult. Sepsis has no specific characteristics; instead, its symptoms – hypotension, fever, a rapid pulse, vomiting and diarrhoea, pain, confusion, etc. – also occur in the case of other less dangerous conditions. For a person who is ill, it can be even more difficult to know when to seek care.

Sepsis is on the rise

Based on Q-linea's compilation of data from several sources in the EU and the US, the number of reported cases of sepsis between 2002 and 2015 increased an average of 7 percent annually. There are at least four probable causes for this:

Increased awareness about sepsis

Some 70 percent of all those who develop sepsis become ill outside the hospital. Healthcare and public awareness about sepsis is important when it comes to ensuring that people who suffer from sepsis are quickly taken to hospital and correctly diagnosed and treated.

Growing percentage of elderly in major markets

People over the age of 65 run a higher risk of being affected by severe infections. Clinical studies have demonstrated that the risk that a person over the age of 65 will develop sepsis is 13 times greater compared with a person under the age of 65.

Growing percentage of opportunistic infections

Opportunistic infections are caused by bacteria that do not normally cause infections but that can – for example, in patients undergoing cancer treatment or broad-spectrum antibiotic treatment – cause severe infections, some of which can be fatal.

Increased antibiotic resistance

The number of bacteria that are resistant to one or more antibiotics has increased drastically in recent decades, making it more difficult to perform empiric treatment. An infection that is not treated with effective antibiotics can lead to sepsis.



Liza Lindham with her daughter Eija, who will turn five in 2019.

From the miracle of life in one moment – to a battle against sepsis in the next

On the afternoon of 25 June 2014, Liza Lindham gave birth to a daughter. It had been an extremely difficult birth that took a long time, but afterwards everything seemed normal, especially the baby, a little girl named Eija who will turn five. But Liza was actually not fine at all.

Tell us about what happened.

We went home after two days in the maternity ward, and two days later we were back for a follow-up appointment. The baby was doing well. She was sleeping and eating as expected, but I knew that something was wrong with me. My stomach and genital area hurt so badly that I could barely walk, and I felt weak and debilitated in general.

Did you get any help?

No, not really. It felt as though they had met weak first-time mothers before, so we went home, but my condition just got worse. My body was tingling and numb, and on Monday night I got very, very sick. My husband had purchased a new digital thermometer that we tested, and within 20 minutes I could see that my fever rose from 37 to 40 degrees Celsius. I was shivering and felt that something was seriously wrong. We finally called 112, but I was so sick that I couldn't physically talk. I just shook and hyperventilated.

The ambulance crew were very kind and very professional, and since I had given birth so recently they took my condition seriously, but this also meant that I was given lots of incorrect suggestions for diagnoses, including a blocked milk duct. At the emergency room, I was initially diagnosed with endometritis, a type of infection of the uterus that can happen after giving birth.

How sick were you?

When I arrived at the emergency room, my blood pressure had begun to sink, my temperature was over 40 degrees although I'd taken medicine to bring the fever down and I was having trouble breathing, my mouth hurt and I was getting less oxygen, so I was given oxygen through a nasal cannula. They suspected a pulmonary embolism, and after x-raying my lungs and establishing that there was no embolism, they suspected heart failure. I had to go through all sorts of examinations before I got

the correct diagnosis. They took an incredible number of samples. In one way, I remember this clearly, but it's still fuzzy because I was so sick. I don't remember the order in which things happened.

When were they able to establish that it was sepsis?

They arrived at a diagnosis of sepsis several days later. It was only after all of the samples came back that they were able to establish that I'd developed urosepsis after having an untreated urinary tract infection.

When were you given antibiotics?

I spent the first night in the hospital in ward 14, a gynaecological ward, and received an initial dose of a broad-spectrum antibiotics intravenously. It helps, but you don't really get better until you're given the right type of antibiotic, and since the cultures took so long the doctors didn't know which antibiotics to use. I didn't receive the correct antibiotics until two or three days later, at which point my erythrocyte sedimentation rate went way down.

Do you think they'd have been able to help you if they'd had better diagnostics?

A urinary tract infection is the most common side effect when you have a catheter as I did during birth. So if they'd taken a urine sample back in the maternity ward, this never would have happened. But certainly, better diagnostics would have helped me. I don't know how many times I was told "everything is normal, sleep when the baby is sleeping".

Do you feel you were given the wrong treatment?

I decided to tell my story because I think that medical care for women is neglected in Sweden, and sepsis is part of that. It felt as though they ignored my symptoms because I had recently given birth.

Enabling rapid treatment of infectious diseases

Q-linea is an innovative infection diagnostics company whose ambition is to offer products that benefit patients, healthcare providers and society.



Q-linea's core product candidate, ASTar, is able to measure the sensitivity of bacteria to antibiotics, thereby meeting a vast need for rapid treatment prescriptions in cases of infectious diseases.

For bacterial infections, a correct treatment needs to be preceded by a diagnostic procedure in order to determine the type of bacteria causing the infection (ID) as well as the antibiotics that can kill the bacteria that made the patient ill, known as an antibiotic susceptibility test or AST. Both answers are needed, but antibiotic susceptibility testing is what ultimately leads to the optimal treatment prescription.

There has been a paradigm shift in methods for identifying types of bacteria in the last decade. There has been no equivalent development for antibiotic susceptibility testing, which is still performed in essentially the same way as in the 1960s. Today, physicians in Europe and the US must often wait two to three days for results from microbiology laboratories as to which antibiotics are effective against a particular infection.

The company's core product candidate, ASTar, is able to measure the sensitivity of bacteria to antibiotics, thereby meeting a vast need for rapid treatment prescriptions in cases of infectious diseases, a need that is not being met in the market today.

The lack of sufficiently rapid and effective diagnostics leads to greater mortality, a high risk of superinfections and high

healthcare costs. In addition, the lack of sufficiently efficient diagnostics poses a challenge for healthcare, which is currently forced to choose between a broad antibiotic treatment that may lead to resistance and a narrow treatment that risks being ineffective for the patient.

The company's core product candidate, ASTar, will provide patient-specific treatment prescriptions for the choice of antibiotics more than 24 hours faster than today's traditional technologies. This means a paradigm shift for antibiotic susceptibility testing corresponding to the shift in identification methods that has already taken place. ASTar is a fully automated instrument with related consumables for each test for which sales are planned to hospital laboratories. ASTar is expected to be launched in Europe at the beginning of the second quarter 2020.

The market for conventional microbial infection diagnostics was estimated at SEK 32 billion in 2018 and is expected to grow by an average rate of 4 percent to SEK 39 billion in 2022.

Q-linea was founded in 2008 by scientists from the Rudbeck Laboratory at Uppsala University, together with Olink AB and Uppsala University's holding company, UUAB. Today, Q-linea comprises an interdisciplinary, highly motivated team with experience and expertise from multiple disciplines and scientific fields that operates out of state-of-the-art, customised facilities in Uppsala Science Park. Q-linea has a very broad knowledge base and also invests in strategic collaborations with partners to, for example, evaluate technical solutions clinically, add further technical know-how, gain more economically advantageous solutions and/or reach a larger market uptake in an early phase.

History

Through its background, expertise and history, Q-linea has acquired an extensive knowledge base that makes it well suited for delivering in vitro diagnostic (IVD) systems for infectious diseases. Q-linea has also recruited and acquired resources that span various relevant technical and business areas.

Q-linea's history can be divided into three different phases, based on which products it has concentrated on from a product



Today, Q-linea comprises an interdisciplinary, highly motivated team with experience and expertise from multiple disciplines and scientific fields that operates out of state-of-the-art, customised facilities in Uppsala Science Park.

development perspective. In the first phase (2008–2012), Q-linea developed its own prototypes and complex systems for detecting biological warfare agents (such as anthrax and smallpox) and supplied systems to the Swedish and French Armed Forces.

In 2012, Q-linea made a strategic decision to redirect its focus and instead develop IVD systems for infectious diseases. Since then, the company has taken a long-term approach to developing products that meet critical needs. Q-linea identified a vast market need for quick, complete diagnostic tests for critically ill patients. Sepsis diagnostics was chosen as the first application since the need/market was deemed to be considerable.

Q-linea's ASTrID project, which ran between 2012 and 2016, aimed to develop a system to diagnose sepsis based on blood samples directly from the patient without waiting for a positive culture. The technology for the ID analysis was based on Q-linea's proprietary molecular identification technology and the technology for the AST based on phenotypical identification of susceptibility with proprietary optics and image algorithms. The company performed studies on septic patients together with Örebro University Hospital, producing world-class results.

At the end of 2016, Q-linea decided to focus solely on AST since the market for ID analysis from positive blood cultures significantly changed course between 2010 and 2016, with an increase in the use of spectrometry and molecular methods for ID analysis from positive blood cultures. This rapid ID analysis and market adaptation to relatively new technologies within the field generated a great need for rapid and fully automated AST to match the new ID analyses. Since the development of all AST

technologies in the ASTrID project was already far advanced, the company was able to accelerate this development from a solid base, thereby reducing the time until the market launch of ASTar.

The company believes that ASTrID's groundbreaking technology offers great value, and it will be possible to launch it in the future to further strengthen Q-linea's position as an innovative company with groundbreaking solutions for improved infection diagnostics.

Financial objectives

Until a potential future launch of ASTar in the European and US markets, Q-linea's objective will be for the company to be in a strong financial position in order to ensure that its product development and launch programmes and its expansion of production can proceed according to plan.

Q-linea will continue to develop ASTar and related applications as well as preparing for an upcoming clinical launch of ASTar in the intended markets. Accordingly, available financial resources and recognised earnings will be reinvested in the operations to finance Q-linea's long-term strategy. The Board's intention is thus not to propose the payment of any dividends to shareholders before Q-linea generates long-term sustainable profitability.

Any future dividends and their amount will be determined based on Q-linea's long-term growth, earnings trend and capital requirements, taking into account targets and strategies at that time. Any dividends proposed are to be carefully considered against the targets, scope and risk of the operations.

As a clinician, you want to avoid a “hands on” approach as much as possible

Martin Sundqvist is Chief Physician and Medical Director for clinical microbiology at Örebro University Hospital. He has followed Q-linea for many years, and in his view Q-linea's equipment has what it takes to stand out.

When and how did you first encounter Q-linea?

I encountered Q-linea for the first time in 2011/2012 in Växjö, when Jonas Jarvius was on a visit there to discuss rapid resistance testing. My previous manager, Professor Gunnar Kahlmeter, was helping Jonas and his colleagues with ideas and considerations concerning infections in the bloodstream, and I've worked on a number of projects with Q-linea over the years since then. However, I'm not a formal advisor, but rather an independent researcher who collaborates with several companies on the development of new diagnostics.

What type of work have you done with Q-linea?

Q-linea partially financed a study on suspected infections in the bloodstream, which means that they received samples from over 470 patients between 2014 and 2016, which they were subsequently able to use in their research on the detection of bacteria in the bloodstream. We have continued to work on various projects together and, like many others, I have had some input on user-friendliness and suggestions for antibiotics that should be included in their panels.

Please tell us a bit more about what you do in your daily work.

As Chief Physician and Medical Director of the microbiological laboratory, I plan and evaluate new developments in microbiology. I also evaluate test results and comment on sample results. Staying up-to-date on the needs and requirements of other medical specialisations and on new companies is an important aspect of my job. It's extremely gratifying to see Swedish companies emerging in this niche.

We don't have such a high level of antibiotic resistance here in Sweden, but Q-linea emerged here anyway, or perhaps for exactly that reason.

Definitely, the academic environment in Uppsala is favourable. There is a high degree of knowledge about antibiotic resistance and strong expertise in resistance testing, which Q-linea was able to lean on in their work. In Sweden, we have good prospects for continuing to keep antibiotic resistance relatively low thanks to our clean water, a well-financed healthcare system available to all, good hygiene in healthcare settings and the Swedish antibiotics policy.

You have followed Q-linea for many years.

What are your thoughts on their journey?

Q-linea has managed to remain at the forefront and has come a long way in its development; they worked hard to obtain stable financing. I also think they've been good at demonstrating the need for rapid diagnostics in various environments. They've really listened to the wishes of us microbiologists in the Nordic region, the rest of Europe and the US, which is especially important since different countries have varying resistance levels and needs. Moreover, Q-linea has always had a positive approach in the projects we have collaborated on.

What are the problems in diagnostics that need to be solved?

Sepsis is a common illness that is the result of bacteria in the blood-stream causing the body's inflammatory system to run amok, and rapid diagnostics are extremely important in these situations in order to gain control over the infection as effectively as possible. The faster you can determine the bacteria and its resistance pattern, the more effective the treatment will be. But although we know that rapid resistance treatment is effective, it's also a cost issue.

How does this work today?

In Sweden, we can put a blood sample into a blood culturing chamber within one to two hours under the best circumstances, after which it takes anywhere from eight to 48 hours before the culture systems signal growth. Next, you ordinarily perform gram staining from the bottles where bacteria grew in order to provide a preliminary assessment of which bacteria are growing. Some labs, including our laboratory in Örebro, use MALDI-TOF to perform a rapid species identification, and perform a direct resistance test on certain bacteria on culture plates. At our lab, we then take a preliminary reading of the resistance test on some samples after only a few hours. This enables the patient's administering physician to begin the correct, more targeted treatment early on, which in turn combats antibiotic resistance.

This sounds as though the problems have already been solved.

Today, the process requires a great deal of manual labour which works well in Sweden, where our laboratory staff are highly qualified, but in other countries there is a demand for automated systems since their employee capacity is not as high. There is a need for smoothly functioning, automated, high-capacity systems. We should also remember that we can benefit from automated systems in Sweden as well. We should be able to offer an equivalent level of care nationwide, and I believe that decentralised, more automated systems are important in this regard.

How does Q-linea's equipment compare to the relatively fast culture plates?

In terms of speed, Q-linea's equipment will be about as fast as the fastest methods that can be used in laboratories today. But the major advantage of the equipment is the format, which allows the user to process multiple samples and test multiple antibiotics simultaneously in one flow and then obtain a definitive result. In addition, the system seems to be easy to use, and it reports data in a simple way. As a clinician, you want to avoid a “hands on” approach as much as possible, and I believe that the system's automated format, accuracy of resistance testing, flexibility of MIC panels, stability and user friendliness give Q-linea what it takes to stand out.



THERE IS A NEED FOR SMOOTHLY FUNCTIONING, AUTOMATED, HIGH-CAPACITY SYSTEMS.



Martin Sundqvist is Chief Physician and Medical Director for clinical microbiology at Örebro University Hospital.



24-HOUR FASTER SEPSIS DIAGNOSTICS CAN REDUCE MORTALITY BY 40 PERCENT, LOWER THE NUMBER OF OPPORTUNISTIC INFECTIONS AND DRASTICALLY REDUCE COSTS IN THE HEALTHCARE SECTOR.

Faster diagnostics save lives and slow the development of antibiotic resistance

Today, it takes 24 to 72 hours to identify bacteria and obtain information about which antibiotics the bacteria are sensitive to. In the most severe cases, the patient may have already died by the time the test results are complete. As a result, patients must be treated empirically with broad-spectrum antibiotics until answers have been obtained from the microbiology lab. But excessively broad antibiotic treatment creates resistance. Resistant bacteria species are a major problem in the healthcare system. Otherwise trivial infections can be deadly if the causal bacteria are resistant to the medication given.

Healthcare is currently dependent on the use of effective antibiotics, for example in surgical procedures, transplants and cancer treatments, which entail a greater risk of infection. If the development of antibiotic resistance is not stopped, it will pose a serious threat to healthcare and one of the biggest threats to human health.

A shorter response time to the optimal treatment would enable a considerable reduction in the use of broad-spectrum antibiotics and allow the development of antibiotic resistance to be slowed.

About ASTar

Over the past six years, Q-linea has developed innovative systems for in vitro diagnostics of infectious diseases. Q-linea's leading product, ASTar, is much faster than today's methods at determining which antibiotics are effective against an infection, known as an AST. ASTar is expected to shorten the time it takes to identify the proper treatment of patients with sepsis by more than 24 hours. The method has substantial potential to save lives, reduce hospital costs, avoid unnecessary antibiotic treatment and slow the development of resistant bacteria.

Q-linea's strategy is to establish and then strengthen its position as a key player in diagnosing infectious diseases through the development of innovative diagnostics platforms with the potential to be both first-in-class and best-in-class. The company's first product, ASTar, is expected to be available in the European market in the beginning of the second quarter of 2020. Over the coming years, Q-linea plans to expand its product offering for ASTar and obtain regulatory approval in the US in the same year.

Q-linea's core market – rapid AST for sepsis directly from clinical samples

Anyone can develop sepsis as a consequence of a common bacterial infection, such as a urinary tract infection or pneumonia. The need for rapid and reliable diagnostics to enable proper treatment for severe conditions such as sepsis is crucial for patient survival. Q-linea's initial application for the ASTar system will be the analysis of positive blood cultures from patients with suspected sepsis.

ASTar workflow and advantages compared with current methods

It has been demonstrated that 24-hour sepsis diagnostics can reduce mortality by 40 percent, lower the number of opportunistic infections and drastically reduce costs in the healthcare sector.

According to the company's assessment, ASTar and the ASTar workflow offer the following advantages compared with the systems currently available in the market.

Broad antibiotics panel

ASTar has the capacity for a broad antibiotic panel with up to 48 antibiotics in a single test, each in five to 11 two-fold dilution steps. An AST result from a broader panel gives a more complete result and reduces the need for further time-consuming tests. For rapid direct testing from clinical samples, a broad panel also facilitates starting AST before the bacteria is identified, cutting the time-to-result. A system that is based on the dilution method with a large number of concentrations generates accurate MIC values.



AST for sepsis workflow

This is an example of a typical procedure for suspected sepsis. Regardless of where in the world a patient falls ill with suspected sepsis, the same clinical guidelines apply, even when they have not been applied everywhere for various economic reasons or due to varied access to infrastructure for laboratory analyses. However, exact times and procedures may vary from case to case.

Day 1 To begin, a blood sample is taken for blood culturing, which enables subsequent microbiological analysis. Blood is collected in a number of specific blood culture bottles and cultivated in an incubator. The incubator signals bottles that become positive, meaning that the bottles contain bacteria that grow. Approximately 15% of all samples taken for blood culturing become positive and for 80% of all blood cultures, it takes an average of 14 hours to achieve sufficient bacteria growth and signal positively. While waiting for test results, patient treatment is initiated based on experience and clinical situation, also referred to as empirical therapy. At the commencement of the treatment, the administering physician does not yet know:

- i) if the patient has sepsis,
- ii) which bacteria has caused sepsis, and
- iii) which antibiotic preparation and dosage will be effective in treatment. Initial empirical therapy may therefore be incorrect, with a risk of death due to the infection.

