Q-LINEA

An innovative infection diagnostics company

Annual Report January–December 2019

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.

Contents

About sepsis

Sepsis, formerly known as blood poisoning, is a life-threatening illness that occurs when the immune system overreacts to an infection in the body. 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 50 million people every year. In several studies, mortality from sepsis has proven to be between 15 and 50%.

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

Innovative solutions for improved infection diagnostics.

Q-linea is an innovative infection diagnostics company focusing on the development of instruments and consumables for rapid and reliable infection diagnostics. Q-linea develops and delivers solutions for healthcare providers, enabling them to diagnose and treat infectious diseases in the shortest possible time. This benefits patients, healthcare providers and society.

The company's first product in development, ASTar®, is a fully automated antibiotic susceptibility testing (AST) system, which is particularly important when diagnosing sepsis. ASTar provides an answer within six hours as to which antibiotic preparation and dosage will be effective against the bacteria directly from a positive blood culture. It is more than 24 hours faster than today's diagnostics.

ASTar antibiotic susceptibility testing identifies the MIC value (the antibiotic concentration that inhibits the growth of bacteria or kills them) via physical properties that are measured using proprietary optics and image algorithms.

Q-linea's strategy is to establish and then strengthen its position as a leading supplier 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 second half of 2020.

Q-linea was founded in Uppsala in 2008. Today, the company is an interdisciplinary, highly motivated team of 106 employees and consultants. The company's first product, ASTar, focuses on rapid diagnosis of sepsis. In the future, the company intends to develop applications using its unique groundbreaking technology for molecular identification in other applications.

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.

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

Business strategies for the company are:

Regulatory strategy: carry out necessary regulatory activities for launch of the ASTar instrument and the consumables, including performing clinical studies in Europe and the US. The first product focuses on sepsis diagnostics;

Commercial strategy: Q-linea has entered an agreement with Thermo Fisher Scientific, a worldwide, already established sales partner that has local sales teams in the markets where Q-linea's products are to be launched The aim of this is 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 the potential income. The companies will work very closely together and Q-linea will have access to all aspects of the sales process and participate with applications specialists. The aim of the collaboration is to enable Q-linea to continuously be part of the development process and to receive feedback from customers, so that it can continue to develop customer-driven products in the best possible manner. The collaboration regarding service means that Thermo Fisher Scientific will manage all first-hand service and Q-linea will be responsible for expertise in connection with more complex issues;

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;

Intellectual property rights strategy: continue to develop and maintain a broad and relevant intellectual property portfolio; and

Service & support strategy: continue to build a free-standing service organisation with a focus on expert service.

https://www.qlinea.com/about-us/business-concept-and-strategy/

2019 in brief

Q1

Q-linea deemed that data could be shared between its US and European studies. A number of usability studies were carried out during the quarter.

Q2

We showed a new graphical interface that produces a hands-on time of less than a minute at the important European Congress of Clinical Microbiology & Infectious Diseases (ECCMID). The company also received positive feedback from potential customers at ECCMID and ASM Microbe 2019, organised by the American Society for Microbiology.

In June, the company submitted its final proposal regarding the US clinical study (pre-submission supplement) to the FDA. The supplement contained a detailed description of the intended design of the US study and the specifics of the trial protocol and the ASTar system.

Q3

The company's management team expanded with the addition of Dr. Tiziana di Martino, who was appointed Chief Medical Officer, and Thomas Fritz, who was appointed Chief Commercial Officer.

Q4

The planned start of the clinical studies was moved from the first quarter to the second half of 2020 because an important component from a third-party manufacturer showed a higher rate of errors than Q-linea deems acceptable.

Meanwhile, the company received a positive response from the FDA regarding the design of the its planned study in the US. The pivotal study with ASTar, which studies the system's clinical and analytical performance, will be conducted at at least three sites – two in the US and one in Europe. One of the latter may be Q-linea's microbiology laboratory in Uppsala. We expect to be able to begin the study in the second half of 2020.

