

Q-linea signs global partnership with Thermo Fisher Scientific for commercialization of ASTar

Fourth quarter, 1 October–31 December 2019

- Net sales amounted to SEK 0.0 million (0.3).
- The operating result totalled SEK -62.1 million (-39.0).
- The result for the period amounted to SEK -62.0 million (-39.4).
- Earnings per share before and after dilution amounted to SEK -2.71 (-2.33).
- Cash flow from operating activities totalled SEK -52.1 million (-37.4).

Period, 1 January–31 December 2019

- Net sales amounted to SEK 1.0 million (1.1).
- The operating result totalled SEK -179.1 million (-127.4).
- The result for the period amounted to SEK -177.4 million (-128.4).
- Earnings per share before and after dilution amounted to SEK -7.74 (-8.82).
- Cash flow from operating activities totalled SEK -169.8 million (-122.7).
- At 31 December 2019, cash and cash equivalents amounted to SEK 26.0 million (354.4), short-term investments in fixed-income funds and the current portion of long-term bonds to SEK 180.5 million (150.0) and investments in listed bonds to SEK 121.0 million (0).

Significant events

in the fourth quarter of 2019

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

after the end of the period

- Q-linea signs global partnership with Thermo Fisher Scientific for commercialization of ASTar.

Q-linea signs global partnership with Thermo Fisher Scientific for commercialization of ASTar



We are pleased to present an important commercial milestone for both companies. The interest in commercializing ASTar® has been very strong from a number of global companies. We are thrilled to be working with Thermo Fisher and especially appreciate their global reach. We share a common market view and agree on how infection diagnostics can be improved.

Thermo Fisher Scientific™ will have the exclusive right to offer ASTar to the market in all geographies, with the exception that Q-linea can co-market in the Swedish market. The partnership is exclusive to both companies regarding fast AST testing. The two companies will work closely together to provide customers with a comprehensive AST portfolio.

Together with our sub-supplier, we also made good progress in solving the component problem that was identified at the beginning of the quarter. On top of this, our entire production team has been working diligently to prepare for our move to new product premises on Palmsbladsgatan in Uppsala. We also found time to take part in important conferences, anchor our health economics studies and continue preparing for our regulatory studies.

The company is developing according to plan, and we were able to strengthen our team during the quarter through the addition of Q-linea's first official service technicians. The goal is to have a service organisation in place in ample time before the launch to give the organisation time to be fully prepared to assist our customers. In the autumn, we strengthened our commercial organisation, and while the marketing team will continue to grow according to plan, it is now ready to begin serving customers as planned.

In November, we exhibited at the Federation of Infection Societies Conference (FIS) in Edinburgh. The UK is far more advanced in terms of infection diagnostics and antimicrobial resistance, and the positive feedback that we received, particularly on our comprehensive antibiotics panel, will be invaluable on the road ahead.

In October, we noted that there was an issue with an important component from a third-party manufacturer. In collaboration with the supplier, we were able to quickly identify and complete the minor modifications and improvements that were required. We have now thoroughly tested the solution on several systems that subsequently operated for two months without any issue. Additional systems are on their way for verification testing. We would, however, like to see a number of additional systems that have operated without any issue for at least one month at our new microbiology lab—thereby recreating the same conditions as would exist at the customer's site—before we can dismiss the issue entirely, but the status looks undeniably positive.

The CE marking process of ASTar continues and our clinical studies are expected to begin during the second half of 2020 as previously announced. During the quarter, tests were carried out on ASTar, such as electrical safety and electromagnetic compatibility (EMC) testing, resulting in more than satisfactory results.

We are entering 2020 with high momentum and important goals. We are looking forward to the European Congress of Clinical Microbiology & Infectious Diseases (ECCMID) in Paris and the chance to, alongside our commercial partner, unveil ASTar to the market. Our clinical and health economics studies will commence during the year. We will present ASTar to the market and the work ahead of launch are scheduled to begin in conjunction with ECCMID. It will truly be an exciting year and I look forward to the journey ahead alongside all of you.

Uppsala, February 2020,
Jonas Jarvius, President

Work proceeding as planned, with positive results

Q-linea focuses on supplying the market with automated systems for rapid antibiotic susceptibility testing (AST) of bacteria that cause infectious diseases, primarily sepsis.

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

Developments in the fourth quarter of 2019

Consumables

- The company's internal pilot production line continued to supply the project team with consumables during the quarter. Material for the design verification of the sample preparation cartridge has been produced and approved.
- An improved method for loading the instrument has been implemented for the AST disc and verification work has continued with positive results. There are no plans to change the design of the AST disc.
- A formal design review of the sample preparation cartridge was carried out at the beginning of the quarter. Design verification of the sample preparation cartridge was carried out thereafter in accordance with the company's product development model.

Instruments

- During the quarter, ASTar instruments was completed for use at the company's microbiology lab. The main purpose is to use the instruments to optimise the company's analysis algorithm in preparation for the upcoming verification and validation.
- The ASTar system has undergone EMC and electrical safety testing, which yielded highly positive results.