ASTar also has the capacity to analyse especially demanding fastidious bacteria, which require a richer growth medium for AST. Fastidious bacteria are very common in pneumonia and the cause of approximately 10 percent of sepsis cases.

Fully automated and user-friendly solution

ASTar has been developed in close consultation with clinics and microbiology laboratory staff in various geographic markets in order to best respond to expectations of a system that must function in the current workflow. Aspects that have proven important, and that ASTar satisfies, are that the instrument is easy to use and fully automated, with an intuitive and user-friendly interface, that it starts quickly and easily, and that results are obtained quickly.

High sample throughput

A large microbiology laboratory currently performs a substantial amount of AST, some of which is considered critical (*positive blood cultures, for example*). To meet the daily sample throughput at a large laboratory, a system should handle ten to 30 positive blood cultures per day. Daytime laboratories also need to be able to analyse a large number of blood cultures that signalled positive during the night, which means that a system needs high peak capacity. 24-hour laboratories have a need for random access in order to be able to run a sample any time it signals positive.

ASTar handles both of these cases, since it is designed to handle up to 50 samples per system and day.

Modular consumables

The ASTar instrument is equipped to handle other prototypes than positive blood cultures thanks to its adaptable (*modular*) consumables. Laboratories currently analyse samples from many different sites, such as urinary tract, respiratory tract, cerebrospinal fluid, wounds and intra-abdominal fluid (*ascites*). ASTar can also be run in a semi-automated mode, which facilitates cost-effective isolate analysis with comparable sample throughput as conventional systems, but in considerably less time and without analytical limitations.

Faster AST diagnostics optimises antibiotic treatment and may help reduce antibiotic resistance

Healthcare is currently dependent on the use of effective antibiotics, for example in surgical procedures, transplants and cancer treatments, which entail a greater risk of infection. If the development of antibiotic resistance is not stopped, it will pose a serious threat to healthcare and one of the biggest threats to human health.

It has been shown that the more antibiotics we use, the faster the increase in antibiotic resistance. It is also recognised that



Day 2 If the blood culture is positive, gram staining is started, which is a method for colouring bacteria which distinguishes between gram-positive and gram-negative bacteria. Gram staining is also used as a control of later sample results and, to a certain extent, the purity of the sample (if there are one or more different types of bacteria in the sample).

Two important results (among other factors) are then needed to ensure correct treatment: Identification (ID), meaning species identification of the causal microbe (for example, bacteria).

Day 3-4 AST, which is necessary to ascertain which antibiotic preparation is effective and which dose is necessary for an effective treatment.

Recently, a growing number of hospitals in Europe and the US have started using molecular or mass spectrometry-based methods, which enable more cost-efficient and quicker bacteria identification (often referred to as rapid ID). These rapid ID methods mean that information about the species of bacteria and potential resistance markers can be provided on a few hours after the bottle has signalled positive.



Currently, AST is primarily performed manually using manual disk diffusion or one of the semi-automated systems. The results can be presented as a simple qualitative group classification among the categories:

- sensitive (S),
- intermediate (I), and
- resistant (R)

for a given antibiotic, or as a more exact quantitative value that is obtained by adding bacteria to a serial dilution of an antibiotic. The latter is referred to as minimum inhibitory concentration (MIC), which is the lowest antibiotic concentration where bacteria growth is inhibited.

In many cases, it is sufficient for the physicians to receive the result S, I or R for an antibiotic, but for more serious infections, such as endocarditis or meningitis, more precise data about the effectiveness of the antibiotic is paramount. Based on the outcome of the ID analysis and AST, healthcare staff can adapt the patient's initial antibiotic treatment so the most effective antibiotic is used against the bacteria that caused the infection.



resistance has developed against every new antibiotic that has been introduced. There are few new antibiotics under clinical development.

According to a recent report by WHO, most antibiotics under development are modifications of older types of antibiotics, which is why resistance to these antibiotics develop rapidly.



THE MOST BENEFICIAL AND COST-EFFECTIVE TREATMENT STRATEGY IS TO INVEST IN NEW, FASTER DIAGNOSTICS.

The most beneficial and cost-effective treatment strategy, for both the individual patient and for society, is to invest in new, faster diagnostics. Rapid diagnostics shorten the time to optimal patient treatment, resulting in reduced use of broad-spectrum antibiotics. This involves several advantages, including curbing the trend of resistant bacteria, reducing patient suffering and reducing the number of treatment days, which significantly cuts costs for hospitals, the healthcare sector and society in general. In the US alone, the cost of infections caused by resistant bacteria is expected to add USD 20 billion to current healthcare costs, and a further USD 35 billion in indirect costs for society.

There will be a need for new classes of antibiotics and it is crucial that diagnostic systems can be easily adapted to include these new classes in their antibiotic panel, a feature that ASTar provides.

Description of the market for rapid AST for sepsis directly from clinical samples

The primary markets for ASTar are hospitals and clinical microbiology laboratories that perform AST. There are a total of about 9,000 hospitals constituting the addressable market within the company's planned geographic areas. Of the total sample volume estimated at just over 17 million samples from patients with positive blood cultures that are currently analysed using traditional AST, Q-linea estimates that approximately one third of them constitute the initial market for ASTar, which is equivalent to about 5.7 million tests on an annual basis. Growth in the intended geographical areas is estimated at about 5 percent annually, with potentially higher growth in the Asia-Pacific region. The reason for this initial segmentation is that approximately one third of all blood culture bottles come from high-priority patients. However, the company believes it may be possible to address the entire market for positive blood cultures in the future. The cost increase per sample for rapid

AST compared with conventional AST could result in physicians stratifying patients, meaning classifying them in various categories of seriousness, before tests are ordered and in only a certain category being analysed using rapid methods while other categories continue to be analysed using conventional methods. This may change as more health economics studies demonstrate the benefit to patients and the opportunity to reduce healthcare costs. A prerequisite for benefiting from rapid AST is also that the laboratories performing the analyses have the capacity to quickly identify bacteria directly from clinical samples.

US

The US has about 6,000 hospitals that jointly handle 34.5 million patients admitted every year. Of this figure, 1,161 hospitals accept slightly more than 23 million (67 percent) of all patients. Of all the hospitals in the US, approximately 2,000 are large hospitals equipped with laboratories that have one or more blood culture systems, which are deemed to be the addressable market for the company. A declining percentage of smaller hospitals have the same resources. Several hospital laboratories also handle samples from other hospitals, and of these laboratories, a small number, just over 200, account for 39 percent of the test volume. These laboratories are considered the initial priority market group.

Blood culturing chambers in the market have a capacity to handle between 40 and 1,280 blood culture bottles in order to match the sample throughput handled at laboratories. Becton Dickinson in the US and bioMérieux in France jointly account for 90 percent of the total market for automated blood culture systems.

More than 1,000 laboratories in the US have procured at least one FilmArray® system from bioMérieux for rapid molecular identification of bacteria directly from clinical samples, such as positive blood cultures, respiratory samples and gastrointestinal samples. The system was launched in 2010 and there are currently a total of approximately 5,400 systems installed in the US (approximately 6,100 systems globally). In 2016, bioMérieux launched a new version of FilmArray with increased capacity, Torch, which can analyse up to 264 samples per day in order to meet the growing need. The annual consumption of blood culture bottles in the US was estimated at approximately 90 million in 2017. Of these, 6.3 million blood culture bottles are estimated to have indicated bacterial growth of clinically relevant bacteria and undergone AST. The company estimates that the initial market of clinically relevant positive blood cultures for analysis using rapid AST corresponds to 2.1 million. Demand for blood culture bottles for AST is expected to increase an average of 5 percent per year to 8 million in 2022.

In the US, so-called Hub and Spoke solutions are becoming increasingly common. These are solutions where analyses of non-urgent samples are performed at a central laboratory jointly for a number of hospitals, while the critical sample types are still

analysed at smaller hospitals. Accordingly, smaller hospitals require fully automated systems that are easy to handle and provide rapid results. The need for systems for analysis of critical sample types, such as positive blood cultures, at smaller hospitals may therefore increase.

Europe

The number of accredited medical laboratories in Europe is approximately 5,000. The company estimates that approximately half of the laboratories in Europe conduct blood cultures and subsequent AST, corresponding to an addressable market of about 2,500 laboratories in Europe.

All of the 2,500 laboratories that handle blood cultures are equipped with one or more automated blood culture systems. Bruker Corporation is a company that delivers mass spectrometry-based systems for rapid identification of bacteria. In mid-2017, Bruker Corporation had installed 2,400 systems in European laboratories, a rapid increase from 700 systems installed in 2012.

The annual consumption of blood culture bottles in Europe was estimated at 70 million in 2017. Of these, 7.4 million blood culture bottles are estimated to have undergone AST.

The company estimates that the initial market of clinically relevant positive blood cultures for analysis using rapid AST amounts to 2.4 million tests. Demand for blood culture bottles for AST is expected to increase an average of 6.3 percent per year to 10 million in 2022.

Asia-Pacific (APAC)

The size of the APAC market for AST from positive blood cultures is difficult to assess. The company has chosen only to conduct estimates for four countries, Japan, South Korea, Australia and New Zealand, where more reliable statistics are available. These APAC countries are home to approximately 13,500 hospitals. The company estimates that approximately a third of the hospitals in APAC conduct blood cultures and subsequent AST, corresponding to a total addressable market of about 4,500 laboratories. The annual consumption of blood culture bottles in APAC was estimated at 35 million in 2017. Of these, 3.7 million blood culture bottles are estimated to have undergone AST.

The company estimates that the initial market of clinically relevant positive blood cultures for analysis using rapid AST amounts to 1.2 million. Demand for blood culture bottles for AST is expected to increase an average of 7.1 percent per year to 5.2 million in 2022.

Addressable market for Q-linea's ASTar



Sepsis is an illness that must be diagnosed quickly

Gorm Lisby, MD PhD, Chief Physician for clinical microbiology at the University of Copenhagen, Hvidovre Hospital, sees a major need for faster diagnostics. Current solutions are not satisfactory, and in fact contribute to antibiotic resistance.

Please tell us a bit more about what you do.

I am a specialist in clinical microbiology at the university hospital. I am in charge of molecular biology diagnostics operations, and I work closely with our blood culture lab. My field of interest is sepsis and rapid diagnostics.

What happens in the body in cases of sepsis? Who develops it?

Sepsis can happen to anyone. It often strikes chronically ill people, but it can happen to anyone. Sepsis is caused by an infection that comes either from an area within the body or from an external source. It could be a perforated bowel, a skin infection or an infection after surgery. This infection may then lead to an overreaction by the immune system, and that's what sepsis actually is – an overreaction by the immune system.

What is important when diagnosing sepsis?

A swift diagnosis is critically important in order to initiate a correct antibiotic treatment as quickly as possible; otherwise the patient runs the risk of developing septic shock. Mortality increases with every hour that a patient with septic shock does not receive antibiotic treatment that is effective against the infection.

How is sepsis currently diagnosed?

Blood cultures are used to perform the diagnosis, but sepsis is an illness that must be diagnosed quickly. Right now, it takes two to three days to receive results from a blood culture that can confirm sepsis. Therefore empirical antibiotic treatment is given in cases of suspected sepsis; in other words, physicians try to provide the broadest possible antibiotic treatment.



A broad antibiotic treatment will wipe out nearly anything, won't it?

Both yes and no. In many cases, the treatment is actually not broad enough. In some cases of empirical antibiotic treatment, the bacteria causing the infection are not covered, so the antibiotic has no effect. Depending on where you are in the world, these cases range from about 10 percent to as much as 50 percent. The number is nearly shocking. Thus, many people who receive empirical antibiotic treatment do not receive sufficient antibiotics.

We hear a lot about antibiotic resistance due to overuse of antibiotics, but you're saying that patients are receiving enough. What's the connection?

Today's sepsis patients can be divided into three groups. There's a large group that does not receive full coverage antibiotics. Some of them receive correct antibiotics with a spectrum that is not too broad. But others receive too many antibiotics (an excessively broad spectrum), and in these cases the bacteria may develop a resistance. And there is a group that receives insufficient antibiotics – who therefore run a higher risk of the infection having a worse outcome, since it is in fact not being treated.

What is the solution?

Today, there is no satisfactory solution. We just continue to use the "two" available options. Our first option is not to give any antibiotics, but then the patient would die so in other words this is not an option at all. We use the second option, the only one we have, which is to give more broad-spectrum antibiotics. But this results in more antibiotic resistance, which is not sustainable in the long term. The third option is faster diagnostics, which enables us to give the correct antibiotic in the right dosage – no more, no less – but we don't have this option today.

Aren't there any diagnostic options in the market today that are faster than two to three days?

There's only a handful of manufacturers of sepsis diagnostics equipment, but they all have their limitations and only one has made a serious attempt to establish a commercial presence. This system is extremely expensive, so it has not succeeded in reaching the market in any volume. Moreover, the system can only diagnose one patient sample at a time which is very impractical, especially as sepsis is an extremely common illness.

How do you think that Q-linea's equipment can make a difference?

Infections pose two questions: what is the microorganism, and what can be used for treatment? Q-linea has an important tool for the future, and in the long term it will be possible to identify the answer to both questions for a sample within hours, which is revolutionary.

Gorm Lisby, MD PhD, Chief Physician
for clinical microbiology at the University
of Copenhagen.

Adamant about preserving and protecting the environment



Environment/CSR

The company is adamant about preserving and protecting the environment in all parts of its business. Q-linea seeks to minimise its direct and indirect negative environmental impact and to continuously lessen its environmental impact by maintaining sound work procedures and using environmentally friendly technology.

The company's environmental responsibility includes:

- Seeking to use natural resources effectively.
- Seeking to lower energy consumption and emission of greenhouse gases in every part of the organisation, both during development and manufacturing of components and during future use of the systems.
- Seeking to communicate digitally and continuously evaluating various environmentally friendly travel alternatives.
- Considering environmental criteria when selecting suppliers.
- Offering environmental training courses when relevant.

Performance results exceed regulatory requirements

All ASTar IVD products will undergo clinical studies to demonstrate that the products are safe and effective for the intended areas of use. These clinical studies will take place in both Europe and the US.

There are explicit guidelines in both Europe and the US for conducting clinical studies of IVD tests for antibiotic resistance. The regulatory framework stipulates that performance for each antibiotic combined with the intended types of bacteria are to be evaluated separately.

If any combination of a type of bacteria and antibiotic in the clinical study does not meet regulatory requirements, it can be included in the next version of the product instead. This does not affect the combinations that have met the limit values for approval, which reduces the regulatory risk before launch.

Below is a description of the scheduled clinical studies for the first IVD test, which is a panel for gram-negative bacteria, for both the EU and the US. The study plan will be similar for the follow-up products currently planned.

Clinical study plan

The clinical performance study will be a multi-centre study performed at a minimum of four European and US locations. The samples will comprise gathered authentic blood cultures (*part of residual positive blood cultures from patients with suspected sepsis*) and positive blood cultures from isolates where bacterial isolates have been added to blood from healthy individuals).

To work as effectively as possible, the study will be divided into two parts:

Part A – Collection of clinical bacterial isolates and resistance characterisation

The isolates will be extracted from part of residual positive blood cultures from patients with suspected sepsis and be acquired from isolate banks available from clinical partners. Two or three European clinics will participate in this part of the study. They will also be responsible for determining bacterial ID. Reference runs will be carried out for all gathered samples in order to determine the expected (“true”) resistance profile.

Part B – Evaluation of clinical performance

In this part of the clinical study, the results from the ASTar system will be compared with the reference results. The first steps in this part of the clinical study have already been commenced together with clinical partners. Q-linea currently has access to several highly extensive isolate banks via partnerships with several European hospitals.

Three aspects of clinical performance will be evaluated in this part of the study:

- accuracy
- reproducibility
- quality control

Performance evaluations of relevant samples for clinical study

As part of the development process, continuous performance evaluations are conducted internally and in collaboration with clinical partners. The procedure is similar to the planned clinical study but less extensive.

Q-linea has conducted a large performance evaluation of the ASTar technology using early versions of consumables and prototype instruments. Blood cultures from isolates were used in the study to create a type of sample intended for use in the clinical study. This type of sample will constitute about two thirds of the samples in the planned clinical study.

In total, data from 526 combinations of bacterial strains and antibiotics were included, which constitutes a significant part of the intended product panel. The performance results exceed the regulatory requirements in both Europe and the US by a wide margin.

Hospital collaborations

Q-linea is involved in ongoing collaborations with several hospitals in Europe and the US, and has completed several projects for gathering clinical samples, conducted patient studies, executed usability studies and obtained valuable feedback on the design of the antibiotics panel and on the ASTar system as a whole.

The company has collaborated on patient studies with three hospitals in Sweden and one in Denmark. After any necessary ethical permits were obtained, a project plan was established with the respective hospital laboratories. The laboratories then sent samples which were analysed in Q-linea’s laboratory. More than 3,000 blood samples and blood cultures from patients with suspected sepsis have been gathered from these hospitals. In many cases, these collaborations have resulted in joint presentations (verbal presentations and posters) at major international conferences.

Valuable feedback on Q-linea’s antibiotics panel and instruments has also been gathered through interactions with other hospital laboratories, mainly in the US. These interactions have also provided important insights into workflows, sample quantities and sample handling, which was subsequently used in Q-linea’s development and market analysis work.



The Q-linea share

Q-linea AB (publ) is a Swedish public limited liability company whose shares have been listed on Nasdaq Stockholm since 7 December 2018.

Market capitalisation and trading

The Q-linea share has been listed on Nasdaq Stockholm since 7 December 2018. The company's market capitalisation at year-end amounted to SEK 1,385 million. The share is listed in the Mid Cap segment and the company is classified as a healthcare company. The listing will enable the company to execute its long-term strategy by broadening the ownership base, thereby contributing to increased awareness of the company and its operations and creating access to the Swedish and international capital markets.

Share capital and number of shares

The company's share capital at year-end amounted to SEK 1,145,345.75, distributed between 22,906,915 shares. Each share carries one vote. The quotient value per share is SEK 0.05.