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 year-end was 36 (25).

History

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.

We are growing according to plan and are ready to serve the market

2019 was characterised by the continued development of a strong platform for future launches. This involved intensive efforts to conclude a favourable agreement with the right commercial partner The preparations for our regulatory studies and our efforts to anchor our health economics studies continued. We participated in numerous conferences, and last but not least, we planned for the move to our new production premises on Palmbladsgatan in Uppsala.

The company is growing according to plan and we added more than 20 new employees during the year. During the autumn, we expanded both our marketing and commercial teams by appointing Tiziana di Martino as Chief Medical Officer and Thomas Fritz as Chief Commercial Officer. The marketing team will continue to grow, but is now ready to begin serving customers as planned. During the last quarter, we were able to add Q-linea's first official service technician to the team. The goal is to have a service organisation in place in ample time before the launch to give the organisation time to train and be fully prepared to assist our customers.

We participated in several important conferences during the year. The most important annual conference for us is ECCMID, which was held in Amsterdam in April. We were able to present the final design of ASTar in two pre-production systems at the conference as promised. We received extremely positive feedback on ASTar's flexible but simple workflow, how easy it is to start using and not least on our broad common antibiotics panel for the US and EU markets. We presented the ability to use ASTar as a semi-automatic system for analysing isolates. Both of these developments were presented at ECCMID and being able to present the final design of the system to potential customers was a true milestone for the company.

We were also able to present a new graphical interface at ECCMID that will make using ASTar, which was already easy, even easier. Initiating an analysis takes less than a minute. Our previous requirement specification was less than two minutes, so reducing this time to less than one minute is a strong selling point as we move forward.

We worked closely with potential customers to reduce this time, and all of the continuous feedback we received will be highly valuable in our work in the future. Our very first ASTar customers will be our ambassadors and we plan to work closely with them during the initial launch phase. We expect to be able to offer the system at a competitive price for both fully automatic and semi-automatic sample analyses.

The CE marking process of ASTar continues and our clinical studies are expected to begin during the second half of 2020. In 2019, we received a positive response from the FDA regarding the design of our planned study in the US, which we expect to begin during the second half of 2020. At the end of the year, tests were carried out on ASTar, such as electrical safety and electromagnetic compatibility (EMC) testing, yielding more than satisfactory results.

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 worked with our sub-supplier to find a solution, which was subsequently tested on multiple systems for over three months before we could consider the problem entirely resolved in the first quarter of 2020.

Discussions with potential partners took up a great deal of time in 2019, and a number of global companies showed strong interest in commercialising ASTar. In February 2020, we were finally able to announce that we have entered into a worldwide exclusive partnership with Thermo Fisher Scientific for the commercialisation of ASTar, and we are delighted to be working with them.

We are particularly pleased with the company's global reach and share their view of the market and how infection diagnostics can be improved. Thermo Fisher Scientific is a true market leader and is also the leading company to rapidly launch antibiotic susceptibility testing (AST) for new antibiotic preparations, which is naturally interesting moving forward. I look forward to reporting on the progress of this exciting and prestigious partnership in the future.

We are entering 2020 with stable momentum and important goals. We are looking forward to the opportunity to unveil ASTar to the market during the year. This will have to be done digitally now given the cancellation of ECCMID due to the corona pandemic. We are especially pleased to be doing so alongside a strong commercial partner. Our clinical and health economics studies are scheduled to commence in the second half of the year. It will truly be an exciting year and I look forward to the journey ahead alongside all of you. We are carefully monitoring the developments and guidelines concerning Corona. To date, the company has been able to maintain a continued high pace in the development of ASTar. Naturally, this may change depending on the factors in our operating environment over which the company has no control.