Clinical performance study

- The collection and characterisation of isolates for our clinical study in Europe continued. In total, more than 650 isolates have been collected in accordance with the trial protocol and delivered to Q-linea. Roughly a third of these have been characterised according to the regulatory reference method.

Financial performance in brief

EBIT Q4
SEK **-62.1** thousand

Comments on the report

Figures in parentheses refer to the outcome for the corresponding period in the preceding year with respect to earnings and cash flow and to the closing balance in the preceding financial year with respect to the balance sheet. Unless otherwise stated, the amounts are presented in thousands of kronor (SEK thousand). All amounts presented have been rounded correctly, which may mean that certain totals do not tally.

Income, expenses and earnings

Net sales for the fourth quarter amounted to SEK 15 thousand (316), down SEK 301 thousand compared with the corresponding quarter in the preceding year. Licensing revenue amounted to zero in the third and fourth quarters since knowledge transfer under the agreement with EMPE Diagnostics AB was completed in the second quarter.

Net sales for the January to December period totalled SEK 1,005 thousand (1,066), down SEK 61 thousand.

Other operating income amounted to SEK -12 thousand (0) for the fourth quarter and SEK 11 thousand (33) for the January to December period.

Operating expenses including depreciation, amortisation and impairment totalled SEK 62,061 thousand (39,283) for the fourth quarter, up SEK 22,778 thousand compared with the corresponding quarter in the preceding year. Operating expenses for the January to December period totalled SEK 180,131 thousand (128,464), up SEK 51,667 thousand.

The increases in both the fourth quarter and the January to December period are primarily attributable to a planned increase in personnel costs and other external costs. Personnel costs totalled SEK 24,829 thousand (17,618) for the fourth quarter and SEK 71,324 thousand (49,417) for the January to December period.

The increases in both the fourth quarter and the January to December period were primarily due to an increase in the average number of employees, mainly in the commercial organisation, product development and production.

Other external costs totalled SEK 23,843 thousand (14,457) for the fourth quarter and SEK 75,847 thousand (54,851) for the January to December period. The increases in the quarter and the period are mainly due to an increase in the number of consultants hired in product development and production and to costs related to the adaptation of the company's administrative capacity to meet its expanded reporting obligations as a listed company. At the start of the fourth quarter, the company took over new premises for the production of consumables that were adapted in the fourth quarter to meet the company's needs.

Depreciation, amortisation and impairment of intangible assets totalled SEK

1,094 thousand (1,068) for the fourth quarter and SEK 4,127 thousand (3,037) for the January to December period. The increase in the period was attributable to the start of depreciation and amortisation of non-current assets acquired in June 2018 in the third quarter of 2018.

Other operating expenses amounted to SEK 12 thousand (36) for the fourth quarter and SEK 249 thousand (105) for the January to December period, and pertain largely to exchange-rate losses.

The operating result amounted to SEK -62,058 thousand (-38,988) for the fourth quarter and SEK -179,115 thousand (-127,366) for the January to December period. The larger operating loss was mainly attributable to the increase in operating expenses.

Net financial items amounted to SEK 58 thousand (-431) for the fourth quarter and SEK 1,761 thousand (-988) for the January to December period. The increases in the fourth quarter and the period were mainly due to coupon rates.

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

The result for the period amounted to SEK -62,001 thousand (-39,419) for the fourth quarter and SEK -177,354 thousand (-128,353) for the January to December period.

Financial position

Cash and cash equivalents at the end of the financial year totalled SEK 25,968 thousand, compared with SEK 354,438 thousand at the end of the preceding financial year.

Cash and cash equivalents that will not be used in the daily operations but are planned to be used within the coming 12 months have been placed in fixed-income funds. The fixed-income funds, which invest in low-risk interest-bearing securities, and the current portion of long-term bonds amounted to SEK 180,512 thousand (150,000) at the end of year. Cash and cash equivalents that will not be used within the next 12 months have been invested in listed corporate bonds. The value of the company's long-term bonds including accrued interest amounted to SEK 120,976 thousand (0) at the end of the year. The capital in listed bonds is placed in several sectors and a diversified maturity with both variable and fixed interest rates.

In conjunction with the acquisition of Umbrella Science's operations in the preceding financial year, certain assets and related liabilities were also acquired. The credit agreements assumed from Umbrella Science extend from 1 July 2018, with a current variable interest rate of 3.20% per year and repayment plans extending for seven to 30 months.

At the end of the quarter, equity amounted to SEK 340,994 thousand (513,458), the equity/assets ratio to 91% (95) and the debt/equity ratio to -96% (-98).

Cash flow and investments

Cash flow from operating activities amounted to SEK -52,064 thousand (-37,404) for the fourth quarter and SEK -169,760 thousand (-122,712) for the January to December period.