Share capital development

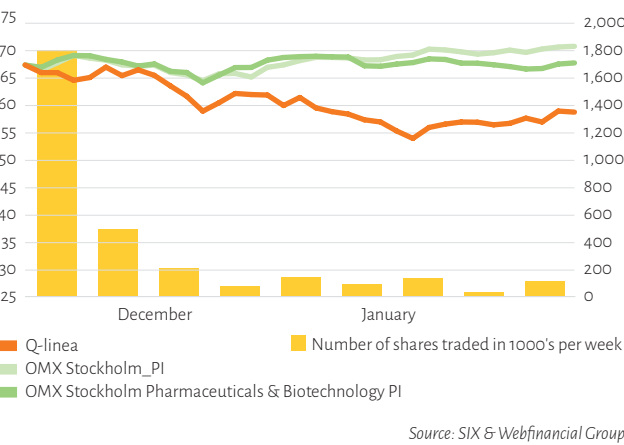
	Number of shares, thousand	Share capital, SEK thousand
Closing balance on 31 December 2016	493	493
New share issue	82	82
Closing balance on 31 December 2017	575	575
New share issue	11	11
New share issue	155	155
1:20 split	14,078	—
New share issue	8,088	404
Closing balance on 31 December 2018	22,907	1,145

The company's share capital at year-end amounted to SEK 1,145,345.75, distributed between 22,906,915 shares. The quotient value per share is SEK 0.05.

Share turnover

Between 7 December and year-end 2018, a total of 2.6 million shares were traded at value of SEK 172 million. An average of 198,000 Q-linea shares were traded each day. Excluding the listing date on 7 December, a total of 781,000 shares were traded at value of SEK 51 million. Excluding the listing date, an average of 65,000 Q-linea shares were traded each day.

Share price trend and turnover



Shareholder information

Q-linea communicates with its shareholders and the outside world through several channels. Information disclosed through press releases, interim reports and annual reports is published on the company's website: www.qlinea.com. Material from presentations of interim reports can also be downloaded from the website by journalists, investors, analysts and other stakeholders. Q-linea's website is the primary channel for the annual report and copies will not be sent to shareholders unless expressly requested.

Shareholders at 31 December 2018¹⁾

	Number of shares	Number of shares and votes
Nexttobe AB	9,276,140	40.49%
Investment AB Öresund	2,281,155	9.96%
Fjärde AP-fonden	1,700,000	7.42%
Moleculink AB	958,760	4.19%
Catella Fonder	888,352	3.88%
Mats Nilsson	497,320	2.17%
Länsförsäkringar Fonder	441,176	1.93%
Jonas Jarvius	362,152	1.58%
Staffan Persson	359,576	1.57%
SEB-Stiftelsen	275,000	1.20%
Aktie-Ansvar Fonder	230,000	1.00%
Andra AP-fonden	220,000	0.96%
PEG Capital Partners AB	220,000	0.96%
Ulf Landegren	217,720	0.95%
Johan Stenberg	174,660	0.76%
Anders Wall	171,240	0.75%
Skandia Fonder	165,000	0.72%
Håkan Englund	160,000	0.70%
Jan Grawé	144,000	0.63%
Danica Pension	134,584	0.59%
Holdings, 20 largest shareholders	18,876,835	82.4%
Other shareholders	4,030,080	17.6%
Total number of shares	22,906,915	100%

¹⁾ Shareholding may relate to own ownership or ownership through company.

Source: Holdings

Dividends and dividend policy

Q-linea's current net sales and earnings are primarily based on non-recurring income under the licensing and partnership agreements that the company has signed. Q-linea will continue to focus on further developing and expanding the company's project portfolio. Accordingly, available financial resources and recognised earnings are reinvested in the operations to finance the company's long-term strategy. The Board's intention is thus not to propose the payment of any dividends to shareholders before Q-linea generates long-term sustainable profitability. Any future dividends and their amount will be determined based on the company's long-term growth, earnings trend and capital requirements, taking into account targets and strategies applicable at any time. Any dividends proposed are to be carefully considered against the targets, scope and risk of the operations.

Share-based incentive programme

Q-linea has two share-related incentive programs, one is a personnel option program and one is a performance share-based incentive program. These two programs are described in the Corporate Governance Report - section ("Share-related incentive programs") pages 33-39.

Analysts

- Carnegie Investment Bank AB
- Ulrik Trattner
 - Erik Hultgård
 - Kristofer Liljeberg

Board of Directors' Report

The Board of Directors and President of Q-linea AB, corporate registration number 556729-0217, with its registered office in Uppsala, Sweden, hereby submit the annual report for the financial year 2018. All figures pertain to the 2018 financial year and are compared with the 2017 financial year, unless otherwise stated.

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's first product focuses on rapid diagnostics of sepsis (previously known as blood poisoning). The company was founded in Uppsala, Sweden, in 2007 by scientists from the Rudbeck Laboratory at Uppsala University, together with Olink AB and Uppsala University's holding company, UUAB. The address of the head office is Dag Hammarskjölds väg 52A, Uppsala, Sweden.

Over the past six years, Q-linea has developed innovative systems for in vitro diagnostics of infectious diseases. Q-linea's leading product, ASTar, is much faster than today's methods at determining which antibiotics are effective against an infection, known as an AST. ASTar is expected to shorten the time it takes to identify the proper treatment of patients with sepsis by more than 24 hours. The method has substantial potential to save lives, reduce hospital costs, avoid unnecessary antibiotic treatment and slow the development of resistant bacteria.

Significant events during the financial year

Q-linea was listed on Nasdaq Stockholm and trading in the company's share commenced on 7 December 2018. In conjunction with the listing, investors were offered an opportunity, pursuant to the terms and conditions set out in the company's prospectus, to subscribe for a maximum of 9,301,470 newly issued shares in Q-linea (which included an over-allotment option for 1,213,235 shares) under the authorisation of the Annual General Meeting on 20 June 2018. As a result of this offering, and the company's announcement after the end of the period that the over-allotment option had not been utilised, the number of shares has increased by 8,088,235 to 22,906,915 at year-end. This increase corresponds to a dilutive effect of approximately 35.3 percent of the total number of shares and votes. The new issue of 8,088,235 shares generated approximately SEK 550 million, providing Q-linea with about SEK 505 million after deduction for issue costs. The new share issue will enable Q-linea to devote more resources to completing the product development of ASTar,

initiating clinical studies in the EU and the US, and ultimately launching the product.

The Board of Directors convened an extraordinary general meeting on 12 November 2018, where it was decided that a long-term incentive programme in the form of a performance share-based programme would be implemented in conjunction with the listing on Nasdaq Stockholm. A total of up to 16 key individuals in the company, including the President and management team, will be offered an opportunity to participate in the incentive programme. The aim of the incentive programme is to closely align the interests of the key individuals and shareholders, recruit and retain competent employees and create greater motivation to achieve or surpass the company's strategic and operational objectives. In February 2019, the Board of Directors decided to issue 211,048 Class C shares to Carnegie Investment Bank. The issue was carried out based on the authorisation decided on by the extraordinary general meeting on 12 November 2018 and was intended to ensure delivery of performance shares within the framework of the incentive programme approved on the same date. The shares will be repurchased from Carnegie Investment Bank by Q-linea and will subsequently be reclassified as ordinary shares. Both the share issue and the buy-back will be carried out at the share's quotient value.

On 30 June 2018, Q-linea acquired the operations and thereby the assets and liabilities of Umbrella Science AB for SEK 12.8 million. The purchase consideration was paid in cash and was financed through a short-term interest-free loan of SEK 12.8 million from Q-linea's principal owner, Nexttobe AB. The agreement also contains standard guarantees and liability clauses. No earnout will be paid.

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 had a total of 14,818,680 shares outstanding, with a quotient value of SEK 0.05 per share. A further 8,088,235 shares were added as a result of the new share issue in December 2018, and the total number of shares and votes at year-end amounted to 22,906,915.

In March 2018, the company carried out a private placement

of 154,985 shares to investors specialising in life sciences, other strategic investors and funds at a price of SEK 913 per share, a total of approximately SEK 141,501 thousand before issue costs, and a private placement of 10,953 shares to the company's largest owner Nexttobe AB at a price of SEK 1 per share, corresponding to the share's quotient value. Issue costs of approximately SEK 8,578 thousand arose in connection with the private placements and the company received about SEK 132,923 thousand in cash and cash equivalents. The reason that the private placement to Nexttobe AB took place at the quotient value was that Nexttobe AB paid an unconditional shareholder contribution of SEK 10 million to the company on 31 December and, through the private placement, Nexttobe AB thus in total paid the same price as the external investors and thereby was not disadvantaged in relation to the other Q-linea owners.

In March 2018, Q-linea signed a production agreement with Sanmina Corporation and Sanmina SCI AB entailing that Sanmina will produce, test and deliver products.

The company's new CFO and Head of Investor Relations, Anders Lundin, took office in April 2018 and has been employed by the company since 1 August.

Significant events after the end of the financial year

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

In February 2019, the Board of Directors decided to issue 211,048 Class C shares to Carnegie Investment Bank. The issue was carried out based on the authorisation decided on by the extraordinary general meeting on 12 November 2018 and was intended to ensure delivery of performance shares within the framework of the incentive programme approved on the same date. The shares were repurchased from Carnegie Investment Bank by Q-linea and reclassified as ordinary shares. Both the share issue and the buyback were carried out at the share's quotient value. The participants in the programme were allotted share rights in March; refer to the section "Performance sharebased incentive programme" on pages 38–39.

In mid-March 2019, Q-linea announced that the company had decided to change its launch strategy. Q-linea's first product, ASTar, is now expected to be launched in the company's core market – the US – three to four months earlier than previously announced in order to capitalise on the considerable interest demonstrated in the market and due to the positive feedback the company received from the US Food and Drug Administration (FDA). The European launch will be delayed by the same amount of time.

Research and development

The company's development of its core product, ASTar, a fully integrated and automated system for rapid resistance testing of bacteria in clinical samples, continued during the year. The company develops both consumables and instruments as well as related software.

Q-linea's first application targets sepsis (blood poisoning). Sepsis is a critical condition that occurs when the immune system overreacts to an infection. This reaction can be extremely serious, impacting most of the body's organs, potentially resulting in permanent organ damage or death.

During the autumn, a pilot study was carried out on patients with sepsis in cooperation with Uppsala University Hospital. The company is satisfied with the progress of the collaboration and the results of the study. The analyses were performed using the company's proprietary prototypes, with the aim of developing a fully integrated and automated system for resistance testing of bacteria. At year end, the company had analysed approximately 1,800 combinations of bacteria and antibiotics, and begun the transition to its intended format for the development of consumables. In cooperation with Sanmina (a global instrument manufacturer), the company has started manufacturing a future version of ASTar, which it began testing toward the end of the year in preparation for its upcoming launch.

Income, expenses and earnings

Net sales for the full year totalled SEK 1,066 thousand (1,500), down SEK 434 thousand. The difference is mainly attributable to the decrease in licensing revenue from the agreement with EMPE Diagnostics at the end of 2017.

Other operating income for the full year amounted to SEK 33 thousand (585) and was mainly attributable to exchange-rate gains.

Operating expenses including depreciation, amortisation and impairment totalled SEK 128,464 thousand (69,955) for the full year. The cost increase totalled SEK 58,509 thousand, corresponding to an increase of 84 percent compared with the preceding year. The increase was primarily attributable to the fact that the company built additional prototype instruments with related consumables, which resulted in higher costs for raw materials and consumables. External costs increased due to a higher number of consultants in product development, external advisory services in conjunction with the IPO and patents. The adaptation of administrative capacity to meet expanded reporting obligations resulted in higher costs. The company moved to larger and more appropriate premises and took over Umbrella Science's lease contracts in conjunction with acquiring the business in June 2018. Personnel costs increased compared with the preceding year, mainly due to the increase

in the average number of employees. Product development and production expansion require additional personnel resources.

Depreciation, amortisation and impairment of tangible and intangible assets amounted to SEK 3,037 thousand (1,720) for the full year. The increase was attributable to depreciation and amortisation of non-current assets acquired in the second quarter, which commenced in the third quarter of 2018. Other operating expenses amounted to SEK 105 thousand (3) for the year.

The operating result totalled SEK -127,366 thousand (-67,869) for the full year. The larger operating loss was mainly attributable to the increase in operating expenses.

Net financial items amounted to SEK -988 thousand (-10) for the full year. The increase compared with the preceding year 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.

No tax was recognised for 2018 or 2017.
The result for the period totalled SEK -128,353 thousand (-67,879) for the full year.

Cash flow and investments

Cash flow from operating activities amounted to SEK -122,712 thousand (-62,865) for the full year. The increased cash outflow from operating activities was mainly due to a larger year-on-year operating loss. Changes in working capital amounted to SEK 2,150 thousand (4,334) for the full year.

Cash flow from investing activities totalled SEK -164,248 thousand (-800) for the January to December period.

During the January to December period, the company made a net investment of SEK -150,000 thousand (0) in the short-term fixed-income funds where the company invests surplus liquidity not used in daily operations.

In the January to December period, the company acquired the operations of Umbrella Science and the purchase consideration totalled SEK 12,800 thousand (0). Investments in tangible assets comprised investments in production equipment.

Cash flow from financing activities totalled SEK 634,810 thousand (63,000) for the full year. Cash flow from financing activities for the full year comprised cash and cash equivalents of SEK 638,219 thousand (50,000), which the company received as a result of the two capital raises carried out in the first and fourth quarters of 2018. The company repaid SEK -409 thousand (0) of the credit agreements taken over from Umbrella Science in conjunction with the acquisition in the second quarter as well as two short-term interest-free loans totalling SEK -15,800 (0) from the principal owner, Nexttobe AB, in accordance with the loan agreements.

Financing

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

Multi-year overview

Amounts in SEK thousand	2018	2017	2016	2015	2014
Earnings					
Net sales	1,066	1,500	81	1,917	1,561
Operating result	-127,366	-67,869	-60,085	-39,139	-25,011
EBITDA	-124,329	-66,149	-58,443	-37,757	-24,943

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Financial position					
Total assets	539,068	18,397	16,861	13,962	11,835
Equity	513,458	1,511	8,455	8,408	7,485
Equity/assets ratio, %	95%	8%	50%	60%	63%
Debt/equity ratio, %	-98%	-237%	-86%	-13%	-36%

The information for 2016, 2017 and 2018 has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and International Financial Reporting Standards (IFRS) in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The information for 2014 and 2015 has been prepared in accordance with the Swedish Accounting Standards Board's recommendation BFNAR 2016:10 (K2). Refer also to Note 2.

Employees

Q-linea believes that all employees and job applicants should be treated equally. All individuals are equally valuable and should have the same opportunities regardless of individual differences. In fact, Q-linea believes that these differences improve its capacity to develop and change and are an asset to the organisation. The company's diversity efforts focus on eliminating discrimination and instead valuing and cultivating diversity. During the year, Q-linea reviewed its processes to ensure that they function properly in terms of taking diversity into consideration when hiring employees and consultants.

Calculated on the basis of full-time equivalents, Q-linea had 53 (37) employees at year-end, 19 (18) of whom are wom-en. The average number of employees during the financial year was 47 (36). Total salaries, remuneration and social security contributions amounted to SEK 42,166 thousand (25,313). For information concerning remuneration to the Board of Directors, President and other senior executives, refer to Note 9 and Note 25.

The share and employee share options

The company's three largest owners at year-end were Nexttobe AB, Investment AB Öresund and the Fourth Swedish National Pension Fund. A list of the 20 largest owners and a diagram with more information concerning the share are presented in the section "The Q-linea share" on pages 26-27.

As of 31 December 2018, the company had 22,906,915 shares and 7,750 employee share options outstanding. The employee share options have primarily been subscribed by the company's employees and each employee share option entitles the holder to acquire 20 shares in the company. For more information, refer to the section "Corporate Governance Report", Note 9 and Note 25.

Future development

Q-linea does not yet have any approved products and does not generate its own positive cash flow. In 2018, the company carried out two new share issues, which are described in the section "Financing" on page 30. Based on the proceeds generated for the company at the time, the Board's assessment is that the existing working capital, as of 31 December 2018, is sufficient to cover the company's needs over the next 12 months.

Q-linea's future investments will be made in the area of infection diagnostics, with hospitals equipped with their own microbiology laboratory as its intended end customers. Its target markets are the European and US markets, where the company is building on its expertise in the development and manufacturing of products intended for human infection diagnostics. Ongoing projects and product development will be prepared for sale in cooperation with a commercial sales partner. Most of Q-linea's ongoing projects are being carried out within its core area, which is expected to generate long-term shareholder value.

Legal considerations

Q-linea is not, and has not during the past 12 months, been a party to any legal proceedings or arbitration proceedings that have had or could have a material impact on Q-linea's financial position or profitability. Nor has Q-linea been informed of any claims that could result in the company becoming a party to such proceedings.

Environment/CSR

The company is adamant about preserving and protecting the environment in all parts of its business. Q-linea seeks to minimise its direct and indirect negative environmental impact and to continuously lessen its environmental impact by maintaining sound work procedures and using environmentally friendly technology.

- The company's environmental responsibility includes:
- Seeking to use natural resources effectively.
 - Seeking to lower energy consumption and emission of greenhouse gases in every part of the organisation, both during development and manufacturing of components and during future use of the systems.
 - Seeking to communicate digitally and continuously evaluating various environmentally friendly travel alternatives.
 - Considering environmental criteria when selecting suppliers.
 - Offering environmental training courses when relevant.

Significant risk factors

Risk management is carried out by company management in consultation with the President and Board of Directors in accordance with the guidelines established by the Board. The risk function includes the identification, evaluation and hedging of financial risks. Effective risk assessments help to align Q-linea's business opportunities and earnings with the requirements of the shareholders and other stakeholders with respect to stable, long-term value growth and control. The company's financial risks and risk management are described in Note 3.

Research and development risks

Q-linea's future growth depends on its ability to develop new products and to further develop and commercialise its existing products. Research and development of diagnostic instruments through to approval is a highly risky, complicated, time-consuming and capital-intensive process. The vast number of circumstances and rules involved means that there is a risk of delays and failure. Q-linea's future success rests on its ability to develop new products, enter into partnerships and successfully develop its own projects through to market launch and sale. Research and development is a time-consuming and resource-intensive process and, like many other research and development companies, Q-linea may become dependent

on external financing of its projects in the core area of in vitro diagnostics. Q-linea has not yet secured approval for its products and does not generate sufficient cash flow through its own business. In 2018, the company carried out two new share issues, which are described in the section “Financing” on page 30. Based on the proceeds generated for the company at the time, the Board’s assessment is that the existing working capital, as of 31 December 2018, is sufficient to cover the company’s needs at least, over the next 12 months.

Intellectual property protection and patent risks
Although Q-linea has patent protection for its technology, the area of medical technology is nevertheless associated with a number of risks related to intellectual property rights and patents.

- There is a risk that:
- the company’s product development could result in a product that is impossible to patent
 - the company’s current and future patent applications may not result in patents being approved
 - approved patents may not provide sufficient protection
 - other patents could supersede the company’s own patents
 - the substances, methods or procedures used by the company could be patented or patent pending by another party

There is also a risk that the company’s competitors could infringe upon Q-linea patent rights. To date, Q-linea has not been involved in any disputes pertaining to patents or trademarks.