Uppsala, April 2020
Jonas Jarvius, CEO

Sepsis is an overreaction by the immune system

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

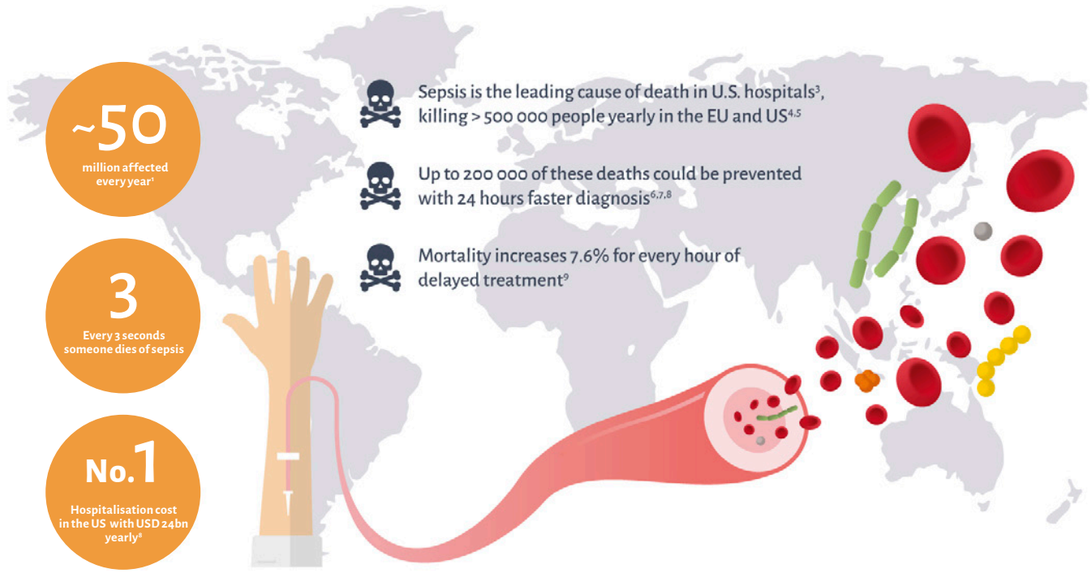
Anyone can develop sepsis as a consequence of a common bacterial infection, such as influenza, tonsillitis, infected wounds, pneumonia or a urinary tract infection.

Sepsis is a syndrome involving life-threatening organ failure caused by a dysfunctional systemic immune response. Sepsis occurs when the infection has spread to the entire body, and it affects vital organs such as the heart, lungs and kidneys.

In the past, the definition of sepsis has varied. Sepsis currently has two levels of severity: sepsis and septic shock. Septic shock is severe sepsis where blood pressure cannot be normalised quickly despite fluid resuscitation.

Sepsis used to be called blood poisoning, and frequently but not always, patients with sepsis have bacteria their blood which may have come from a local infection or 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 need for rapid and reliable diagnostics to enable proper treatment for severe conditions such as sepsis is crucial for patient survival.



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The importance of swift treatment

Mortality from sepsis can be reduced by providing correct and powerful treatment. Every hour that effective treatment is delayed can be disastrous. Mortality for patients who develop septic shock increases by 7.6% 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.

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.

IMPROVED SEPSIS TREATMENT REDUCES ANTIBIOTIC RESISTANCE.

Disease mechanism – Sepsis – "the body's own atom bomb"

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.

Antibiotic resistance – one of the biggest threats to human health

Resistant bacteria species are a major health problem. Otherwise trivial infections can be deadly if the causal bacteria are resistant to the antibiotic administered.

If the development of antibiotic resistance is not stopped, it will pose a serious threat to healthcare, making it 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 resistance has developed against every new antibiotic introduced, and few new antibiotics are under clinical development. Most antibiotics under development are modifications of older types of antibiotics, which is why resistance to these antibiotics will develop rapidly according to WHO.