The increased cash outflow from operating activities was mainly due to a larger operating loss compared with the year-earlier period. Changes in working capital totalled SEK 5,641 thousand (640) for the fourth quarter and SEK -636 thousand (2,150) for the January to December period. Changes in working

capital in the fourth quarter were primarily attributable to increased current personnel related liabilities, which were somewhat offset by an increase in other receivables compared to the fourth quarter of the preceding year.

Cash flow from investing activities amounted to SEK 57,396 thousand (-112,901) for the fourth quarter and SEK -159,827 thousand (-164,248) for the January to December period. Investing activities refer to investments in tangible assets, short-term fixed-income funds and listed corporate bonds.

Investments in tangible assets amounted to SEK 3,413 thousand (822) for the fourth quarter and SEK 7,632 thousand (1,398) for the January to December period and refer to purchases of product equipment. Short-term investments amounted to SEK 0 thousand (150,000) for the fourth quarter and SEK 170,000 thousand (238,014) for the January to December period. These investments refer to investments in interest-bearing funds. Divestments of short-term interest-bearing funds amounted to SEK 60,809 thousand (37,921) for the fourth quarter and SEK 169,581 thousand (88,014) for the January to December period. These divestments refer to monthly sales to finance operating expenses.

Investments in financial assets amounted to SEK 152,267 thousand (50) for the January to December period and refer to investments in 20 listed corporate bonds. The bonds generated a total coupon rate of SEK 594 thousand (0) in the fourth quarter and SEK 2,095 thousand (0) in the January to December period.

Cash flow from financing activities amounted to SEK 1,433 thousand (492,379) for the fourth quarter and SEK 1,119 thousand (634,810) for the January to December period.

At the end of the fourth quarter, employees received the opportunity to exercise employee share options to subscribe for new shares, generating proceeds of SEK 1,538 thousand for the company. Cash flow from financing activities for the January to December period was attributable to the issue and acquisition of 328,472 treasury shares at a quotient value of SEK 0.05 per share, intended to ensure the delivery of performance shares under the long-term incentive programmes LTIP 2019 and LTIP 2018. The change during the January to December period compared with the year-earlier period was primarily attributable to the two new share issues carried out by the company in the comparative period in the preceding year, which generated net proceeds of SEK 638,218 thousand for the company after issue costs. The company raised and repaid a short-term interest-free loan of SEK 12,800 thousand from the company's largest shareholder Nexttobe AB.

Financing

To provide the company with sufficient liquidity to continue operating and developing according to its strategic plan, the company had access to cash and cash equivalents on 31 December 2019 of SEK 25,968 thousand (354,438), short-term investments and short-term portions of securities held as non-current assets of SEK 180,512 thousand (150,000) and other securities held as non-current assets of SEK 120,976 thousand (0).

Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. On 31 December 2019, the company had a total of SEK 327,456 thousand (504,438) divided between the following classes of assets: cash and cash equivalents, short-term investments and securities held as

non-current assets, as described in the section “Financing” above. The Board’s assessment is that the existing working capital, as of 31 December 2019, is sufficient to cover the company’s needs for at least the next 12 months.

Other information

Performance share-based programme LTIP 2019

The company’s Annual General Meeting on 22 May 2019 decided that a long-term incentive programme would be implemented in the form of a performance share-based programme (LTIP 2019).

The programme measures performance over a three-year period starting in December 2019 and the performance targets are linked to various operational sub-targets during the same period. The targets include such areas as product development, product approval and commercialisation. The performance share rights are earned as the performance targets are met.

As of 31 December 2019, when the programme was closed to new participants, a total of 40,990 performance share rights had been allotted to participants of the programme.

Actual number of performance share rights issued:

Category	No. of participants	No. of performance-based share rights per participant	No. of performance-based share rights per category
Management team	2	12,620	25,240
Other key employees	3	5,250	15,750
Total	5	-	40,990

The performance share rights are earned as the performance targets are met. The value of each performance share right is SEK 56.00 and is based on the closing price on the allotment date (20 December 2019). See Note 3.

Performance share-based programme LTIP 2018

An extraordinary general meeting on 12 November 2018 decided that a long-term incentive programme in the form of a performance share-based programme would be implemented.

The programme measures performance over a three-year period starting in March 2019 and the performance targets are linked to various operational sub-targets during the same period. The targets include such areas as product development, product approval and commercialisation. The performance share rights are earned as the performance targets are met.

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

Employee share option programme

The 2011 Annual General Meeting resolved to introduce a performance-based employee share option programme. The employee share options could originally be exercised to subscribe for shares up to and including 31 December 2016. However, the conditions of the employee share options were changed in 2016 with the term being extended up to and including 31 December 2019. In connection with this, the term of the underlying warrants was also extended.

The 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 meant that each employee share option carried entitlement to subscription for 20 shares for an exercise price of SEK 15 per share.

In December 2019, the option holders received the opportunity to exercise their earned options to subscribe for new shares. Of the total of 7,750 outstanding employee share options, a total of 5,128 options were exercised by 17 participants. The remainder of the options expired as of 31 December 2019. Of the 2,622 options that expired, six option holders whose total option holdings amounted to 2,225 options were prevented from exercising their options as they were included in one of the company's insider lists. The proportion of option holders that exercised the right to exercise their options to subscribe for new shares was thus 92.8%.