Market risks
Q-linea operates in a global and competitive market that is subject to rapid changes and technological development. A large number of companies are active in the research and development of products that could compete with the company’s products. Some of the Q-linea’s competitors have substantial financial resources and the company’s competitors may also have a higher manufacturing and distribution capacity as well as better conditions for selling and marketing their products than the company. In addition, the company’s competitors may develop products that are more effective, safer and less expensive than the company’s products.

Research and development in other companies – alongside changes in complementary technology – could lead to Q-linea’s products becoming outdated. Competitors, some of whom have considerable financial and other resources, could overtake the company in terms of developing products and obtaining official approval, or succeed in developing a product that is more effective and more financially viable. Moreover, the development of products must satisfy clinical praxis and meet patient expectations. There is thus a risk that Q-linea will be unable to sustain its position in the face of competition. If competing

products were to gain market shares or reach the market faster than Q-linea’s products, the future value of Q-linea’s product and project portfolio could be lower than originally expected.

Key employees and recruitment
Q-linea’s success is largely attributable to its key employees and qualified staff and the extensive expertise and experience held by these individuals in the company’s area of operation. If Q-linea were to lose key employees and/or was unable to recruit additional qualified staff at the necessary pace in order to meet its future needs, this could delay or interrupt the development of the operations. There is a risk that it may be impossible to conduct recruitment on satisfactory terms as a result of the competition for labour with other companies in the industry, universities and other institutions. The company aims to reduce the risk of losing key employees by creating and maintaining a positive work environment with good working conditions. Q-linea is located in Uppsala, a town that is home to a wealth of people with the skills needed in the industry, which provides the company with ample recruitment possibilities.

Proposed appropriation of unrestricted equity
The following unrestricted equity is at the disposal of the Annual General Meeting:

	Kronor
Share premium reserve	695,528,302
Retained earnings	-54,862,083
Result for the year	-128,353,208
Total	512,313,011

The Board proposes that profit be appropriated as follows: SEK 512,313,011 to be carried forward. The Board proposes to the Annual General Meeting that no dividend be paid for 2018. For more information concerning the company’s earnings and financial position, refer to the following income statement and balance sheet as well as the statement of comprehensive income, statement of financial position and related notes.

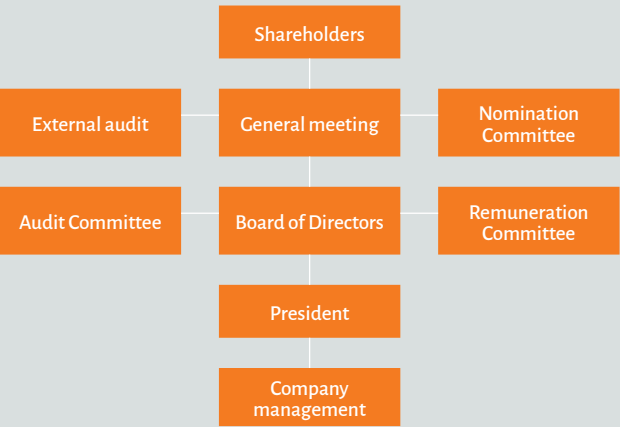
Unless otherwise stated, all amounts in the financial statements and accompanying notes are presented in thousands of kronor (SEK thousand).

Corporate Governance Report

Q-linea AB (publ) is a Swedish public limited liability company whose shares have been listed on Nasdaq Stockholm since 7 December 2018. Prior to the listing on Nasdaq Stockholm, Q-linea’s corporate governance was guided by the Swedish Companies Act and other applicable laws and regulations, the company’s Articles of Association and internal governing documents. These internal governing documents mainly consist of the Board’s rules of procedure, instructions for the President and instructions for financial reporting. In addition, Q-linea also has several policy documents and manuals containing rules, recommendations and principles, which provide guidance for the company’s operations and its employees.

Since the listing on Nasdaq Stockholm, Q-linea’s corporate governance is based on Nasdaq’s Issuer Rules, the Swedish Corporate Governance Code (“the Code”), the Rules of Fair Practice for the stock exchange and other applicable provisions and recommendations.

The diagram below provides an overview of Q-linea’s corporate governance structure.



Compliance with the Swedish Corporate Governance Code (“the Code”)

Q-linea has applied the Code since 7 December 2018, and has undertaken to follow corporate governance best practices wherever possible. The company has not deviated from any of the rules stipulated in the Code.

Shareholders

Q-linea’s shares are listed on Nasdaq Stockholm. The company’s share capital at 31 December amounted to SEK 1,145,345.75, distributed between 22,906,915 shares with a quotient value of SEK 0.05. As of 31 December 2018, Nexttobe AB was the only shareholder whose holding in Q-linea represented at least one tenth of the voting rights for all shares in the company. Nexttobe

AB accounted for 40.49 percent of the shares and votes in the company at year-end and the company’s 20 largest owners are presented in the section “The Q-linea share” on pages 26–27.

General meeting of shareholders

Shareholders exercise their influence in the company at the general meeting, or at an extraordinary general meeting where appropriate. Every shareholder who is entered in the shareholder register kept by Euroclear and recorded in a CSD register or CSD account on the record date of the general meeting is entitled to participate personally or vote by proxy. The general meeting may resolve on any issues related to the company that do not fall expressly under another corporate body’s exclusive competence according to the Swedish Companies Act or Articles of Association.

The Annual General Meeting is held annually within six months of the end of the financial year. The Chairperson of the Annual General Meeting is to be nominated by the Nomination Committee and elected by the Meeting. The business of the Annual General Meeting includes election of the company’s directors and auditors, adoption of the company’s balance sheet and income statement, resolving on allocations of the company’s profit or loss in accordance with the adopted balance sheet, and resolving on whether the directors and the President should be discharged from liability. The Annual General Meeting also resolves on the fees payable to the directors and the company’s auditors. During the Annual General Meeting, shareholders are also given the opportunity to pose questions to the Board of Directors, management and auditors. Each share carries one vote and Q-linea’s Articles of Association include no restrictions on the number of votes each shareholder may cast at a general meeting.

The Board may also decide to convene an extraordinary general meeting should it determine that a general meeting is required before the next Annual General Meeting. The Board may also convene an extraordinary general meeting should an auditor or shareholder holding more than 10 percent of the company’s shares submit a written request that a meeting be convened to address a specific matter.

Notice of a meeting should also be published in Post- och Inrikes Tidningar (Official Swedish Gazette) and on the company’s website. Information that notice has been given will be announced in Svenska Dagbladet on the date of issuing the notice. Notice of an ordinary or extraordinary general meeting at which amendments to the Articles of Association will be addressed must be issued no earlier than six weeks and no later than four weeks prior to the general meeting. Notice of other extraordinary general meetings must be issued no earlier than

six weeks and no later than three weeks prior to the general meeting. The minutes of the meeting are to be available on the company's website within two weeks of the general meeting.

2018 Annual General Meeting

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

- To re-elect Erika Kjellberg Eriksson, Jon Heimer, Mats Nilsson and Ulf Landegren as directors. Marcus Storch, Marianne Hansson, Nigel Darby and Per-Olof Wallström were elected as new directors and Erika Kjellberg Eriksson was elected as Board Chairperson.
- To increase the number of shares through a 1:20 share split and to authorise the Board to determine the record date for the share split through Euroclear Sweden AB. Following the share split in July 2018, the company had a total of 14,818,680 shares outstanding, with a quotient value of SEK 0.05 per share.
- To adopt new Articles of Association adapted to the requirements imposed on public companies.
- To change the company category from private to public limited liability company.
- To authorise the Board of Directors to carry out new share issues, etc. by deciding, on one or more occasions during the period until the next Annual General Meeting, to increase the company's share capital by way of a new share issue by disapplying the preferential rights of the shareholders and/or with payment through contribution in kind, by offset or on other terms. This authorisation applies until the date on which the company's share is admitted to trading on a marketplace, but not later than the next Annual General Meeting.
- To authorise the Board of Directors, on one or more occasions during the period until the next Annual General Meeting, to increase the company's share capital by way of a new issue of shares, warrants or convertibles by disapplying the preferential rights of the shareholders and/or with payment through contribution in kind, by offset or on other terms. This authorisation is to apply from the date on which the company's share is admitted to trading on a marketplace, and from the next Annual General Meeting. The authorisation is limited to an increase in the share capital by up to 10 percent in relation to the share capital existing when the issue authorisation was first utilised.
- To establish a Nomination Committee and adopt remuneration guidelines for senior executives.
- To approve the Board's proposal regarding the acquisition of Umbrella. It was noted that the company would finance the acquisition of Umbrella through a short-term loan from Nexttobe AB. The loan from Nexttobe AB will be repaid on the next planned financing date.

2018 extraordinary general meeting

An extraordinary general meeting on 12 November 2018 decided that a long-term incentive programme in the form of a

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

In February 2019, the Board of Directors decided to issue 211,048 Class C shares to Carnegie Investment Bank. The issue was carried out based on the authorisation decided on by the extraordinary general meeting on 12 November 2018 and was intended to ensure delivery of performance shares within the framework of the incentive programme approved on the same date. 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. The participants in the programme were allotted share rights in March; refer to the section "Performance share-based incentive programme" on pages 38–39.

2019 Annual General Meeting

Q-linea's 2019 Annual General Meeting will be held at 4:00 p.m. on 22 May at Hubben Konferens (Uppsala Science Park Room 3+4), Dag Hammarskjölds väg 38 in Uppsala, Sweden. Shareholders who wish to have a matter by the Annual General Meeting must submit a request to the Board in writing well in advance of the Annual General Meeting. The Board may be reached by mail at: Board of Directors, Q-linea AB, Dag Hammarskjölds väg 52A, SE-752 37 Uppsala, Sweden or by e-mail at: contact@qlinea.com. For more information, see Q-linea's website at www.qlinea.com.

Nomination Committee

The Nomination Committee duties include the preparation and drafting of proposals for the election of directors, the Board's Chairperson, the general meeting's chairperson and auditors. The Nomination Committee is also to recommend the fees payable to directors and auditors. On 20 June 2018, the Annual General Meeting adopted instructions and rules of procedure for the Nomination Committee, whereby the Nomination Committee would consist of three members.

The Nomination Committee is appointed, on behalf of the general meeting, by the Board's Chairperson contacting the three largest shareholders according to Euroclear's transcript of the shareholder register on 1 September 2018, each of whom has the right to appoint one member of the Nomination Committee. Should any of the three largest shareholders not wish to appoint a member of the Nomination Committee, the fourth-largest shareholder will be approached, and so forth, until the Nomination Committee consists of three members.

The members of the Nomination Committee must be

announced on the company's website no later than six months prior to the Annual General Meeting. The term of office for members appointed to the Nomination Committee continues until a new Nomination Committee is appointed. No fees shall be paid to the members for their work on the Nomination Committee. The Nomination Committee shall appoint one of its own members to chair the committee. Neither the Chairperson of the Board nor any other director may chair the Nomination Committee.

The Nomination Committee must submit proposals for decisions on the following issues for the 2019 Annual General Meeting:

- Election of Chairperson for the Meeting,
- Determination of the number of directors,
- determination of fees and other remuneration payable to the Board and its committees, divided between the chairpersons and other members,
- Determination of audit fees,
- Election of directors and Chairperson of the Board,
- Election of auditors, and
- principles for the Nomination Committee's composition and work prior to the 2020 Annual General Meeting.

Ahead of the 2019 Annual General Meeting and until a new Nomination Committee is appointed, the Nomination Committee consists of Erika Kjellberg Eriksson (Nexttobe AB), Jannis Kitsakis (Fourth Swedish National Pension Fund) and Öystein Engebretsen (Investment AB Öresund). Öystein Engebretsen is Chairperson of the Nomination Committee.

Shareholders who wish to contact the Nomination Committee may do so in writing at: Nomination Committee, Q-linea AB, Dag Hammarskjölds väg 52A, SE-752 37 Uppsala, Sweden or by e-mail at: contact@qlinea.com.

Board of Directors

Duties of the Board of Directors

The Board is ultimately accountable for the company's organisation and management of the company's operations, which should be carried out in the best interests of the company and all of its shareholders. The Board's main duties include the management of strategic issues related to the business, financing, establishments, growth, results and financial position, and continuously assessing the company's financial situation. The Board is also to ensure that effective systems are in place for monitoring and controlling the company's operations and that the information disclosed by the company is characterised by openness, and is accurate, relevant and reliable.

Composition of the Board

According to Q-linea's Articles of Association, the Board is to consist of not less than three and not more than ten directors, with no deputy directors. The directors are normally elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting, but additional

directors may also be elected during the year at an extraordinary general meeting. The Board considers Marianne Hansson, Hans Johansson and Per-Olof Wallström to be independent from the company, its management and major shareholders.

Board Chairperson

The Chairperson of the Board is responsible for leading the Board's work and for ensuring that it is carried out efficiently and that the Board fulfils its obligations and commitments. Through contact with the President, the Chairperson shall receive regular updates of the information required to follow the company's position, financial planning and development. In addition, the Chairperson is to consult with the President in regard to strategic issues and ensure that the Board's decisions are implemented effectively. The Chairperson is responsible for contact with the shareholders in regard to ownership matters and for conveying the views of the shareholders to the Board.

The Annual General Meeting elects the Chairperson of the Board.

Board procedures

The Board follows written rules of procedure that are revised annually and adopted by the statutory Board meeting after the Annual General Meeting. The rules of procedure regulate the Board's procedures and duties, the company's decision-making process, the Board's meeting procedure, the Chairperson's duties and the division of duties between the Board and the President. The instructions for financial reporting and for the President are also adopted at the statutory Board meeting.

Board committees

Audit Committee

The Board's Audit Committee is to consist of at least three members, of whom one is the Chairperson. The committee's work is conducted in accordance with instructions adopted by the Board. The Audit Committee is primarily responsible for monitoring the company's financial position, the effectiveness of the company's internal control, the internal audit function and risk management, remaining informed about the audit of the annual report, and reviewing and monitoring the objectivity and independence of the auditor. The Audit Committee is also to present recommendations to the Nomination Committee regarding the election and remuneration of the company's auditor, and keep in touch with the company's auditor on a continuing basis. All meetings of the Audit Committee are to be recorded in minutes, which are presented to the Board together with a verbal debriefing to support the Board's decision-making processes. The Audit Committee comprises Erika Kjellberg Eriksson (Chairperson), Marianne Hansson and Per-Olof Wallström.

Remuneration Committee

The Board's Remuneration Committee is to consist of at least two members, of whom one is the Chairperson. The committee's

work is conducted in accordance with the rules of procedure adopted by the Board. The Remuneration Committee is primarily responsible for preparing matters related to remuneration and other terms of employment for the President and other senior executives. The Remuneration Committee is also to monitor and evaluate variable pay plans for company management (both ongoing and those completed during the year), and monitor and evaluate the application of the remuneration guidelines for senior executives approved by the Annual General Meeting. All meetings of the Remuneration Committee are to be recorded in minutes, which are presented to the Board together with a verbal debriefing to support the Board's decision-making processes. The Remuneration Committee comprises Erika Kjellberg Eriksson (Chairperson) and Marianne Hansson.

Remuneration of the Board of Directors

The remuneration of the directors elected by the Annual General Meeting is determined by the Annual General Meeting. The Annual General Meeting on 20 June 2018 resolved that an annual fee of SEK 300,000 should be paid to the Board's Chairperson, and SEK 150,000 to each of the other directors. However, Board fees are only payable to Board members who are not employees of the Nexttobe Group. For the 2017 financial year, no Board fee or any other remuneration was paid to directors. For the 2018 financial year, remuneration was paid according to the table in Note 9 and Note 25.

Work of the Board in 2018

In 2018, the Board of Directors held 21 meetings at which minutes were taken. The participation of individual directors at these meetings is shown in the table below. All meetings held during the year followed an approved agenda, which was

provided to the directors before the Board meetings together with documentation for each agenda item. Scheduled Board meetings normally last for half a day in order to provide time for presentations and discussion. A designated lawyer served as the secretary at the majority of the Board meetings. The President and CFO participate in Board meetings. Matters including the current business situation, earnings and financial position, and the outlook for the rest of the year are reviewed at each scheduled Board meeting. Members of the company's management team may be co-opted to the Board and may perform a review of a current strategic matter. Reports on the work of the committees are also typically addressed at each Board meeting via the chairperson of each committee.

During the year, the Board's work largely focused on:

- Development of the project portfolio.
- Strategy and analysis of the operating environment.
- Financial performance, optimisation of the company's capital structure.
- The listing process.
- Financial reporting and internal control.
- Collaborations and partnerships.

Evaluation of Board work

The Board continuously evaluates its work, in accordance with the rules of procedure for the Board, through open discussions within the Board and through an annual Board evaluation. Since the company was listed at the end of the fourth quarter of 2018, the Nomination Committee has not been presented with the results of an annual evaluation for 2018. Instead, the Nomination Committee has held individual meetings with the directors in order to ask questions concerning the work of the Board.

Work of the Board

Name	Position	Member since	Independent in relation to		Attendance (total number of meetings)		
			The company and management	Major shareholders	Board meetings	Audit Committee	Remuneration Committee
Erika Kjellberg Eriksson	Chairperson	Director since 2012, Chairperson since 2018	Yes	No	21(21)	3(3)	3(3)
Jon Heimer	Director	Director since 2012, chairperson 2013–2018	Yes	No	19(21)		
Ulf Landegren	Director	Director since 2012	Yes	No	20(21)		
Mats Nilsson	Director	Director since 2008, Chairperson 2008–2013	No	Yes	20(21)		
Marcus Storch	Director	Director since 2018	Yes	Yes	14(15)		
Marianne Hansson	Director	Director since 2018	Yes	Yes	14(15)	3(3)	3(3)
Per Olof Wallström	Director	Director since 2018	Yes	Yes	15(15)	3(3)	
Hans Johansson ¹⁾	Director	Director since 2018	Yes	Yes	12(12)		
Nigel Darby ¹⁾	Director	Director since 2018	Yes	Yes	1(1)		
Total					21	3	3

1) Nigel Darby was elected at the Annual General Meeting which was held on June 20, 2018 as a member of the Board of Directors. Shortly thereafter he notified his own resignation due to competitive engagement. In August, an extraordinary general meeting was held where Hans Johansson was elected as a new board member.

President and other senior executives

Duties of the President and other members of company management

The President is appointed by the Board and is responsible for the company's day-to-day management in accordance with the Board's guidelines and instructions. The President is responsible for keeping the Board informed about the company's performance and reporting significant deviations from established business plans and about events with a major impact on the company's performance and operations, and for providing the Board with relevant decision support in regard to, for example, establishments, investments and other strategic issues. Company management, headed by the company's President Jonas Jarvius, consists of people in charge of Q-linea's key business areas.