The lack of sufficiently rapid and effective diagnostics leads to greater mortality, a high risk of superinfections and high healthcare costs. It also poses a challenge for healthcare, where physicians are currently forced to choose between a broad antibiotic treatment that contributes to higher antibiotic resistance in society and a narrow treatment that risks being ineffective for the patient.

Enabling rapid treatment of infectious diseases

Q-linea develops and delivers solutions that enable the diagnosis and effective treatment of infectious diseases in the shortest possible time.

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 and Fyrislund.

For bacterial infections, a correct treatment needs to be preceded by a diagnostic procedure in order to identify 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.

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.

Sample preparation cartridge and AST disc for AST directly from clinical samples.

Q-linea's antibiotic susceptibility testing is based on phenotypical identification (via physical properties) of the minimum concentration of antibiotic needed to inhibit the growth, known as the minimum inhibitory concentration (MIC), using proprietary optics and analysis algorithms. The advantage of a phenotypical test is that no information on the bacteria's resistance mechanism is needed prior to testing. The test simply measures how the bacteria react to the antibiotic. This makes Q-linea's test future proof in the event that new resistance mechanisms develop.

Q-linea's core product ASTar measures bacteria's sensitivity to antibiotics. The company's unique technology enables ASTar to provide a patient-specific treatment prescription 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 ID analysis that has already taken place.

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 and Fyrislund. The company 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

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.

During its first years, Q-linea developed and supplied complex systems for detecting biological warfare agents (such as anthrax and smallpox) to the Swedish and French Armed Forces. The technology was based on molecular identification and Q-linea still has access to this special technology for bacterial ID analysis.

The market for ID analysis based on positive blood cultures changed rapidly between 2010 and 2016, since faster ID analysis generated a great need for rapid and fully automated AST to match the new ID analyses. Since the end of 2016, Q-linea has focused entirely on AST using a unique technology that enables AST that is significantly faster than what is currently available.

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.

A grant application led to a joint study

Christian G Giske is a professor at Karolinska Institute who is also Chief Physician for clinical microbiology at Karolinska University Hospital.

PHOTO: FREDRIK PERSSON

"In my view, Q-linea shows its interest in having in-depth discussions with the profession about the type of product the market needs," says Professor Christian G Giske.

How did you first encounter Q-linea?

It began about five years ago when we were both planning to apply for the same grant, and we ended up conducting a joint study. We have stayed in touch since then. I have visited Q-linea a couple of times and discussed potential applications.

What sepsis treatment needs do you see in healthcare?

Healthcare needs a rapid, accurate system. There are currently many rapid systems, but none of them are of sufficiently high quality. The method really has to conform to the reference method, and it must be tested on severe isolates for the quality to be sufficiently high. A system that is rapid and accurate will be extremely useful as a powerful tool for those choosing an antibiotic treatment.

In what way does Q-linea stand out?

Q-linea has a good method that works for multiple antibiotics, which can truly improve diagnostics based on blood culture bottles. You might think that there are numerous systems out there, but many of them are not particularly well validated and many of them do not test against a sufficiently severe bacteria collection. You need to respect how difficult it is to perform an accurate resistance test, and many people do not understand how difficult it is. When users report that a system is not showing accurate results, you need to take this seriously. In my view, Q-linea shows its interest in having in-depth discussions with the profession about the type of product the market needs.

How important is ASTar's high capacity?

It's definitely important to large laboratories that ASTar makes it possible to run multiple tests simultaneously. Many of Q-linea's competitors have limited capacity. In addition, thanks to the breadth of the antibiotics panel, hospitals don't need to re-run the blood sample, almost regardless of where in the world the system is used.

What will the greatest challenge be in the future?

It will definitely be the blood cultures. The challenge posed by sepsis is that you need to perform a blood culture first, which naturally takes time when time is in short supply. It is not currently possible to skip the blood culture, and this is a major and important problem that must be solved. We will win a great deal if we can move beyond our dependency on cultures, but that lies in the future.