A total of 102,560 shares are planned to be distributed to the participants in the employee share option programme during February 2020. The maximum dilutive effect for the exercise of the employee share options amounts to approximately 0.44%.

Employees

Calculated on the basis of full-time equivalents, Q-linea had 70 (53) employees at year-end, 26 (19) of whom were women. The number of consultants at the end of the quarter was 36 (25), seven (six) of whom were women.

Information about risks and uncertainties

Q-linea's management makes assumptions, assessments and estimates that impact the contents of the company's financial statements. As is stated in the company's accounting policies, actual outcomes may differ from these assessments and estimates.

The goal of the company's risk management is to identify, measure, control and limit the risks associated with its operations. Risks can be divided into financial risks and operational and business environment risks. Q-linea's operational and business environment risks mainly comprise risks related to research and development, clinical trials and the dependence on key individuals. The company's financing risks have decreased since sufficient cash and cash equivalents have been secured to ensure the company has the necessary prerequisites to qualify as a going concern. A detailed description of the company's risk exposure and risk management is presented on pages 28–64 of the 2018 Annual Report.

Dividends

The Board of Directors proposes that no dividend be paid for the 2019 financial year.

Definition of performance measures

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

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

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

Reconciliation of alternative performance measures

The following is a reconciliation of certain alternative performance measures showing the various performance measure components that make up the alternative performance measures. Treasury shares refer to the company's own holding to ensure the delivery of performance shares under LTIP 2018 and LTIP 2019. The company's holding of treasury shares has been excluded from the calculation of per-share performance measures.

EBITDA

SEK thousand (unless otherwise stated)	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Operating result	-62,058	-38,988	-179,115	-127,366
Depreciation, amortisation and impairment	1,094	1,068	4,127	3,037
EBITDA	-60,964	-37,921	-174,988	-124,329

Equity/assets ratio

SEK thousand (unless otherwise stated)	31 Dec 2019	31 Dec 2018
Total assets	374,307	539,068
Equity	340,944	513,458
Equity/assets ratio (%)	91%	95%

Debt/equity ratio

SEK thousand (unless otherwise stated)	31 Dec 2019	31 Dec 2018
Long-term liabilities to credit institutions (a)	331	709
Current liabilities to credit institutions (b)	378	420
Liabilities to Group companies (c)	-	-
Total borrowing (d=a+b+c)	709	1,129
- Less cash and cash equivalents (e)	-25,968	-354,438
- Less short-term investments (f)	-180,512	-150,000
- Less long-term investments (g)	-120,976	-
Net debt (h=d+e+f+g)	-326,747	-503,309
Equity (i)	340,944	513,458
Debt/equity ratio (h/i) (%)	-96%	-98%

Equity per share

SEK thousand (unless otherwise stated)	31 Dec 2019	31 Dec 2018
Equity (a)	340,944	513,458
Total number of shares outstanding (b)	23,235,387	22,906,915
- Less holding of treasury shares (c)	-328,472	-
Equity per share (a/(b-c)), SEK	14.88	22.41

Performance measures and other information

SEK thousand (unless otherwise stated)	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Earnings				
Net sales	15	316	1,005	1,066
EBITDA	-60,964	-37,921	-174,988	-124,329
Operating result	- 62,058	-38,988	-179,115	-127,366
Result for the period	-62,001	-39,419	-177,354	-128,353
Per share				
Equity per share, SEK	14.88	22.41	14.88	22.41
Earnings per share before and after dilution, SEK	-2.71	-2.33	-7.74	-8.82
Total number of shares outstanding	23,235,387	22,906,915	23,235,387	22,906,915
- of which, treasury shares	328,472	-	328,472	-
Number of shares outstanding excl. treasury shares	22,906,915	22,906,915	22,906,915	22,906,915
Total average number of shares	23,213,689	16,928,654	23,104,611	14,559,462
- of which, average number of treasury shares	306,774	-	197,696	-
Average number of shares excl. treasury shares	22,906,915	16,928,654	22,906,915	14,559,462
Cash flow				
Cash flow from operating activities	-52,064	-37,404	-169,760	-122,712
Cash flow from investing activities	57,396	-112,901	-159,827	-164,248
Cash flow from financing activities	1,433	492,379	1,119	634,810

SEK thousand (unless otherwise stated)	31 Dec 2019	31 Dec 2018
Financial position		
Total assets	374,407	539,068
Cash and cash equivalents	25,968	354,438
Short-term investments and non-current securities	301 488	150 000
Equity	340,994	513,458
Equity/assets ratio, %	91	95
Debt/equity ratio, %	-96	-98

CERTIFICATION AND UPCOMING REPORT DATES

The Board of Directors and the President hereby certify that this year-end report provides a fair and true overview of the company's operations, financial position and earnings and describes the material risks and uncertainties facing the company.