Remuneration of the President and senior executives

The remuneration paid to senior executives is composed of basic salary, variable pay, share-based remuneration, pension provisions and other benefits. The remuneration paid to the President and senior executives for the 2018 financial year is specified in the table below. All amounts are in SEK thousand.

Remuneration of the President and senior executives

SEK thousand	President Jonas Jarvius	Other senior executives	Total
Fixed salary	1,398	5,105	6,503
Variable pay	345	1,392	1,737
Benefits	—	—	—
Other remuneration	10	39	49
Share-based remuneration	—	299	299
Total	1,753	6,835	8,289
Pension	313	885	1,197
Total	2,066	7,719	9,785

The level of remuneration to the President and senior executives is expected to increase for the 2019 financial year, due to new hires made in 2018 as well as a review of applicable wage levels that is in progress.

Remuneration guidelines for senior executives

Under the Swedish Companies Act, the Annual General Meeting is to resolve on remuneration guidelines for the President and other senior executives. The Annual General Meeting on 20 June 2018 adopted guidelines with essentially the following content. The company is to offer its management competitive levels of compensation to ensure that senior executives can be recruited and retained. The compensation package paid to company management is to be composed of base salary, customary employment benefits and pension. Variable pay may also be offered.

The base salary is to account for the individual's areas of

responsibility and experience, and be reviewed annually. The division between base salary and any variable pay is to be proportionate to the executive's responsibilities and authorities. The variable pay is always to be limited to a maximum amount in advance, linked to predetermined and measurable criteria and designed to achieve greater alignment between the interests of the executive and the company's shareholders.

In employee share and share-price incentive programmes, the vesting period or, alternatively, the period from when the agreement is concluded until a share may be acquired, should not be less than three years. The terms for any variable pay should be designed so that the Board, in the event of particularly difficult financial conditions, is able to limit or refrain from making a variable payment should such payment be deemed unreasonable and inconsistent with the company's responsibilities in general towards its shareholders. In regard to any annual bonuses, it should be possible to limit or refrain from making a variable payment, should the Board consider this warranted for other reasons.

Pension terms are to be competitive with those paid to executives in similar organisations, and be based on defined-contribution solutions.

Fixed salary during a notice period and any severance pay, in total, may not exceed an amount equivalent to the base salary for one year.

Executives who hold a position on the company's Board are not to be paid separate Board fees. The Board may deviate from these guidelines in individual cases should there be special reasons for doing so.

Share-based remuneration programmes

Employee share option programme

The 2011 Annual General Meeting resolved to introduce a performance-based employee share option programme. This programme encompasses senior executives and other key individuals at the company. There is also a programme for 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 a total of 7,750 employee share options (allotted free of charge to programme participants) were outstanding on 31 December 2018. 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 could originally be exercised to subscribe for shares up to an including 31 December 2016. However, the conditions of the employee share options were changed in 2016 with the term being extended up to and including 31 December 2019. In connection with this, the term of the underlying warrants was also extended.

The 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 maximum dilutive effect for exercise of the employee share options is approximately 0.65 percent. The dilutive effect has been calculated by dividing the highest number shares which may be issued under the employee share options by the total number of shares that the company will have if the offering is fully subscribed and the highest number of shares which may be issued under the employee share options. The calculation did not take the performance share-based programme into account.

The company's senior executives who are participants of the programme are Mats Gullberg, Nils Kristensen, Charlotta Göransson and Jonas Melin.

Performance share-based incentive programme

An extraordinary general meeting on 12 November 2018 resolved that a long-term incentive programme (LTIP 2018) in the form of a performance share-based programme would be implemented in conjunction with the listing on Nasdaq Stockholm. The extraordinary general meeting resolved to adopt new Articles of Association under which class C shares may be issued. Furthermore, the company's Board was authorised by the extraordinary general meeting to issue 211,048 class C shares at a quotient value to Carnegie Investment Bank and to decide to repurchase class C shares through an acquisition offer. The extraordinary general meeting also resolved on the transfer of shares acquired in the aforementioned acquisition offer. These shares may, after reclassification to ordinary shares, be transferred to participants in LTIP 2018 or over Nasdaq Stockholm at a price within the share price range registered at any time, to cover any social security contributions in accordance with the terms of LTIP 2018. These resolutions aim to ensure delivery of performance shares within the framework of the incentive programme.

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. 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 aim of the incentive programme is to closely align the interests of the key individuals and shareholders, recruit and

retain competent employees and create greater motivation to achieve or surpass the company's strategic and operational objectives. Participation in the performance share-based programme enables employees to receive performance shares, provided that a number of targets set by the Board are achieved.

A total of up to 16 key individuals in the company, including the President and management team, may be offered an opportunity to participate in the incentive programme. The participants are divided into three categories depending on their position.

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

Maximum allotment of performance shares

Category	Maximum no. of participants	Maximum no. of performance shares per participant	Maximum no. of performance shares per category
President	1	30,250	30,250
Management team	7	12,620	88,340
Other key employees	8	5,250	42,000
Total	16	—	160,590

The performance share-based programme comprises a total of no more than 211,048 shares. If all 211,048 shares are allotted, the dilution will amount to no more than 0.91 percent. The dilutive effect has been calculated by dividing the highest number of shares included in the performance share-based programme by the total number of shares that the company has at the end of the year and the highest number of shares included in the performance share-based programme. The calculation did not take the employee share option programme into account.

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

The costs for the performance share-based programme are recognised in accordance with IFRS 2. In accordance with IFRS 2 and UFR7, only the shares that are earned and thus allotted will be expensed. If the performance conditions are not met, and performance shares are thus not allotted, no costs will be incurred over the performance period as a whole.

This incentive programme had not been implemented at the end of the financial year on 31 December 2018.

In February 2019, after the end of the financial year, the Board decided to issue 211,048 class C shares to Carnegie Investment Bank based on the authorisation decided on by the extraordinary general meeting on 12 November 2018. The shares were repurchased from Carnegie Investment Bank by Q-linea and reclassified as ordinary shares. Both the share issue and the buy-back were carried out at the share's quotient value. The rights to receive performance shares were distributed free of

charge in March 2019. The table below shows the actual number of performance shares issued per participant category as of the publication date of this annual report.

Actual number of performance shares issued

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

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

Audit and control

External auditor

The Nomination Committee's duties include proposing an auditor to the Annual General Meeting. Öhrlings PricewaterhouseCoopers AB (PwC) was appointed as the company's external auditor until the 2019 Annual General Meeting. Authorised Public Accountant Leonard Daun is Auditor in Charge of the Q-linea audit. The company's auditor is appointed by the Annual General Meeting. The auditor's duties are to review a company's annual financial statements and accounts as well as the management of the Board and the President. This normally takes place at least twice per year, since at least one interim report, in addition to the annual report, must be reviewed by the auditor.

Remuneration of the auditor

The Annual General Meeting resolves on remuneration of the auditor, based on the Nomination Committee's recommendation. The Annual General Meeting on 20 June 2018 resolved that audit fees are to be approved and paid on an ongoing basis. Fees paid in 2018 and 2017 are shown in the table below.

Audit fees

	2018	2017
PwC, Öhrlings PricewaterhouseCoopers AB		
Audit assignment	502	137
Audits other than audit assignment	248	—
Tax advisory services	106	27
Other advisory services	4,443	26
Total	5,299	190

The amount under "Other advisory services" includes fees of SEK 1,620 thousand for other audit activities. All of the fees above pertain to remuneration to the audit firm Öhrlings PricewaterhouseCoopers AB and no portion pertains to its network. No remuneration was paid for valuation services.

Internal audit and control

The overall purpose of internal control is to obtain reasonable assurance that the company's operational strategies and objectives are followed up and that shareholders' investments are protected. Internal control should also determine, with reasonable assurance, that the external financial reporting is reliable and prepared in accordance with generally accepted accounting practices, in compliance with applicable laws and regulations, and in compliance with the rules applicable to listed companies. The Board is ultimately responsible for internal control.

The Swedish Companies Act and Annual Accounts Act require Q-linea to provide information about the key elements of its internal control system and risk management in the company's Corporate Governance Report.

In order to maintain good internal control, the Board has prepared several governing documents, including rules of procedure for the Board, instructions for the President, instructions for financial reporting, a financial policy and a communication policy.

The Board evaluates the need to establish a separate internal audit function on an annual basis. Since Q-linea was listed in the fourth quarter of 2018, the Board decided not to introduce an internal audit function for the 2018 financial year.

The Board has established an Audit Committee that is primarily responsible for monitoring and quality-assuring the company's financial statements, keeping in touch with the company's external auditor on a continuous basis, monitoring the effectiveness of the company's internal control over financial reporting, and reviewing and monitoring the objectivity and independence of the auditor. Within the Board, the Audit Committee is also responsible for monitoring and managing risks that could have a material adverse effect on the company's business.

The ongoing responsibility for internal control and risk management has been delegated to the company's President who is to report back the Board on a regular basis in accordance with the prescribed instructions.

Internal control and risk management are continuously monitored and evaluated through internal and external controls and evaluations of the company's governing documents.

In addition to the internal control system described above, there is also an internal activity-specific control of R&D-related data, and quality management comprising systematic monitoring and evaluation of the company's development and manufacturing processes and products.

Directors

The Board of Directors consists of eight ordinary members: Erika Kjellberg Eriksson (Chairperson), Jon Heimer, Ulf Landegren, Mats Nilsson, Marianne Hansson, Marcus Storch, Per-Olof Wallström and Hans Johansson. The assignment for all directors applies for the period up until the end of the next Annual General Meeting (AGM), which will be held on 22 May 2019. However, any director may withdraw from their assignment before then. A description of the directors, their position, the year in which they were initially elected and whether they are considered independent from the company and its management, and from major shareholders, is presented in the table on page 36.

1. Erika Kjellberg Eriksson

Chairperson

Erika Kjellberg Eriksson has held board assignments and senior positions in pharmaceutical, biotech and med tech companies for more than 20 years. She has long experience from working in both listed and unlisted companies and extensive board experience.

Born: 1962

Education: MSc in Economics, Uppsala University (1985).

Other ongoing assignments: Erika Kjellberg Eriksson is President of Nexttobe AB, Chairperson of Linum AB, Bioimics AB, Moleculink AB, EQUiDx AB, Lumina Adhesives AB, AllgoTech AB, Capilet Genetics AB, Lokon Pharma AB and Allgotech Production AB, director of Sweden Carnica Group AB, Delta Projects AB, Nexttobe AB, Vivolux AB, Bluefish Pharmaceuticals AB (publ) and Tanea Medical AB, and deputy director of Bluefish Pharma AB and Bluefish Pharma Incentive AB.

Holdings in the company: Erika Kjellberg Eriksson owns 32,000 shares in the company.

2. Jon Heimer

Director

Jon Heimer is an entrepreneur with a background in economics and marketing. He has 25 years of experience in the development and commercialisation of medical devices, pharmaceuticals and biotech products. He has held senior positions in both Swedish and international biotech companies and several board assignments in the biotech industry, and has a certification in board work from StyrelseAkademien.

Born: 1967

Education: Market Economist DIHM, IHM Business School (2000); Marketing, Eductus (1995); Pharmaceutical Consultant, Läke-medelsindustriföreningen (LIF) and Representantföreningen för Utländska Farmaceutiska Industrier (RUF) (1993); and Business Administration, Uppsala University (1993).

Other ongoing assignments: Jon Heimer is President of Olink Proteomics Holding AB and Olink Proteomics Inc.

Holdings in the company: Jon Heimer owns 106,680 shares in the company.

3. Ulf Landegren

Director

Ulf Landegren is a professor of molecular medicine at Uppsala University and one of the founders of Moleculink AB, from which Q-linea was spun off. He is also a member of the Royal Swedish Academy of Sciences and the European Molecular Biology Organization.

Born: 1952

Education: Associate professor of molecular biology (1996); postdoc at California Institute of Technology (1989); PhD in cellular immunology, Uppsala University (1984); medical degree, Uppsala University (1979).

Other ongoing assignments: Ulf Landegren is a professor of molecular medicine at Uppsala University. He also serves as a director of Moleculink AB, Landegren Gene Technology AB and the Swedish Foundation for Strategic Environmental Research (Mistra), and deputy head of the Department of Immunology, Genetics and Pathology at Uppsala University.

Holdings in the company: Ulf Landegren owns 24,920 shares in the company. He owns an additional 192,800 shares in the company through his wholly owned company Landegren Gene Technology AB.

4. Mats Nilsson

Director

Mats Nilsson is a professor of molecular diagnostics and has founded several companies in the biotech industry. He is one of the founders of Q-linea. He has extensive board experience and currently serves on the board of Elos MedTech AB, which is listed on Nasdaq Stockholm.

Born: 1969

Education: Associate professor of molecular medicine, Uppsala University (2003); PhD in medical genetics, Uppsala University (1998); MSc in biology, Uppsala University (1998).

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Other ongoing assignments: Mats Nilsson is scientific director and professor of biochemistry at the Science for Life Laboratory at Stockholm University. He also serves at Chairperson of ApiRays AB and director of EMPE Diagnostics AB and CartaNA AB, Elos MedTech AB and Biocyclica Holding AB.

Holdings in the company: Mats Nilsson owns 444,000 shares in the company. He owns an additional 53,320 shares in the company through the related company Biocyclica Holding AB.

5. Marcus Storch

Director

Marcus Storch has extensive board experience. He also has leadership experience, including senior positions such as President of AGA AB. He also founded the Tobias Foundation.

Born: 1942

Education: MSc in electrical engineering, KTH Royal Institute of Technology (1967); honorary doctor at Karolinska Institute (1996).

Other ongoing assignments: Marcus Storch is Chairperson of Kebris AB and a director of Investment AB Öresund and Storch & Storch AB. Member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences.

Holdings in the company: Marcus Storch does not own any shares in the company.

6. Per-Olof Wallström

Director

Per-Olof Wallström has 46 years' experience in the pharmaceutical and biotech industry and has held senior positions in the Nordic region and Europe at companies including Merck AB, Astra AB, Pharmacia AB and Bristol-Myers Squibb AB. He has also served as CEO of Karo Bio AB, Melacure Therapeutics AB and Q-Med AB.

Born: 1949

Education: MSc Pharm, Uppsala University (1972).

Other ongoing assignments: Per-Olof Wallström is Chairperson of Camurus AB and Camurus Development AB and a director of Arosia Communication AB.

Holdings in the company: Per-Olof Wallström owns 5,147 shares in the company.

7. Marianne Hansson

Director

Marianne Hansson has 20 years' experience in life sciences. She most recently served as CEO of Atlas Antibodies AB and prior to that as Business Development Manager at Affibody Medical AB. She is a co-founder of Affibody AB, Atlas Antibodies AB, ScandiBio Therapeutics AB, ScandiEdge Therapeutics AB and Amylonix AB.

Born: 1963

Education: Doctor of technology in biochemistry, Royal Institute of Technology (1998); MSc in chemical engineering, Royal Institute of Technology (1989).

Other ongoing assignments: Marianne Hansson is a director of Intervacc AB (publ) and Mariham Consulting AB, President of Mariham Consulting AB and external President of ScandiBio Therapeutics AB, ScandiEdge Therapeutics AB and Amylonix AB.

Holdings in the company: Marianne Hansson owns an additional 3,080 shares in the company through her wholly owned company Mariham Consulting AB.

8. Hans Johansson

Director

Hans Johansson has extensive experience and a broad contact network from his previous roles in the life sciences and diagnostics industry, most recently as Vice President Companion Diagnostics at Thermo Fisher's Speciality Diagnostics Group. His previous positions include Vice President Global Marketing and Business Development at Thermo Fisher's Immuno Diagnostics Division and Head of Laboratories at Pharmacia Biotechnology AB.

Born: 1954

Education: MSc in chemical engineering.

Other ongoing assignments: Hans Johansson is Chairperson of Myrtilla AB and Doloradix AB, a director of Uppsala Innovation Centre AB and Immunovia AB (publ) and a deputy director of Duvbo Projektkonsult AB.

Holdings in the company: Hans Johansson owns 5,882 shares in the company.

Senior executives

The company's management team comprises seven individuals. Jonas Jarvius is Chief Executive Officer (CEO). Other senior executives in the company are Mats Gullberg (Vice President and Research Director), Nils Kristensen (Chief Operating Officer, COO), Anders Lundin (Chief Financial Officer, CFO, Investor Relations), Charlotta Göransson (Marketing Director), Jonas Melin (Director Product Development) and Karl Sköld (Director Contract Development).

1. Jonas Jarvius

CEO since 2008

Jonas Jarvius has extensive R&D experience in the field of molecular medicine and molecular biological detection. He has co-founded several companies and is one of the founders of Q-linea. For many years, he has held senior positions in various biotech companies and in these roles, has successfully managed projects related to molecular detection for safety applications and the manufacture and development of medical devices. He also has experience in ISO 13485 certification, a quality management standard for medical devices. In addition, he has been involved in several biotech start-ups that have evolved into large organisations.

Born: 1971

Education: PhD in molecular medicine, Uppsala University (2006); MSc in medical science, Uppsala University (1999).

Other ongoing assignments: Jonas Jarvius is chairperson of Umbrella Science AB and a director of QuiaPEG Pharmaceuticals Holding AB (publ).

Holdings in the company: Jonas Jarvius owns 362,152 shares and 32 250 performance share rights in the company. He owns an additional 14,705 shares in the company through his wholly owned company Umbrella Science AB.

2. Mats Gullberg

Employed by the company since 2013, Vice President since 2016 and Research Director since 2017

Mats Gullberg has extensive experience in product development and commercialisation and works with intellectual property issues in biotech companies. He has previously worked with methods of microbiology and molecular biology at Uppsala University. He has vast experience in R&D projects and in running projects to identify potential future products. Over the past ten years, he has been responsible for patent and intellectual property issues, previously at the Olink AB biotech company and since 2013 at Q-linea. As of 2017, he is also responsible for the company's research department.

Born: 1971

Education: PhD in medical sciences, Uppsala University (2003); MSc in pharmaceutical bioscience (microbiology), Uppsala University (1995).

Other ongoing assignments: Mats Gullberg is a director of EMPE Diagnostics AB.

Holdings in the company: Mats Gullberg owns 2,941 shares and 12 620 performance share rights and holds 350 employee share options in the company. These options carry entitlement to acquire 7,000 shares in the company.