ASTar can help save lives and slow antibiotic resistance

ASTar meets a vast need for rapid treatment prescriptions in cases of infectious diseases, a need that is not being met in the market today.

Q-linea's first application for the ASTar system is the analysis of positive blood cultures from patients with suspected sepsis. 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.

AST for sepsis workflow

This is an example of a typical procedure for suspected sepsis today.

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.

Traditional workflow

Today, it takes 24 to 72 hours to identify bacteria and obtain information about which antibiotics the bacteria are sensitive to.

0 hours

- Patient blood draw
- Blood bottle incubation
- Culture cabinet alarm
- Gram stain
- **Rapid ID**
- Overnight incubation
- 0.5 McFarland prepared
- Susceptibility determination
- Optimized therapy

48–72 hours

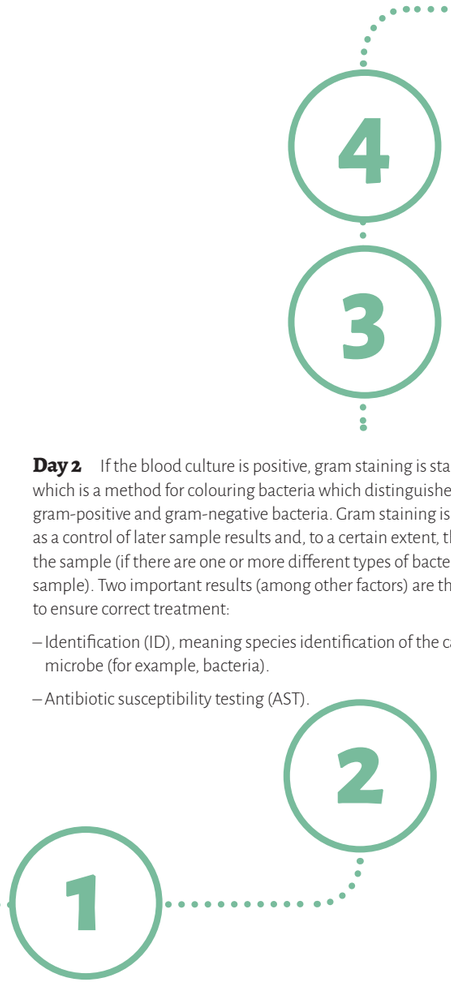
ASTar workflow

ASTar delivers AST results directly from clinical samples in three to six hours, a time saving of about 24 hours. Further time savings of up to 24 hours can be achieved through fully automated operation with integrated sample preparation, which enables efficient 24-hour use of the system.

0 hours

- Patient blood draw
- Blood bottle incubation
- Culture cabinet alarm
- Gram stain
- **Rapid ID** Resistance testing with ASTar
- Optimized therapy

< 24 hours



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.

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).

– Antibiotic susceptibility testing (AST).

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 only 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:

– susceptible (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. In 2019, EUCAST also issued a new definition of "I", which replaced "intermediate" with "susceptible, increased exposure". One of their main objectives was to demonstrate that a bacterium classified as "I" can, in many case, be treated by increasing the concentration of antibiotics in the nidus. Their point is that it should be possible to treat the infection using a narrow spectrum preparation, but in a higher concentration or administered differently, rather than changing to a broad spectrum preparation. In this case, ASTar's large concentration interval improved the prospects for using narrow spectrum antibiotics, which is important for the patient and society. 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.

ASTar's advantages compared with current methods

ASTar is a fully automated instrument with related consumables. Sales are planned to laboratories at large hospitals.

24 h

ASTar IS EXPECTED TO SHORTEN THE TIME IT TAKES TO IDENTIFY THE PROPER TREATMENT OF PATIENTS WITH SEPSIS BY MORE THAN 24 HOURS.

ASTar can shorten the time it takes to identify the proper treatment of patients with sepsis by more than 24 hours. The system offers the following advantages compared with the systems currently available in the market.