Uppsala, 12 February 2020

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

This report has not been reviewed by the company's auditors. This report has been prepared in a Swedish original and an English translation. In the event of any discrepancies between the two, the Swedish version is to apply.

Upcoming reporting dates

Week of 13 April 2020	Annual Report 2019	January to December 2019
7 May 2020	Interim report, Q1	January to March 2020
26 May 2020	Annual General Meeting	
16 July 2020	Interim report, Q2	January to June 2020
5 November 2020	Interim report, Q3	January to September 2020

About the company

Q-linea AB (publ)

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This information is information that Q-linea AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 13 February 2020 at 7:30 a.m. (CET).

Presentation

Q-linea invites investors, analysts and the media to an audiocast and teleconference (in English) today, 13 February at 1:30 to 2:30 p.m. (CET). President Jonas Jarvius and CFO Anders Lundin will present Q-linea, comment on the year-end report for the January to December 2019 period and respond to questions.

Webcast: <https://tv.streamfabriken.com/q-linea-q4-2019>

Telephone numbers for the teleconference: SE: +46850558351 UK: +443333009273 US: +18335268380

Income statement

Amounts in SEK thousand	Note	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Operating income					
Net sales	1	15	316	1,005	1,066
Other operating income		-12	-21	11	33
Total operating income		3	295	1,016	1,098
Operating expenses					
Raw materials and consumables		-12,284	-6,105	-28,585	-21,054
Other external costs		-23,843	-14,457	-75,847	-54,851
Personnel costs	3	-24,829	-17,618	-71,324	-49,417
Depreciation/amortisation of tangible and intangible assets		-1,094	-1,068	-4,127	-3,037
Other operating expenses		-12	-36	-249	-105
Total operating expenses		-62,061	-39,283	-180,131	-128,464
Operating result		-62,058	-38,988	-179,115	-127,366
Other interest income and similar profit items	5	738	-	2,467	14
Interest expenses and similar loss items		-680	-431	-706	-1,002
Result from financial items		58	-431	1,761	-988
Result before tax		-62,001	-39,419	-177,354	-128,353
Tax on result for the period		-	-	-	-
Result for the period		-62,001	-39,419	-177,354	-128,353

Statement of comprehensive income

		Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Result for the period		-62,001	-39,419	-177,354	-128,353
Other comprehensive income, net after tax		-	-	-	-
Total comprehensive income		-62,001	-39,419	-177,354	-128,353
Earnings per share before and after dilution, SEK	6	-2.71	-2.33	-7.74	-8.82
Average number of shares excl. treasury shares		22,906,915	16,928,654	22,906,915	14,559,462

Balance sheet

Amounts in SEK thousand	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Licences		238	488
Technology and customer relationships		586	752
Goodwill		5,975	7,061
<i>Total intangible assets</i>		<i>6,799</i>	<i>8,302</i>
<i>Tangible assets</i>			
Equipment, tools, fixtures and fittings		13,570	8,562
<i>Total tangible assets</i>		<i>13,570</i>	<i>8,562</i>
<i>Financial assets</i>			
Other securities held as non-current assets	5	123,973	2,997
Other long-term receivables		50	50
<i>Total financial assets</i>		<i>124,023</i>	<i>3,047</i>
Total non-current assets		144,392	19,911
Current assets			
<i>Current receivables</i>			
Accounts receivable		17	-
Other receivables		20,129	13,050
Prepaid expenses and accrued income		3,389	1,669
Short-term investments	4	180,512	150,000
<i>Total current receivables</i>		<i>204,047</i>	<i>164,719</i>
Cash and bank balances		25,968	354,438
Total current assets		230,015	519,156
TOTAL ASSETS		374,407	539,068

Balance sheet

Amounts in SEK thousand	Note	31 Dec 2019	31 Dec 2018
EQUITY			
Restricted equity			
Share capital		1,162	1,145
Unregistered share capital		5	-
Total restricted equity		1,167	1,145
Unrestricted equity			
Share premium reserve		697,062	695,528
Retained earnings		-179,930	-54,862
Result for the year		-177,354	-128,353
Total unrestricted equity		339,777	512,313
Total equity		340,944	513,458
LIABILITIES			
Long-term liabilities			
Loans from credit institutions		331	709
Total long-term liabilities		331	709
Current liabilities			
Loans from credit institutions		378	420
Accounts payable		9,181	9,824
Current tax liabilities		1,158	564
Other liabilities		2,496	4,685
Accrued expenses and deferred income		19,919	9,407
Total current liabilities		33,132	24,900
TOTAL LIABILITIES AND EQUITY		374,407	539,068