3. Nils Kristensen

COO since 2017

Nils Kristensen has extensive experience in R&D and the commercialisation of products in the life sciences and telecom industries. He has vast experience in project management and has been running R&D projects for over 20 years. His main focus area has been manufacturing projects, in which he has worked with optimisation, lean management and quality management systems.

Born: 1963

Education: MSc in engineering physics, Uppsala University (1998); licentiate of engineering in materials science, Uppsala University (1991).

Other ongoing assignments: Nils Kristensen is a director and President of Kristensen Consulting AB.

Holdings in the company: Nils Kristensen owns 441 shares and 12 620 performance share rights and holds 505 employee share options in the company. These options carry entitlement to acquire 10,100 shares in the company.

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4. Anders Lundin

CFO and Investor Relations since 2018

Anders Lundin has more than 20 years' experience in financial work and leadership in international organisations operating in the medical technology and pharmaceutical industries. He has previously served as the CFO of a company listed on Nasdaq Stockholm and was also responsible for a listing on the Nasdaq Stock Market in the US and the associated raising of new equity capital.

Born: 1964

Education: MSc in economics, Uppsala University (1992).

Other ongoing assignments: Anders Lundin is a founder and director of CFO Akuten AB.

Holdings in the company: Anders Lundin owns 12 620 performance share rights in the company. Through his wholly owned company CFO Akuten AB he holds 14,705 shares in the company.

5. Charlotta Göransson

Employed by the company since 2016, Marketing Director since 2017

Charlotta Göransson is a former researcher and has worked in sales and marketing in the biotech industry since 2003. She has experience in international sales as well as project management.

Born: 1972

Education: PhD in molecular medicine, Uppsala University (2001); MSc in molecular biology, Uppsala University (1998).

Other ongoing assignments: Charlotta Göransson has no other current assignments.

Holdings in the company: Charlotta Göransson owns 441 shares and 12 620 performance share rights and holds 350 employee share options in the company. These options carry entitlement to acquire 7,000 shares in the company.

6. Jonas Melin

Director Product Development since 2017

Jonas Melin has extensive R&D experience and a deep understanding of technical and regulatory issues. He has experience in project management and has successfully led projects from development to regulatory approval. His previous positions include Project Manager for Meritas D-Dimer test, Troponin test and BNP test and Head of Technical Development of Meritas troponin I.

Born: 1976

Education: PhD in engineering science, Uppsala University (2006); MSc in technical biology, Linköping University (2002).

Other ongoing assignments: Jonas Melin is a director of Melin Science AB.

Holdings in the company: Jonas Melin owns 441 shares and 12 620 performance share rights and holds 350 employee share options in the company. These options carry entitlement to acquire 7,000 shares in the company.

7. Karl Sköld

Director Contract Development since 2018

Karl Sköld has a background as a researcher in molecular biology and pharmaceutical life sciences at Uppsala University. From 2007 to 2016, he was active as the founder, director and Research Director of Denator AB, a company that develops and sells systems heat stabilisation of clinical samples. He is also a co-founder of Maurten AB, a company that develops energy and nutritional products for athletes and the healthcare industry. In 2017, he became President of Umbrella Science AB, whose operations were acquired by Q-linea in the summer of 2018.

Born: 1974

Education: PhD in pharmaceutical bioscience, Uppsala University (2006).

Other ongoing assignments: Karl Sköld is a director of Hardcover AB and a deputy director of Laminaria Group AB and Maurten AB.

Holdings in the company: Karl Sköld owns 12 620 performance share rights in the Company. Through his wholly owned company Hardcover AB he holds 1,029 shares in the Company.

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Income statement

Amounts in SEK thousand	Note	2018	2017
Operating income			
Net sales	5	1,066	1,500
Other operating income	6	33	585
Total operating income		1,098	2,085
Operating expenses			
Raw materials and consumables	25	-21,054	-10,610
Other external costs	7, 8	-54,851	-27,857
Personnel costs	9	-49,417	-29,764
Depreciation/amortisation of tangible and intangible assets	11, 12	-3,037	-1,720
Other operating expenses	6	-105	-3
Total operating expenses		-128,464	-69,955
Operating result		-127,366	-67,869
Other interest income and similar profit items		14	14
Interest expenses and similar loss items	25	-1,002	-24
Result from financial items		-988	-10
Result before tax		-128,353	-67,879
Tax on result for the year	10	—	—
Result for the year		-128,353	-67,879

Statement of comprehensive income

Amounts in SEK thousand	Note	2018	2017
Result for the year		-128,353	-67,879
Other comprehensive income, net after tax		—	—
Total comprehensive income		-128,353	-67,879
Earnings per share before and after dilution, SEK ¹⁾	20	-8.82	-6.50
Average number of shares ¹⁾		14,559,462	10,442,188

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

Balance sheet

Amounts in SEK thousand	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets			
Licences	11	488	1,274
Technology and customer relationships	11, 26	752	—
Goodwill	11, 26	7,061	—
Total intangible assets		8,302	1,274
Tangible assets			
Equipment, tools, fixtures and fittings	12, 26	8,562	2,812
Total tangible assets		8,562	2,812
Financial assets			
Other securities held as non-current assets	13	2,997	2,997
Other long-term receivables	14	50	—
Total financial assets		3,047	2,997
Total non-current assets		19,911	7,083
Current assets			
Current receivables			
Accounts receivable		—	793
Other receivables	15	13,050	2,375
Prepaid expenses and accrued income	16	1,669	1,558
Total current receivables		14,719	4,725
Short-term investments			
Other short-term investments	17	150,000	—
Total short-term investments		150,000	—
Cash and bank balances	18	354,438	6,588
Total current assets		519,156	11,314
TOTAL ASSETS		539,068	18,397

Amounts in SEK thousand	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	19	1,145	575
Total restricted equity		1,145	575
Unrestricted equity			
Share premium reserve		695,528	57,880
Retained earnings		-54,862	10,936
Result for the year		-128,353	-67,879
Total unrestricted equity		512,313	936
Total equity		513,458	1,511
Liabilities			
Long-term liabilities			
Loans from credit institutions	21, 26	709	—
Total long-term liabilities		709	—
Current liabilities			
Loans from credit institutions	21, 26	420	—
Accounts payable		9,824	7,242
Current tax liabilities		564	234
Liabilities to Group companies	25	—	3,000
Other liabilities	22	4,685	1,150
Accrued expenses and deferred income	23	9,407	5,260
Total current liabilities		24,900	16,886
TOTAL LIABILITIES AND EQUITY		539,068	18,397

Changes in equity

Amounts in SEK thousand	Note	Restricted equity	Unrestricted equity			Total equity
		Share capital	Share premium reserve	Retained earnings	Result for the year	
Equity at 1 January 2017		493	155,757	-87,705	-60,091	8,455
Comprehensive income						
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
Transactions with shareholders						
New share issue		82	49,918			50,000
Shareholder contribution received				10,000		10,000
Option programme	9			936		936
Total transactions with shareholders		82	49,918	10,936	—	60,936
Equity at 31 December 2017		575	57,880	10,936	-67,879	1,511

Amounts in SEK thousand	Note	Share capital	Share premium reserve	Retained earnings	Result for the year	Total equity
Equity at 31 December 2018		575	57,880	10,936	-67,879	1,511
Comprehensive income						
Result for the year					-128,353	-128,353
Appropriation of profits in accordance with AGM decision						
- Carried forward to unrestricted equity				-67,879	67,879	0
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	9			1,260		1,260
Total transactions with shareholders		570	637,648	2,082	—	640,300
Equity at 31 December 2018		1,145	695,528	-54,862	-128,353	513,458

Cash flow statement

Amounts in SEK thousand	Note	2018	2017
Cash flow from operating activities			
Operating result		-127,366	-67,869
Adjustments for non-cash items			
- Depreciation reversal		3,037	1,720
- Employee option programme	9	1,260	936
- Licensing revenue paid through shares		-1,000	-1,497
Interest received		14	14
Interest paid		-180	-24
Tax paid		-628	-479
Cash flow from operating activities before changes in working capital		-124,863	-67,199
Changes in working capital			
Increase/decrease in accounts receivable		165	—
Increase/decrease in accounts payable		793	280
Increase/decrease in other current receivables		-10,786	-404
Increase/decrease in other current liabilities		9,397	1,352
Increase/decrease in accounts payable		2,582	3,107
Total changes in working capital		2,150	4,334
Cash flow from operating activities		-122,712	-62,865
Cash flow from investing activities			
Investments in tangible assets		-1,398	-938
Acquisition of business	26	-12,800	—
Short-term investments	17	-238,014	-33,000
Divestment of short-term investments	17	88,014	33,000
Investments in financial assets		-50	—
Sales of financial assets		—	138
Cash flow from investing activities		-164,248	-800
Cash flow from financing activities			
New share issue		691,512	50,000
Issue costs		-53,294	—
Shareholder contribution received		—	10,000
Loans raised	21, 26	12,800	3,000
Repayment of loans	21, 26	-16,209	—
Cash flow from financing activities		634,810	63,000
Cash flow for the period		347,849	-665
Cash and cash equivalents at the beginning of the year		6,588	7,254
Cash and cash equivalents at the end of the year		354,438	6,588

Accounting policies and notes

Note 1 General information

Q-linea AB (publ) has been listed on Nasdaq Stockholm since 7 December 2018. The company is an innovative research, development and manufacturing company focusing on the development of instruments and consumables for rapid and reliable infection diagnostics. Q-linea's vision is to help to save lives by ensuring antibiotics continue to be an effective treatment for future generations. Q-linea develops and delivers solutions for healthcare providers, enabling them to diagnose and treat infectious diseases in the shortest possible time. The company's leading product, AS*Tar*™, is a fully automated instrument for testing antibiotic resistance (AST), which produces a sensitivity profile from a positive blood culture within six hours. For more information, visit www.qlinea.com. The address of the head office is Dag Hammarskjölds väg 52 A, Uppsala, Sweden.

The Board of Directors approved this annual report for publication on 16 April 2019.

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

Note 2 Summary of significant accounting policies

Basis of preparation of financial statements

Q-linea AB has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and International Financial Reporting Standards (IFRS) in accordance with 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 annual report has been prepared according to the cost method.

The company applies the presentation methods specified in the Swedish Annual Accounts Act, which means that equity is presented differently compared with IFRS.

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

Preparing financial statements according to RFR 2 requires the use of some significant accounting estimates. Furthermore, management is required make certain assessments in the application of accounting policies. The areas that involve a high degree of assessments, that are complex, or areas where assumptions and estimates are of major importance for the annual report are described under the heading "Significant estimates and judgements."

Standards, amendments and interpretations of existing standards that took effect in 2018 or later and that may affect, or have already affected, the financial statements

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 16 Leases

Under IFRS 16, which 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 effect on the company's financial statements.

Earnings per share

Earnings per share before dilution are calculated by dividing the result for the year by the weighted average number of shares outstanding during the year.

Earnings per share after dilution are calculated by dividing the result for the year by the total weighted average number of ordinary shares and dilutive potential ordinary shares. The dilutive effect of potential ordinary shares is only recognised if a conversion to ordinary shares

would lead to a reduction of earnings per share after dilution, and since the company recognises losses for the recognised periods, no dilutive effect is recognised.

Translation of foreign currency

Q-linea's functional currency is the Swedish krona (SEK) which is also the reporting currency. This means that the financial statements are presented in SEK.

Transactions in foreign currency are translated to the functional currency at the rates of exchange on the transaction date, or the date on which the items are remeasured. Exchange-rate gains and losses arising from the payment of such transactions and the translation of monetary assets and liabilities in foreign currency at the rates of exchange on the balance sheet date are recognised in profit or loss.

Exchange-rate gains and losses attributable to loans and cash and cash equivalents are recognised in profit or loss under financial items. All other exchange-rate gains and losses are recognised in operating result.

Revenue recognition

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. Revenue is measured at the fair value of the consideration received or receivable, less VAT, discounts and similar deductions.

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.

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.

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.

Interest income is recognised using the effective interest method.

Current and deferred tax

Tax expense for the period comprises current tax calculated on the taxable income for the period at the applicable tax rate. The current tax expense is adjusted with changes in deferred tax assets and tax liabilities attributable to temporary differences and unutilised deficits.

The current tax expense is estimated on the basis of the enacted tax rules on the balance sheet date, or substantively enacted in Sweden. Management regularly evaluates the claims made in the tax return in regard to situations where the applicable tax rules are subject to interpretation. When deemed appropriate, the company makes provisions for amounts that will probably be due to the tax authority.

Deferred tax is recognised on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts. Deferred income tax is calculated by applying tax rates (and laws) that have been approved or announced on the balance sheet date and are expected to apply when the deferred tax asset is realised or when the deferred tax liability is settled.

Current and deferred tax is recognised in profit or loss, except when tax refers to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or equity.

Deferred tax revenue also arises insofar as the tax effect of a tax loss carryforward is recognised as a deferred tax asset. However, a deferred tax asset is recognised only insofar as it is clearly probable that the company, in future, will generate a sufficient taxable surplus against which the deferred tax asset can be deducted. Since it is not yet possible to reliably estimate when Q-linea will generate such a surplus, no deferred tax assets have been recognised.

Leases

All leases are classified as operating leases. Payments made during the leasing period are expensed in profit or loss on a straight-line basis over the leasing period. All of Q-linea's leased assets were classified as operating leases as per 31 December 2018.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash, bank deposits and other short-term investments. Other short-term investments are classified as cash and cash equivalents when they fall due within three months from the acquisition date, can be readily converted into cash at a known amount and are exposed to an insignificant risk of fluctuations in value.

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. Acquisition-related expenses are expensed as they arise.

Tangible assets

Tangible assets are recognised at cost with deductions for accumulated depreciation and any accumulated impairment. The cost includes expenses that can be directly attributed to the acquisition of the asset. Additional expenses are added to the asset's carrying amount or recognised as a separate asset, depending on what is most appropriate, only if it is probable that the future financial benefits associated with the asset will accrue to Q-linea and the asset's cost can be measured reliably. The carrying amount for the replaced portion is eliminated from the balance sheet. All other forms of repairs and maintenance are recognised as costs in profit or loss during the period in which they arise.

Assets are depreciated on a straight-line basis to allocate their cost reduced to the estimated residual value over the estimated useful life. The useful lives are as follows:

Equipment, tools, fixtures and fittings

The residual values and useful lives of the assets are tested at the end of each reporting period and adjusted if necessary. Gains and losses from divestments are established by comparing the sales proceeds with the carrying amount of the asset and are recognised net in profit or loss. Q-linea depreciates assets on a straight-line basis over five to ten years.

Intangible assets

Research and development

Research expenses that aim to obtain new scientific or technological expertise are recognised as costs as they arise. Development expenses, whereby research results or other knowledge is applied to produce new or improved products or processes, are recognised as an asset in the statement of financial position if the product or process is technically and commercially usable and the company has sufficient resources to complete development and thereafter use or sell the intangible asset. Other development expenses are recognised in profit or loss as an expense when they arise.

There was no capitalised expenditure for research and development on the balance sheet date.

Licences

Licences acquired separately are recognised at cost. Licences have a determinable useful life and are recognised at cost less accumulated amortisation and any impairment. Q-linea amortises intangible assets with determinable useful lives on a straight-line basis over the following periods:

- Licenses 7 years

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:

- Goodwill 7 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

Impairment of non-financial assets

Tangible assets and intangible assets that are depreciated/amortised are tested for impairment annually or when there are indications of a decline in value.

Assets that are depreciated/amortised are tested for impairment whenever events or changes in circumstances indicate that the carrying amount is not recoverable. Impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). For previously impaired assets, an assessment is made on each balance sheet date as to whether a reversal should take place.

Financial instruments

Financial assets

Financial assets are recognised and measured at amortised cost using the effective interest method. The carrying amount of these assets is adjusted in the amount of any expected credit losses (refer to the section on impairment below). Interest income from these financial assets is recognised using the effective interest method and is included in financial income. Financial assets measured at amortised cost comprise the items other long-term receivables, accounts receivable, other receivables, short-term investments, and cash and bank balances.

Other securities held as non-current assets are recognised at cost adjusted for any impairment (refer to the section on impairment below for more information).

Short-term investments are recognised at cost. 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.

Financial liabilities

Financial liabilities are recognised and measured at amortised cost using the effective interest method. Borrowing is subsequently recognised net after transaction costs and any differences between the amount received (net after transaction costs) and the repayment amount are recognised in profit or loss distributed over the term of the loan applying the effective interest method. Other financial liabilities comprise loans from credit institutions, liabilities to Group companies, accounts payable and other current liabilities.

For the purpose of the financial statements, an interest rate has been calculated for the interest-free loan from the owners. This interest rate was recognised as a shareholder contribution in equity when the loan was raised. During subsequent periods, the calculated interest expense was charged to profit or loss (financial items).

General policies

Purchases and sales of financial assets and liabilities are recognised on the transaction date, which is the date on which the company pledged to purchase or sell the asset or liability. Financial assets are derecognised from the balance sheet when the right to receive cash flow from the instrument has expired or been transferred and the company has transferred essentially all risks and benefits associated with ownership. Financial liabilities are derecognised from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished.

Financial assets are included in current assets with the exception of items with due dates more than 12 months after the balance sheet date, which are classified as non-current assets. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer payment of the debt for at least 12 months after the end of the reporting period.

The carrying amounts of current financial liabilities and assets are assumed to correspond to their fair value, since these items are current by nature. The carrying amounts of the company's other financial assets and liabilities are expected to correspond to their fair values.

Impairment of financial assets

The company assesses its future expected credit losses associated with assets recognised at amortised cost. The company recognises a loss allowance for such expected credit loss on each reporting date. For accounts receivable, the simplified approach is used to establish a loss allowance. This method entails that expected losses throughout the duration of the receivable are used as the basis of the allowance. The allowance is based on the expected credit loss in an amount corresponding to the present value of the difference between the expected recoverable amount and the contractual amount.

On each balance sheet date, the company assesses whether there is any indication of an impairment requirement in any of the financial assets (other securities held as non-current assets). Impairment takes place if the decline in value is deemed to be permanent. Impairment is recognised in profit or loss.

Employee benefits

Employee benefits in the form of salaries, bonuses, paid holidays, employee share options, etc. as well as pensions are recognised as they are earned. Severance pay is paid when employment is terminated by the company before the normal retirement date or when an employee accepts a voluntary redundancy in exchange for such remuneration. The company recognises severance pay when it is unquestionably obligated either to terminate an individual's employment in accordance with a detailed formal plan without any possibility of cancellation or to pay severance pay as a result of an offer made to encourage voluntary redundancy. Benefits that arise more than 12 months after the balance sheet date are discounted to their present value.