1. 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. ASTar also has the capacity to analyse especially demanding fastidious bacteria, which require a richer growth medium for AST. Fastidious bacteria are much more common in pneumonia and bacteria such as Pneumococci are present in up to 10% of sepsis patients.

2. 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 system 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.

3. High sample throughput

A large microbiology laboratory currently performs a substantial amount of AST, some of which is considered critical, such as positive blood cultures. 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 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.

4. Adaptable consumables

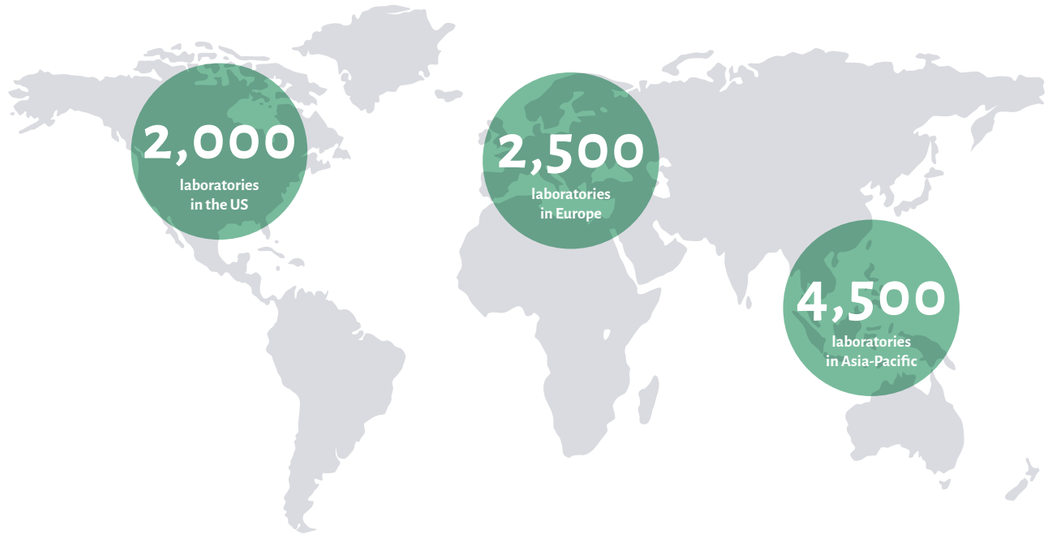
ASTar is equipped to handle other prototypes than positive blood cultures thanks to its adaptable consumables. Laboratories currently analyse samples from many different sites, such as urinary tract, respiratory tract, cerebrospinal fluid, wounds and intra-abdominal fluid (ascites). ASTar can also be 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.

The importance of swift treatment

It has been demonstrated that 24-hour sepsis diagnostics can reduce mortality by 40%[1], lower the number of opportunistic infections[2] and drastically reduce costs in the healthcare sector[3].

Footnotes – see References on page 74.

Addressable market for Q-linea's ASTar



The market for ASTar

Investing in rapid diagnostics is the most beneficial and cost-effective treatment strategy, for both the individual patient and for society, in order to slow the development of antibiotic resistance.

Rapid diagnostics shorten the time to optimal patient treatment, resulting in reduced use of broad-spectrum antibiotics. It has several advantages, including curbing the trend of resistant bacteria, reducing patient suffering and reducing the number of treatment days. In all, rapid diagnostics significantly cuts costs for hospitals, the healthcare sector and society in general.

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% to SEK 39 billion in 2022[4].

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.

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%) 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 Q-linea.

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.

Asia-Pacific (APAC)

The size of the APAC market for AST from positive blood cultures is difficult to assess, but the company estimates the addressable market to be about 4,500 laboratories in total.

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% annually, with potentially higher growth in the Asia-Pacific region.

Footnotes – see References on page 74.