Changes in equity

Amounts in SEK thousand	Restricted equity		Unrestricted equity			Result for the year	Total equity
	Note	Share capital	Unregistered share capital	Share premium reserve	Retained earnings		
Opening balance, 1 January 2018		575	-	57,880	10,936	-67,879	1,511
<i>Comprehensive income</i>							
Result for the year		-	-	-	-	-128,353	-128,353
<i>Appropriation of profits in accordance with AGM decision</i>		-	-	-	-	-	-
- Carried forward to unrestricted equity		-	-	-	-67,879	67,879	-
Total comprehensive income		-	-	-	-67,879	-60,474	-128,353
<i>Transactions with shareholders</i>							
New share issue		570	-	690,942	-	-	691,512
Issue costs		-	-	-53,294	-	-	-53,294
Shareholder contribution received		-	-	-	822	-	822
Option programme	3	-	-	-	1,260	-	1,260
Total transactions with shareholders		570	-	637,648	2,082	-	640,300
Closing balance, 31 December 2018		1,145	-	695,528	-54,862	-128,353	513,458
Opening balance, 1 January 2019		1,145	-	695,528	-54,862	-128,353	513,458
<i>Comprehensive income</i>							
Result for the year		-	-	-	-	-177,354	-177,354
<i>Appropriation of profits in accordance with AGM decision</i>		-	-	-	-	-	-
- Carried forward to unrestricted equity		-	-	-	-128,353	128,353	0
Total comprehensive income		-	-	-	-128,353	-49,001	-177,354
<i>Transactions with shareholders</i>							
New share issue	3	16	5	1,533	-	-	1,555
Acquisition of own shares	3	-	-	-	-16	-	-16
Share-based remuneration programmes	3	-	-	-	3,301	-	3,301
Total transactions with shareholders		16	5	1,533	3,285	-	4,840
Closing balance, 31 December 2019		1,162	5	697,062	-179,930	-177,354	340,944

Cash flow statement

Amounts in SEK thousand	Note	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Cash flow from operating activities					
Operating result		-62,058	-38,988	-179,115	-127,366
Adjustments for non-cash items					
- Depreciation reversal		1,094	1,068	4,127	3,037
- Share-based remuneration programmes	3	1,155	335	3,301	1,260
- Licensing revenue paid through shares		-	-250	-500	-1,000
- Unrealised changes in value in investments		98	-	98	-
Interest received		689	-	2,418	14
Interest paid		-21	-48	-47	-180
Tax paid		1,339	-160	594	-628
Cash flow from operating activities before changes in working capital		-57,704	-38,044	-169,124	-124,863
Changes in working capital					
Increase/decrease in inventories		-	-	-	165
Increase/decrease in accounts receivable		-4	-50	-17	793
Increase/decrease in other current receivables		-5,052	-4,534	-8,799	-10,786
Increase/decrease in other current liabilities		9,113	3,115	8,823	9,397
Increase/decrease in accounts payable		1,583	2,009	-643	2,582
Changes in working capital		5,641	640	-636	2,150
Cash flow from operating activities		-52,064	-37,404	-169,760	-122,712
Cash flow from investing activities					
Investments in tangible assets		-3,413	-822	-7,632	-1,398
Acquisition of business		-	-	-	-12,800
Short-term investments	4	-	-150,000	-170,000	-238,014
Divestment of short-term investments		60,809	37,921	169,581	88,014
Investments in financial assets	5	-	-	-151,776	-50
Cash flow from investing activities		57,396	-112,901	-159,827	-164,248
Cash flow from financing activities					
New share issue	3	1,538	550,000	1,555	691,512
Issue costs		-	-44,716	-	-53,294
Acquisition of own shares	3	-	-	-16	-
Loans raised	2	-	-	-	12,800
Repayment of loans		-105	-12,905	-420	-16,209
Cash flow from financing activities		1,433	492,379	1,119	634,810
Cash flow for the period		6,764	342,075	-328,470	347,849
Cash and cash equivalents at the beginning of the period		19,203	12,363	354,438	6,588
Cash and cash equivalents at the end of the year		25,968	354,438	25,968	354,438

Accounting policies and notes

This year-end report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2.

Compliance with IFRS

Q-linea AB has prepared its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

RFR 2 entails that Q-linea applies all of the EU-endorsed International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU and statements, with the limitations that follow the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

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

The carrying amounts of current financial assets and liabilities are assumed to correspond to their fair value, since these items are current by nature.

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

IFRS 16 Leases

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

As with the current standard, IAS 17 Leases, legal entities are not required to apply IFRS 16, so the new standard has not had any effect on the company's financial statements.

Share-based remuneration

LTIP 2018 and LTIP 2019

In the first and the fourth quarters of 2019, Q-linea allotted performance share rights to participants in the LTIP 2018 and LTIP 2019 performance share-based programmes free of charge. The fair value of the performance share rights was determined on the allotment date and corresponded to the closing price of the share on that date. The value has been recognised as a personnel cost in profit or loss, distributed over the vesting period, with a corresponding increase in equity. The amount recognised corresponds to the fair value of the performance shares expected to be vested. In subsequent periods, this cost will be adjusted to reflect the actual number of vested performance shares.

Additional social security contributions have been recognised as an expense

and liability and will be remeasured on a continuous basis to reflect any changes in the fair value of the options in accordance with the Swedish Financial Reporting Board's recommendation UFR 7.