Pension obligations

Q-linea has only post-employment defined-contribution pension plans. For defined-contribution pension plans, Q-linea pays contributions to publicly or privately administered pension insurance plans on a compulsory, contractual or voluntary basis. Q-linea has no other payment obligations once these contributions have been paid. The contributions are recognised as personnel costs when they fall due for payment. Prepaid contributions are recognised as an asset insofar as a cash repayment or a decrease in future payments could accrue to Q-linea.

Past-service costs are recognised directly in profit or loss.

Share-based remuneration

The company has a share-based remuneration programme. The cost for the remuneration recognised in a period depends on the original valuation made on the contract date with the participants of the incentive programmes, the number of months' service required from an employee to gain entitlement to receive options (allocation takes place over this period), the number of options expected to be earned by the participants according to the conditions of the programmes and the continuous revaluation of the taxable benefit for the participants of the programme (as a basis for provisions for social security costs). The estimates that impact the costs in a period and the corresponding increase in equity are primarily all inputs in the valuations of the options. Earned options are settled with shares. The company issues new shares when the options are exercised. Payments received, less any directly associated transaction costs, are credited to share capital and other paid-in equity.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. The recognised cash flow includes only transactions that involve receipts or payments.

In addition to cash, the company classifies cash and cash equivalents as available balances at banks and other credit institutions and short-term liquid investments that are listed on a marketplace and have a term of less than three months from the acquisition date.

Definition of key figures in the multi-year overview in the Board of Directors' Report

Definitions of certain key figures not defined by IFRS and an explanation of each key figure are provided below. The key figures presented below are deemed to be relevant to the type of operations conducted by Q-linea and increase understanding of the company's financial statements.

Performance measures

Definition	Reason for use
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 measure 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 total capital. 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 any short-term investments). Total capital is calculated as equity in the balance sheet plus net debt.	This performance measure is a measure of capital strength and is used to determine the relationship between adjusted liabilities and adjusted equity.
Equity per share before and after dilution	
Equity attributable to the company's shareholders in relation to the number of shares at the end of the year.	This performance measure shows the amount of the company's equity that can be attributed to a share.

Reconciliation of alternative performance measures

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

EBITDA		
	2018	2017
Operating result	-127,366	-67,869
Depreciation, amortisation and impairment	3,037	1,720
EBITDA	-124,329	-66,149
Equity/assets ratio		
	31 Dec 2018	31 Dec 2017
Total assets	539,068	18,397
Equity	513,458	1,511
Equity/assets ratio (%)	95%	8%

For a reconciliation of the alternative performance measure of debt/equity ratio, refer to Note 3 below and the section "Management of capital".

Equity per share

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

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

Note 3 Financial risk management

Q-linea's operations are, like all business activities, exposed to a large number of risks. These risks can be generally divided into risks that directly impact the company's financial situation (financial risks) and risks that only indirectly impact the financial situation (operating risks). The operating risks that Q-linea is exposed to and how they are managed are described in the Board of Directors' Report.

Financial risks can be divided into risks that affect the company's financial instruments and other financial risks that affect other assets and liabilities and equity.

Risk management is undertaken by management following guidelines adopted by the Board for both overall risk management and for special areas, such as currency risk, interest rate risk, credit risk and investment of surplus liquidity. Management identifies, evaluates and hedges financial risks.

Risks comprise two components: :

- The risk of a negative event occurring
- The risk of major consequences if a negative event occurs.

A correct risk assessment and thus a decision on appropriate risk-management measures is based on an accurate appraisal of both of these components. Obviously there are situations in which it is not profitable to actively take measures to prevent a negative event even though there is the risk of such an event occurring, if all of the consequences of this negative event are small. In such cases, the best course of action is probably to accept the risk.

In other cases when the consequences of a negative event may be more extensive, risk management may take the form of attempting to minimise both components by taking appropriate action. Such action could be directed to either of the components depending on the nature of the risk. In certain cases, primarily regarding market risk, an individual company is often unable to exercise any influence over the risk parameters at all. Risk management in these cases is concentrated entirely on reducing the consequences of the negative events.

Credit and liquidity risks are largely governed by events that can be managed by taking active pre-emptive measures. The dominating financial risks for Q-linea are financing and associated liquidity risks as described above. As a result, most financial risk management activities focus on these two risks. This means in practice that company management continuously works to identify and develop various financing opportunities through both lenders and owners.

The primary financial risks to which Q-linea's financial instruments are exposed to varying extents are:

- Market risk, entailing the risk that variables dependent on trends in the financial markets have a negative impact on the value of Q-linea's financial instruments.
- Liquidity and financing risk, entailing the risk that Q-linea will have insufficient cash and cash equivalents to pay a debt when it falls due or that a lack of liquidity will significantly limit Q-linea in its operations.
- Credit risk, entailing the risk that a debtor does not pay its debts to Q-linea.

a) Market risk

Transaction exposure

Q-linea is exposed to a certain level of currency risk since a significant amount of its costs are in foreign currency and the company has SEK as its functional currency and presentation currency. Consequently, the company is exposed to currency risk since fluctuations in exchange rates may impact the operating result.

The tables below show the most commonly occurring currencies in the operations and the theoretical effect on the operating result that would arise if the average exchange rate of each currency were to change by 5 percent.

SEK thousand	Sales	Expenses	Result after tax	Change +/- 5%
2018				
EUR		-2,332	-2,332	+/-117
USD		-2,336	-2,336	+/-117
GBP		-4,762	-4,762	+/-238
DKK		-296	-296	+/-15
AUD		0	0	+/-0
SEK	1,098	-119,726	-118,628	+/-0
Total	1,098	-129,452	-128,353	+/-486

SEK thousand	Sales	Expenses	Result after tax	Change +/- 5%
2017				
EUR	—	-847	-847	+/-42
USD	—	-2,182	-2,182	+/-109
GBP	—	-2,438	-2,438	+/-122
DKK	—	-706	-706	+/-35
AUD	—	-424	-424	+/-21
SEK	2,085	-63,367	-61,281	+/-0
Total	2,085	-69,965	-67,879	+/-330

Interest rate risk attributable to cash flows and fair values

Q-linea had interest-bearing assets amounting to SEK 150,000 thousand at year-end. The theoretical earnings effect that would arise if the company's interest rate were to change by +/- 1 percent amounts to +/- SEK 1,500 thousand annually.

b) Liquidity risk and financing risk

Financing risk entails that risk that Q-linea will not be successful in persuading existing owners or finding new owners who are willing to contribute capital and lenders who are prepared to grant loans to a sufficient extent until such time as the company's own sales have reached a sufficient scope. If financing is not secured to a sufficient extent, there is the risk that the company will not have the prerequisites for being a going concern.

Liquidity risk is the risk that Q-linea lacks cash and cash equivalents for the payment of its undertakings. Liquidity is impacted by such factors as payment terms of customer credit and credit from suppliers.

At 31 December 2018, Q-linea had cash and cash equivalents of SEK 354,438 thousand (6,588). Cash and cash equivalents that will not be used in the daily operations over the coming 12 months have been placed in a fixed-income fund that invests in low-risk interest-bearing securities and other interest-rate instruments, and which amounted to SEK 150,000 thousand (0) at the end of the fourth quarter. The company conducted two new share issues during the first and fourth quarters of 2018. These share issues generated a total of SEK 638,219 thousand (50,000) in cash and cash equivalents. In connection with the issue proceeds generated for the company, a short-term interest-free loan of SEK 12,800 thousand to Nexttobe AB was repaid.

Based on the proceeds generated for the company at the time, the Board's assessment is that the existing working capital, as of 31 December 2018, is sufficient to cover the company's needs over the next 12 months and that the company therefore has the necessary prerequisites to be a going concern.

The table below presents the undiscounted cash flows derived from Q-linea's liabilities in the form of financial instruments, based on the contracted remaining terms on the balance sheet date. The amounts falling due within 12 months correspond to the carrying amounts since the discount effect is insignificant.

Amounts in SEK thousand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2018				
Borrowing	420	378	331	—
Other liabilities	14,509	—	—	—
Total	14,929	378	331	—

At 31 December 2017				
Borrowing	3,000	—	—	—
Other liabilities	11,392	—	—	—
Total	14,392	—	—	—

For amounts falling due within one year after the balance sheet date, the balances correspond to the balance sheet.

c) Credit risk

Credit risk arises in the context of cash and cash equivalents, balances with banks and financial institutions and credit exposure through Q-linea's customers, including receivables outstanding and contracted transactions.

Customer credit risk entails that customers do not meet their undertakings to Q-linea. The company had only a limited number of accounts receivable during the year. Customer credit risk is primarily managed by monitoring customer credit ratings assigned by independent rating agencies. If no independent credit rating is available, a risk assessment of the customer's credit rating is performed taking into account the customers' financial positions, previous experience and other factors. No major concentrations of credit risk are deemed to exist.

Management of capital

The Group's objective concerning the capital structure is to safeguard the company's ability to continue its operations, so that it can maintain an optimal capital structure in order to minimise the cost of capital. Capital is assessed on the basis of the debt/equity ratio. This performance measure is calculated as net debt divided by total capital. 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 any short-term investments). Total capital is calculated as equity in the balance sheet plus net debt. The company's quantitative target for managing capital is for the net debt/equity ratio not to be below 50 percent.

The debt/equity ratio on 31 December was as follows:

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

Financial assets and liabilities are measured at fair value. Q-linea did not have any assets or liabilities measured at fair value at year-end 2018 or 2017. Nor does Q-linea have any financial assets that are recognised at cost but for which disclosures on market value are to be presented in accordance with IFRS 13.97.

Note 4 Significant estimates and judgements

The most significant assumptions about the future, and other significant sources of uncertainty in estimates on the balance sheet date, which entail a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

Research and development expenses

The assets that arise by virtue of research or are in the research phase for internal projects are not recognised as assets in the financial statements. Research expenses or expenses for internal projects in the research phase are expensed when they arise. The assets that arise by virtue of development or are in the development phase for internal projects are recognised as assets under certain conditions.

Every year, or when indications arise, Q-linea assesses whether an internal project in the research phase meets the criteria for progressing to the development phase. None of the ongoing projects met the criteria for being recognised as an asset in the financial statements as per 31 December 2018.

Deferred tax

Deferred tax is calculated on temporary differences between carrying amounts and tax bases of assets and liabilities. Estimates and judgements impact the recognised deferred tax amounts through establishing the carrying amount of various assets and liabilities, and also through forecasts of future taxable profits if future use of deferred tax assets is dependent on such profits.

Deferred tax assets are recognised to the extent that it is probable that future surpluses for tax purposes will be available to offset temporary differences. Q-linea does not recognise any deferred tax in the balance sheet due to the uncertainty of whether it will be possible to utilise losses in the foreseeable future. The accumulated, unrecognised loss carryforwards in the company amounted to SEK 396,601 thousand (215,362) on 31 December 2018.

Employee share options

Personnel received 7,750 (7,645) employee share options in Q-linea AB free of charge from the company. Each employee share option entitles the holder to acquire 20 shares in the company. The employee share options are subject to certain vesting conditions and are expensed in line with these conditions being met. A cost for allotted options of SEK 1,260 thousand (936), including social security contributions, is recognised in the accounts. The estimated fair value of the employee share options was calculated using the Black & Scholes model. The cost is recognised based on vesting, sub-targets achieved and management's best estimate of the number of employees who are entitled and intend to redeem the options on the redemption date. The final cost upon redemption in 2019 depends on several different factors that management cannot control and may differ from the estimated cost.

Note 5 Specification of net sales

Net sales are specified by geographic market as follows:

	2018	2017
Sweden	1,066	1,500
Total net sales by geographic market	1,066	1,500

Net sales are specified by type of income as follows:

	2018	2017
Licensing revenue	1,000	1,500
Prototype development	66	—
Total net sales by type of income	1,066	1,500

Licensing revenue derives from the licensing agreement signed between EMPE Diagnostics AB and Q-linea during 2017.

Income-related contract assets amounted to SEK 0 thousand (0) at year-end. The company recognised the following income-related contract liabilities at year-end:

	2018	2017
Long-term contract liabilities attributable to licensing revenue	—	500
Short-term contract liabilities attributable to licensing revenue	500	1,000
Short-term contract liabilities attributable to prototype development	40	—
Total contract liabilities	540	1,500

In 2018, SEK 1,000 thousand of the short-term contract liabilities attributable to licensing revenue as of 31 December 2017 were recognised as licensing revenue.

The table below shows the performance obligations that have not been fulfilled with respect to licenses and prototype development

	2018	2017
Total amount of the transaction price distributed by licensing and prototype development contracts that had not been fulfilled or were only partially fulfilled at year-end	540	¹⁾

¹⁾ In accordance with the transition rules in IFRS 15, no disclosure has been presented concerning the transaction price distributed according to performance obligations not fulfilled (only partially fulfilled) as of 31 December 2017.

Note 6 Other operating income and other operating expenses

Other operating income

	2018	2017
Government assistance	11	143
Exchange-rate differences	0	266
Other	22	177
Total other operating income	33	585

Other operating expenses

	2018	2017
Exchange-rate differences	105	—
Other	0	3
Total other operating expenses	105	3

Note 7 Operating leases

Future minimum lease payments to be paid for non-cancellable leases:

	31 Dec 2018	31 Dec 2017
Due for payment within one year	3,452	2,759
FDue for payment later than one year but within five years	3,457	4,278
Due for payment later than five years	—	—
Total	6,909	7,036
Expensed lease payments for the period	3,078	2,464
- of which, variable index costs	53	31

Operating leases comprise rent for premises and office equipment. The final lease expires on 30 June 2020, but the tenant can also terminate the lease in advance on 30 June 2019.

Note 8 Audit fees

Audit assignment refers to the auditing of the annual report and accounting records as well as the administration of the Board and the President, other tasks required by the company's auditors, and advisory services and other assistance required as a result of observations arising from such audits or such other tasks. Everything else comes under other assignments.

	2018	2017
PwC, Öhrlings PricewaterhouseCoopers AB		
Audit assignment	502	137
Audits other than audit assignment	248	—
Tax advisory services	106	27
Other advisory services	4,443	26
Total	5,299	190

The amount under "Other advisory services" includes fees of SEK 1,620 thousand for other audit activities. All of the fees above pertain to remuneration to the audit firm Öhrlings PricewaterhouseCoopers AB and no portion pertains to its network. No remuneration was paid for valuation services.

Note 9 Employee benefits and disclosures on employees

Employee benefits

	2018	2017
Salaries and remuneration	32,929	20,874
Social security costs	9,237	4,439
Share options allotted to employees	1,260	936
Pension costs – defined-contribution plans	3,949	2,799
Total	47,374	29,048

Employee benefits

	2018		2017	
	Salaries and other remuneration	Pension costs	Salaries and other remuneration	Pension costs
Directors, President and other senior executives	6,975	1,197	5,519	844
of which, variable pay	1,737	—	—	—
Other employees	25,954	2,751	15,355	1,955
of which, variable pay	2,954	—	—	—
Total	32,929	3,949	20,874	2,799
of which, variable pay	4,691	—	—	—

Average no. of employees

	2018		2017	
	Average no. of employees	Of whom, men	Average no. of employees	Of whom, men
Sweden	47	29	36	18
Total	47	29	36	18

Other senior executives refers the individuals who, together with the President, comprised the management team during the year. From April 2018, the management team comprised five individuals, excluding the President (one woman and four men). In June 2018, another member (man) joined the management team.

From January 2018 until the Annual General Meeting in June 2018, the Board of Directors comprised four directors (one woman and three men). At the Annual General Meeting, four additional directors were elected (one woman and three men) and the Board thereafter comprised a total of eight directors (two women and six men).

Shared-based option programme

The 2011 Annual General Meeting resolved to introduce a performance-based employee share option programme. This programme encompasses senior executives and other key individuals at the company. The purpose of the incentive programme is to create long-term commitment to Q-linea, create the conditions for retaining and recruiting skilled personnel and offering key individuals the attractive opportunity to become a part-owner of the company.

Participants are allotted options that are only vested if certain performance criteria are met. The participants in a programme are determined by the Board and no individuals has a contractual right to participate in the programme or receive any guaranteed benefits.

The programme encompasses a total of 7,778 employee share options, of which 7,750 (7,645) employee share options were outstanding on 31 December 2018 and were allotted free of charge to programme participants. Vesting is based on employment terms and the fulfilment of agreed targets linked to the company's product development. No employee share options could be exercised during the year. A total of -350 (-505) options have expired and the number of options outstanding was corrected by the addition of 455 (0) employee share options.

The employee share options could originally be exercised to subscribe for shares up to an including 31 December 2016. However, the conditions of the employee share options were changed in 2016 with the term being extended up to and including 31 December 2019. In connection with this, the term of the underlying warrants was also extended. The company has issued warrants to ensure the delivery of the shares to the appropriate employees when they exercise the employee share options. The employee share options originally carried entitlement to subscription for one share per employee share option and the exercise price for the employee share options originally amounted to SEK 300 per share. In light of the share split implemented by the company in connection with the 2018 Annual General Meeting, the employee share options and the underlying warrants were subject to recalculation in accordance

with signed employee share option agreements and the conditions of the underlying warrants. This means that each employee share option carries entitlement to subscription for 20 shares for an exercise price of SEK 15 per share (provided that no further recalculation takes place) and that each registered warrant carries entitlement to subscription for 20 shares. The cost recognised for the year amounted to SEK 1,260 thousand (936). The fair value of the options, calculated using the Black & Scholes valuation model, has been estimated at SEK 2,702 thousand (2,288) with the following inputs:

Allotment date:

	31 Dec 2018	31 Dec 2017	31 Dec 2016
Share price on valuation date ¹⁾	SEK 60.50	SEK 30.44	SEK 45.65
Exercise price, outstanding options ¹⁾	SEK 15	SEK 15	SEK 15
Expected volatility ²⁾	0.52	0.52	0.47
Term, options with 3-year vesting period	4 years	4 years	4 years
Risk-free rate, %	– neg 0.42	– neg 0.45	– neg 0.22
Fair value per option, SEK ¹⁾	45.46	16.72	19.30

1) Restated taking into account the registered 1:20 share split in July 2018.
2) Expected volatility was determined by analysing the share price trend for comparable companies.

Number of allotted employee share options

Number	31 Dec 2018	31 Dec 2017	31 Dec 2016
Opening number	7,645	7,185	5,985
allotted during the period	—	965	1,200
exercised during the period	—	—	—
expired during the period	-350	-505	—
Correction	455	—	—
Closing number	7,750	7,645	7,185

All allotted employee share options were outstanding on 31 December 2018. No options could be redeemed during the year. The cost recognised for the year amounted to SEK 2,004 thousand (1,186), including social security contributions. Employee share options are subject to standard recalculation conditions in connection with issues, etc.