Holding of treasury shares

At the end of the year, Q-linea had a holding of 328,472 treasury shares. The shares are valued at SEK 0.05 per share, which is also the quotient value of the share. The aim of these shares is to ensure the delivery of performance shares under the long-term incentive programmes LTIP 2018 and LTIP 2019. The holding of treasury shares has been excluded from the calculation of per-share performance measures.

For a more detailed description of the accounting policies applied in this year-end report, refer to page 50 of the Annual Report for the 2018 financial year. The year-end report comprises pages 1–23, and pages 1–13 thus comprise an integrated component of this financial report.

Note 1 Specification of net sales

Net sales specified by geographic market:

Amounts in SEK thousand	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Sweden	15	316	1,005	1,066
Total net sales by geographic market	15	316	1,005	1,066

Net sales specified by type of income:

Amounts in SEK thousand	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Licensing revenue	-	250	500	1,000
Prototype development	15	66	505	66
Total net sales by type of income	15	316	1,005	1,066

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

Note 2 Related-party transactions

Related parties are defined as owners with a significant or controlling influence, senior executives in the company, meaning directors and members of the management team, and their close family members. Disclosures concerning transactions between the company and other related parties are presented below. Related-party transactions are performed on an arm's length basis.

In June 2018, Q-linea raised a short-term interest-free loan of SEK 12,800 thousand from Nexttobe AB in connection with the acquisition of the operations of Umbrella Science AB. Nexttobe AB is Q-linea's largest owner with a holding of 42.2% (40.5). In connection with the issue proceeds generated for the company in December 2018, Q-linea repaid this loan in accordance with the terms of the loan.

A licensing agreement was signed between EMPE Diagnostics AB and Q-linea, and SEK 0 thousand (250) was recognised as income in the fourth quarter and SEK 500 thousand (1 000) in the January to December period. One of EMPE Diagnostics AB's co-founders, shareholders and directors is Mats Nilsson, who is also a co-founder, shareholder and director of Q-linea AB. One of Q-linea's senior executives, Mats Gullberg, is a director of EMPE Diagnostics AB.

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

Note 3 Shared-based remuneration programmes

Q-linea had two ongoing share-based remuneration programmes at the end of the fourth quarter, and the company's employee share option programme was concluded during the quarter.

Performance-based employee share option programme

Q-linea's performance-based employee share option programme encompassed senior executives and other key individuals at the company. The programme encompassed employees who joined the company within four years after it was founded (2008–2012). The programme encompassed a total of 7,778 employee share options, of which 7,750 (7,645) employee share options were outstanding at the start of the fourth quarter and were allotted free of charge to programme participants. Vesting was based on employment terms and the fulfilment of agreed targets. The employee share options could originally be exercised to subscribe for shares up to and including 31 December 2016. However, the conditions of the employee share options were changed in 2016 with the term being extended up to and including 31 December 2019. In connection with this, the term of the underlying warrants was also extended.

The 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 meant that each employee share option carried entitlement to subscription for 20 shares for an exercise price of SEK 15 per share.

In the fourth quarter, no employee share options were allotted, 2,622 options had expired and 5,128 options had been exercised by the option holder. Of the 2,622 options that expired, six option holders whose total option holdings amounted to 2,225 options were prevented from exercising their options as they were included in one of the company's insider lists. The remainder of the options expired as of 31 December 2019. The proportion of option holders that exercised the right to exercise their options to subscribe for new shares was thus 92.8%.

The company has issued warrants to ensure the delivery of the shares to the appropriate employees when they exercise the employee share options. During January 2020, the 5,128 exercised options will be converted into 102,560 shares. In February, these shares are planned to be distributed to the option holders. Of the exercise price of SEK 15 per share that has been paid for the 102,560 shares, SEK 5,128—which is equivalent to the shares' quotient value of SEK 0.05 per share—has been allocated to unregistered share capital and the remainder to the share premium reserve.

The cost recognised amounted to SEK 506 thousand (335) for the fourth quarter and SEK 1,198 thousand (1,259) for the January to December period.

Performance share-based programme LTIP 2018

An extraordinary general meeting on 12 November 2018 decided that a long-term incentive programme in the form of a performance share-based programme would be implemented.

In February 2019, the Board decided to issue 211,048 class C shares to Carnegie Investment Bank based on the authorisation decided on by the extraordinary general meeting. The shares were repurchased from Carnegie Investment Bank by Q-linea and reclassified as ordinary shares. Both the share issue and the buy-back were carried out at the share's quotient value. Of the total number of performance shares included in the incentive programme, 160,590 shares may be transferred to participants in the programme, while 50,458 shares may be transferred over Nasdaq Stockholm at a price within the price range registered at any time in order to cash-flow hedge certain payments related to social security contributions associated with the programme.

The rights to receive performance shares were allotted free of charge in March 2019. As of the Annual General Meeting on 22 May 2019, when the programme was closed to new participants, 142,720 performance share rights had been allotted to participants of the programme.