Performance share-based programme

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

In February 2019, the Board of Directors decided to issue 211,048 Class C shares to Carnegie Investment Bank. The issue was carried out based on the authorisation decided on by the extraordinary general meeting on 12 November 2018 and was intended to ensure delivery of performance shares within the framework of the incentive programme approved on the same date. 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. The participants in the programme were allotted share rights in March; refer to the section "Performance share-based incentive programme" on pages 38–39.

Note 10 Tax on result for the year

Tax on result for the year

	2018	2017
Current tax for the year	—	—
Deferred tax	—	—
Total tax on result for the year	—	—

The difference between recognised tax expense and the estimated tax expense based on prevailing tax rates was as follows:

	2018	2017
Result before tax	-128,353	-67,879
Income tax calculated according to prevailing tax rate in Sweden (22%)	28,238	14,933
Issue costs not included in result	11,725	—
Non-taxable income	—	—
Non-deductible costs	-90	-22
Loss carryforwards for which no de-ferred tax asset has been recognised	-39,873	-14,911
Tax on result for the year	0	0

As of 31 December 2018, the company accumulated deductions for losses from prior years and from the current financial year of SEK 396,601 thousand (215,362). No deferred tax assets have been recognised in the balance sheet; refer to Note 4.

Note 11 Intangible assets

Licenses

	Licensor	Technology and customer relationships	Goodwill
31 Dec 2018			
Opening cost	5,500	—	—
Additional items through business combinations	—	835	7,605
Purchases	—	—	—
Sales and scrapping	—	—	—
Closing accumulated cost	5,500	835	7,605
Opening amortisation	-4,226	—	—
Sales and scrapping	—	—	—
Amortisation for the year	-786	-83	-543
Closing accumulated amortisation	-5,012	-83	-543
Closing carrying amount	488	752	7,061

31 Dec 2017

Opening cost	5,500	—	—
Additional items through business combinations	—	—	—
Purchases	—	—	—
Sales and scrapping	—	—	—
Closing accumulated cost	5,500	—	—
Opening amortisation	-3,440	—	—
Sales and scrapping	—	—	—
Amortisation for the year	-786	—	—
Closing accumulated amortisation	-4,226	—	—
Closing carrying amount	1,274	—	—

Total research and development expenses that have been expensed amounted to SEK 98,128 thousand (53,655), corresponding to 76 percent (77) of operating expenses.

Note 12 Tangible assets

Equipment, tools, fixtures and fittings

	31 Dec 2018	31 Dec 2017
Opening cost	6,701	5,847
Purchases	2,088	942
Additional items through business combinations	5,977	—
Sales and scrapping	-715	-88
Closing accumulated cost	14,051	6,701
Opening depreciation	-3,889	-3,038
Sales and scrapping	25	84
Depreciation for the year	-1,625	-935
Closing accumulated depreciation	-5,489	-3,889
Closing carrying amount	8,562	2,812

Note 13 Other securities held as non-current assets

Other securities held as non-current assets

	31 Dec 2018	31 Dec 2017
Opening balance	2,997	—
Participations purchased	—	2,997
Closing carrying amount	2,997	2,997

Other securities held as non-current assets pertain to participations in EMPE Diagnostics AB acquired on 22 December 2017. Participations were recognised at cost in the balance sheet, which is deemed to comprise the fair value at year-end.

Note 14 Other long-term receivables

Other long-term receivables

	31 Dec 2018	31 Dec 2017
Opening balance	0	138
Additional receivables	50	—
Outgoing receivables	—	-138
Closing carrying amount	50	0

Additional receivables refer to a paid deposit, and outgoing receivables comprised a rental guarantee that was redeemed in 2017.

Note 15 Other receivables

	31 Dec 2018	31 Dec 2017
VAT receivable	5,789	2,308
Advance payments from suppliers	3,344	—
Receivables from suppliers	3,730	—
Other	187	65
Total other receivables	13,050	2,375

Note 16 Prepaid expenses and accrued income

	31 Dec 2018	31 Dec 2017
Prepaid rent	831	670
Prepaid insurance costs	57	9
Prepaid marketing costs	515	467
Advance payments to suppliers	—	293
Other items	266	119
Total prepaid expenses and accrued income	1,669	1,558

Note 17 Short-term investments

	31 Dec 2018	31 Dec 2017
Fixed-income funds	150,000	—
Total short-term investments in the balance sheet	150,000	—

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 18 Cash and bank balances

	31 Dec 2018	31 Dec 2017
Cash and bank balances	354,438	6,588
Total cash and cash equivalents in the balance sheet	354,438	6,588

Note 19 Share capital trend

	Number of shares, thousand	Share capital, SEK thousand
Closing balance on 31 December 2016	493	493
New share issue	82	82
Closing balance on 31 December 2017	575	575
New share issue	11	11
New share issue	155	155
1:20 split	14,078	—
New share issue	8,088	404
Closing balance on 31 December 2018	22,907	1,145

The company's share capital at year-end amounted to SEK 1,145,345.75, distributed between 22,906,915 shares. The quotient value per share is SEK 0.05.

Note 20 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 during the period. For the comparative year of 2017, the registered 1:20 share split has been taken into account.

	2018	2017
Result for the year, SEK thousand	-128,353	-67,879
Weighted average number of shares outstanding	14,559,462	10,442,188
Earnings per share before and after dilution (SEK)	-8.82	-6.50

Note 21 Borrowing

	31 Dec 2018	31 Dec 2017
Borrowing at the beginning of the period	3,000	—
Borrowing, Group companies	12,800	3,000
Additional borrowing through business combinations	1,537	—
Repayment	-16,209	—
Borrowing at the end of the year	1,129	3,000

Borrowing at the end of the year of SEK 1,129 thousand (o) is recognised in the balance sheet as a long-term liability of SEK 709 thousand (o) and a short-term liability of SEK 420 thousand (o).

Cash flow statement

SEK thousand	1 Jan 2018	Changes affecting cash flow			Changes not affecting cash flow	31 Dec 2018
		Acquisition of business	Borrowing	Repayment		
Long-term loans from credit institutions	—	893	—	-184	—	709
Short-term loans from credit institutions	—	644	—	-224	—	420
Liabilities to Group companies	3,000	—	12,800	-15,800	—	—
Total	3,000	1,537	12,800	-16,209	—	1,129

Note 22 Other current liabilities

	31 Dec 2018	31 Dec 2017
VAT liability	—	—
Personnel-related liabilities	4,685	1,150
Other	0	—
Total other liabilities	4,685	1,150

Note 23 Accrued expenses and deferred income

	31 Dec 2018	31 Dec 2017
Accrued personnel costs	2,989	1,487
Prepaid licensing revenue	500	1,500
Deferred income	40	—
Accrued audit fees	335	148
Accrued expenses for consultants	1,730	1,119
Accrued expenses for advisory services	2,600	244
Other	1,213	762
Total accrued expenses and deferred income	9,407	5,260

Note 24 Pledged assets and contingent liabilities

The company had no pledged assets or contingent liabilities at year-end 2018 or 2017.

Note 25 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, with the exception of the short-term interest-free loan described below under the heading "Financial transactions with related parties".

Fees are paid to the Board as of the Annual General Meeting on 20 June 2018. However, Board fees are only payable to Board members who are not employees of the Nexttobe Group.

If employment is terminated by the company, the contractual period of notice for the President and other senior executives is six months. The same period of notice applies if employment is terminated by the President or senior executive. If employment is terminated by the company, senior executives are entitled to severance pay amounting to three months' salary. The President is not entitled to any particular severance pay if employment is terminated by the company.

Remuneration for senior executives

	Basic salary/ Board fees	Variable pay	Other benefits	Pension costs	Sharebased remunera- tion	Other remunera- tion ⁵⁾	Total
2018							
Board Chairperson Erika Kjellberg Eriksson ¹⁾	—	—	—	—	—	—	—
Director Jon Heimer ²⁾	—	—	—	—	—	—	—
Director Mats Nilsson	75	—	—	—	—	—	75
Director Ulf Landegren	75	—	—	—	—	—	75
Director Marcus Storch	75	—	—	—	—	—	75
Director Marianne Hansson	107	—	—	—	—	—	107
Director Per-Olof Wallström	90	—	—	—	—	—	90
Director Hans Johansson	50	—	—	—	—	—	50
President Jonas Jarvius	1,398	345	—	313	—	10	2,066
Other senior executives (6 people) ³⁾	5,105	1,392	—	885	299	39	7,719
Total	6,975	1,737	—	1,197	299	49	10,257
2017							
Board Chairperson Jon Heimer	—	—	—	—	—	—	—
Director Erika Kjellberg Eriksson	—	—	—	—	—	—	—
Director Mats Nilsson	—	—	—	—	—	—	—
Director Ulf Landegren	—	—	—	—	—	—	—
President Jonas Jarvius	1,169	—	—	164	—	6	1,339
Other senior executives (5 people) ⁴⁾	4,350	—	—	680	233	50	5,314
Total	5,519	—	—	844	233	56	6,652

1) Chairperson from the Annual General Meeting in June 2018, employed by the Nexttobe Group.
2) Chairperson until the Annual General Meeting in June 2018, employed by the Nexttobe Group.
3) One senior executive stepped down in April 2018, one joined the company in July 2018 and another joined the company in August 2018.
4) One senior executive stepped down in June 2017.
5) Other remuneration comprises health insurance and fitness subsidies.

Financial loan transactions with related parties

On 31 December 2017, Q-linea had a short-term interest-free loan amounting to SEK 3,000 thousand from Nexttobe AB. Nexttobe AB is Q-linea's largest owner with a holding of 40.5 percent (73.5). The loan was repaid in conjunction with the private placement carried out in the first quarter of 2018.

In connection with the acquisition of the operations of Umbrella Science, Q-linea raised a short-term interest-free loan of SEK 12,800 thousand (o) from Nexttobe AB, Q-linea's largest owner. The loan was measured at amortised cost and amounted to SEK 11,978 thousand (o) plus interest of SEK 822 thousand (o), which was recognised as a shareholder contribution. The loan was repaid in December 2018 in conjunction with the capital raise carried out by the company.

Other related-party transactions

Umbrella Science AB is a sub-supplier to Q-linea that provides consumables and assistance in product and process development. In the 2017 financial year, Umbrella Science AB's owners included Jonas Jarvius (the president of Q-linea) and Nexttobe AB (the largest owner of Q-linea). The valuation of Umbrella Science was carried out by an

external valuation specialist and the decision to acquire Umbrella Science's operations was made by the Annual General Meeting. Q-linea had been invoiced for SEK 4,213 thousand (230) by Umbrella Science in the January to June 2018 period. Q-linea had no unpaid invoices from Umbrella Science AB on the balance sheet date.

A licensing agreement was signed between EMPE Diagnostics A and Q-linea during 2017. Q-linea recognised SEK 1,000 thousand (1,500) thousand as income during the financial year. The company also has a shareholder agreement with the other shareholders of EMPE Diagnostics AB. 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. At year-end, Q-linea had a contract liability to EMPE Diagnostics of SEK 500 thousand (1,500) attributable to licensing revenue.

In 2017, a licensing agreement was signed between Q-linea AB and Mats Nilsson, Tomasz Krywkowski and Malte Kühnemund. Mats Nilsson is a co-founder, shareholder and director of Q-linea AB. The agreement entailed that Q-linea received a licence for using a patent in infection diagnostics. No remuneration was paid for the licence to use the patent.

Note 26 Business combinations

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

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

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

The difference between the purchase consideration paid and the identified assets and liabilities has been allocated to goodwill. Goodwill is deemed to be attributable to synergy effects and expertise in the company and is to be amortised over an estimated useful life of seven years. Since the goodwill arose through the acquisition of assets and liabilities, it is deemed to be tax deductible. Acquired technology refers to a software protocol adapted for mould injection that is expected to be used in the production of new structures and is to be amortised on an estimated useful life of seven years. Customer relationships refer to a customer register and customer orders on hand and are amortised over three years.

The acquisition was completed on 30 June 2018. If the acquisition had taken place on 1 January 2018, management deems that the company's net sales and net income for the period 1 January to 30 June 2018 would not have increased significantly, since Q-linea AB was Umbrella Science's main customer during this period. During the July to December 2018 period, the operations acquired from Umbrella Science generated income of SEK 44 thousand and operating expenses of SEK 4,659 thousand.

The credit agreements assumed from Umbrella Science extend from 1 July 2018, with a current variable interest rate of 3.20 percent per year and repayment plans extending for 19 to 42 months.

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. This short-term interest-free loan was repaid in conjunction with the capital raise carried out in December 2018. No cash was assumed in connection with the acquisition.

Impact on the company's cash flow

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

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

Note 27 Significant events after the end of the financial year

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

In February 2019, the Board of Directors decided to issue 211,048 Class C shares to Carnegie Investment Bank. The issue was carried out based on the authorisation decided on by the extraordinary general meeting on 12 November 2018 and was intended to ensure delivery of performance shares within the framework of the incentive programme approved on the same date. 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. The participants in the programme were allotted share rights in March; refer to the section "Performance share-based incentive programme" on pages 38–39.

In mid-March 2019, Q-linea announced that the company had decided to change its launch strategy. Q-linea's first product, ASTar, is now expected to be launched in the company's core market – the US – three to four months earlier than previously announced in order to capitalise on the considerable interest demonstrated in the market and due to the positive feedback the company received from the US Food and Drug Administration (FDA). The European launch will be delayed by the same amount of time.

Note 28 Proposed appropriation of unrestricted equity

The following unrestricted equity is at the disposal of the Annual General Meeting:

	Kronor
Share premium reserve	695,528,302
Retained earnings	-54,862,083
Result for the year	-128,353,208
Total	512,313,010

The Board proposes that profit be appropriated as follows: SEK 512,313,010 to be carried forward The Board proposes to the Annual General Meeting that no dividend be paid for 2018.

The Board of Directors and President hereby affirm that the financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2. The annual report has been prepared in accordance with generally accepted accounting practices and provides a true and fair view of the company's financial position and earnings. The Board of Directors' Report for the company 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, 16 April 2019

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

Our Auditor's Report was submitted on 16 April 2019

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorised Public Accountant

Auditor’s report

To the general meeting of the shareholders of Q-linea AB (publ), corporate identity number 556729-0217

Report on the annual accounts

Opinions

We have audited the annual accounts of Q-linea AB (publ) for the year 2018 except for the corporate governance statement on pages 33-43. The annual accounts of the company are included on pages 28-65 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Q-linea AB (publ) as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 33-43. The statutory administration report is consistent with the other parts of the annual accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for Q-linea AB (publ).

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Q-linea AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

Q-linea is a research, development and manufacturing company focusing on the development of instruments and consumables for rapid and reliable infection diagnostics. The most significant balance sheet items are bank balances and short-term investments. The largest cost item in the company comprises research and development expenses and we have thus deemed this to be a key audit matter.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material mis-statement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and

the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our

professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Research and development expenses

According to Note 11, expenses for the company's research and development activities amounted to SEK 98.1 million during the 2018 financial year. This corresponds to 76 percent of the company's total operating expenses. Most of the expenses pertain to the development of the company's leading product, ASTar, and primarily comprise expenses for consultants and employees.

In our audit, we have focused on these expenses since they total a material amount and there is a risk concerning the accuracy, completeness and allocation of these expenses.

How our audit addressed the key audit matter

In our review of the company's research and development expenses, we focused on, but were not limited to, the following activities:

- Assessed the company's procedures, operational follow-up and internal control.
- Tested the company's controls for approval and payment of supplier invoices and personnel costs.
- Reconciled and carried out in-depth testing against invoice documentation, agreements and other accounting documentation.
- Carried out in-depth testing of salaries.
- Analysed expenses based on our knowledge about the operations and follow-up of internal reports.

Based on our review, we did not report any material observations to the Audit Committee.

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1-27 and 70-71. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider

whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and that they give a fair

presentation in accordance with the Annual Accounts Act. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the President are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Director's and the President of Q-linea AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss. We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the President be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Q-linea AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions. Responsibilities of the Board of Director's and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and

thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 33-43 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies. Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Q-linea AB (publ) by the general meeting of the shareholders on the 20 June 2018 and has been the company's auditor since April 2007.

Uppsala, 16 April 2019

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorised Public Accountant

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Glossary

Antibiotic resistance When bacteria develop the ability to defeat antibiotics.	CPT codes Current procedural terminology, the medical codes used for medical services and procedures performed by physicians.
AST Antibiotic susceptibility testing.	ECCMID European Congress of Clinical Microbiology and Infectious Diseases.
Broad-spectrum antibiotics Antibiotics that act against a wide range of, but not all, bacteria.	DRG Diagnosis-related group, a system for classifying hospital treatments linked to the diagnosis and patient.
CAGR Compound annual growth rate.	EEA The European Economic Area.
CE marking Conformité Européenne (European Confor-mity), a certification mark used primarily in the EU and EEA.	FDA The US Food and Drug administration, which is responsible for market approval of IVD products.
CE/IVD Marking of products and instruments used in laboratories for the purpose of providing guarantees that the product meets a number of requirements, including security, quality, validity and traceability, which means that the user can be sure that the product has the performance required for use so that the generated analysis results are reliable.	Gram-negative Bacteria that do not stain in a gram staining test. The opposite are gram-positive bacteria. What differentiates gram-negative and gram-positive bacteria are the properties of their cell walls. Gram-negative bacteria are often referred to as G-.
Clinical studies A clinical study for in vitro diagnostic products, a so-called performance evaluation study, which aims to validate performance and safety requirements based on the intended use of the product by examining samples taken from human participants.	Gram-positive Gram-positive bacteria are bacteria that stain in a gram staining test. The opposite are gram-negative bacteria. What differentiates gram-negative and gram-positive bacteria are the properties of their cell walls. Gram-posi-tive bacteria are often referred to as G+.
CMS Centers for Medicare and Medicaid Services in the US.	In vitro diagnostics (IVD) The study of a living microorganism, cell or biomolecule outside its normal context.

Mass spectrometry An analytical technique that separates ions from each other in the gas phase, based on the mass-to-charge ratio.
MIC values Minimum inhibitory concentration for the tested antibiotics.
Opportunistic infections Caused by bacteria that do not normally cause infections but that can – for example, in patients undergoing cancer treatment or broad-spectrum antibiotic treatment – cause severe infections, some of which can be fatal.
Padlock probes A technique for determining the identity of bacteria.
PCR Polymerase chain reaction, a method used to amplify a specimen or a small number of copies of a certain DNA sequence over several magnitudes.
Sepsis A serious condition that arises when an infection causes injury to the entire body and vital organs, such as the heart, lungs, brain and kidneys do not function properly (previously known as blood poisoning).

Upcoming reporting dates

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

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