The programme measures performance over a three-year period starting in March 2019 and the performance targets are linked to various operational sub-targets during the same period. The targets include such areas as product development, product approval and commercialisation. The performance share rights are earned as the performance targets are met. The value of each performance share right is SEK 55.54 and is based on the closing price on the allotment date (1 March 2019). The cost recognised amounted to SEK 625 thousand (0) for the fourth quarter and SEK 2,079 thousand (0) for the January to December period.

Performance share-based programme LTIP 2019

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

In June 2019, the Board decided to issue 117,424 class C shares to Carnegie Investment Bank based on the authorisation decided on by the Annual General Meeting. The shares were repurchased from Carnegie Investment Bank by Q-linea and reclassified as ordinary shares in July 2019. Both the share issue and the buy-back were carried out at the share's quotient value. Of the total number of performance shares included in the incentive programme, 89,350 shares may be transferred to participants in the programme, while 28,074 shares may be transferred over Nasdaq Stockholm at a price within the price range registered at any time in order to cash-flow hedge certain payments related to social security contributions associated with the programme.

The rights to receive performance shares were allotted free of charge in December 2019. As of 31 December 2019, when the programme was closed to new participants, 40,990 performance share rights had been allotted to participants of the programme.

The programme measures performance over a three-year period starting in December 2019 and the performance targets are linked to various operational sub-targets during the same period. The 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 56.00 and is based on the closing price on the allotment date (20 December 2019). The cost recognised amounted to SEK 10 thousand (0) for the fourth quarter and SEK 10 thousand (0) for the January to December period.

Note 4 Short-term investments

Cash and cash equivalents not used in the daily operations have been placed in fixed-income funds that invest in low-risk interest-bearing securities and other interest-rate instruments. Since most of the securities in these funds have a remaining term of more than three months, the securities have been recognised and measured at the lower of cost and fair value in the balance sheet.

Short-term investments also include the short-term component of the company's corporate bonds with a maturity of less than 12 months. Short-term investments as of 31 December amounted to SEK 180,512 thousand (150,000), of which SEK 30,043 thousand (0) pertained to the short-term component of corporate bonds in listed companies. The fair value of short-term investments at the end of the fourth quarter was SEK 180,689 thousand (150,007).

Note 5 Other securities held as non-current assets

Other securities held as non-current assets primarily comprise low-risk listed corporate bonds and amounted to SEK 120,976 thousand (0) at the end of the fourth quarter. The bonds have a term of more than 12 months. The fair value of the bonds at the end of the fourth quarter amounted to SEK 121,428 thousand (0) (level 1 in the fair value hierarchy).

The bonds carry both variable and fixed interest with periodic payments. Interest income on other securities held as non-current assets amounted to SEK 738 thousand (0) for the fourth quarter and SEK 2,467 thousand (14) for the January to December period.

Other securities held as non-current assets pertain to participations in EMPE Diagnostics AB acquired on 22 December 2017. Participations were recognised at cost SEK 2,997 thousand (2,997) in the balance sheet, which is deemed to comprise the fair value at year-end. As of 31 December 2019, the company deemed that there was no impairment requirement for any of its financial assets.

Note 6 Earnings per share

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

SEK thousand (unless otherwise stated)	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Result for the period	-62,001	-39,419	-177,354	-128,353
Average number of shares	23,213,689	16,928,654	23,104,611	14,559,462
- Less average number of treasury shares	306,774	–	197,696	–
Earnings per share before and after dilution (SEK)	-2.71	-2.33	-7.74	-8.82

Note 7 Risk management

The company is exposed to various types of risks during the course of its operations. By creating an awareness of the risks associated with the operations, such risks can be limited, controlled and managed while allowing business opportunities to be utilised in order to increase the company's earnings. With respect to financial risks, the company's financing risk decreased during 2019 since sufficient financing was secured to ensure the company has the necessary prerequisites to qualify as a going concern. Other than these risks, no material risks arose during the quarter. The material risks associated with Q-linea's operations are presented in the Annual Report for the 1 January to 31 December 2018 financial year and on pages 17–33 of the prospectus prepared in conjunction with the listing on Nasdaq Stockholm.

Note 8 Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. On 31 December 2019, the company had a total of SEK 327,456 thousand (504,438) divided between the following classes of assets: cash and cash equivalents, short-term investments and securities held as non-current assets, as described in the section "Financing". The Board's assessment is that the existing working capital, as of 31 December 2019, is sufficient to cover the company's needs for at least the next 12 months. The postponement of the clinical studies to the second half of 2020, which the company announced in a press release after the end of the period, is not deemed to have had a material impact on future financing requirements.

Note 9 Significant events after the end of the period

Q-linea signs global partnership with Thermo Fisher Scientific for commercialization of ASTar. Thermo Fisher Scientific™ will have the exclusive right to offer ASTar to the market in all geographies, with the exception that Q-linea can co-market in the Swedish market. The partnership is exclusive to both companies regarding fast AST testing. The two companies will work closely together to provide customers with a comprehensive AST portfolio.