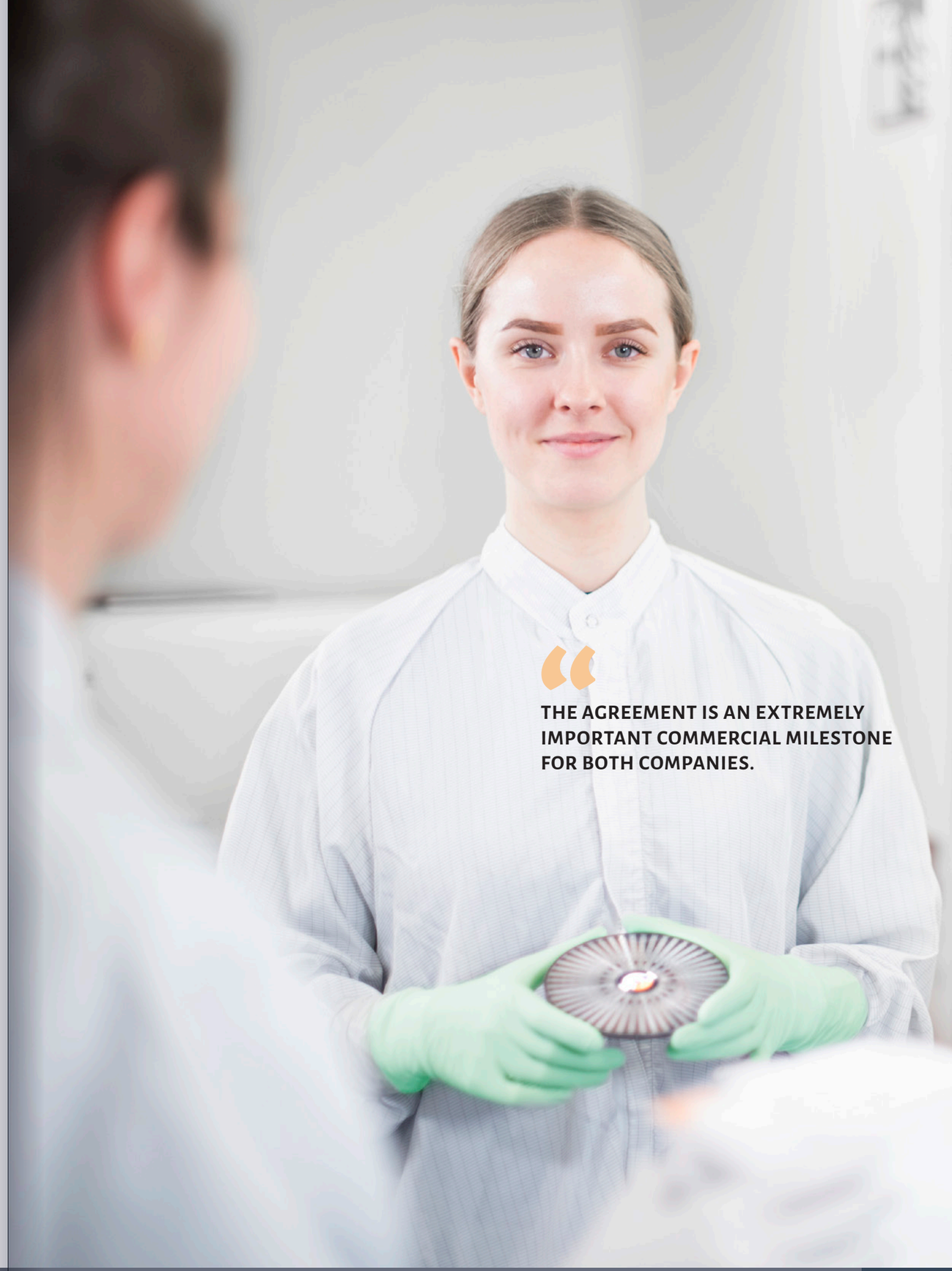
A new exclusive worldwide partnership

2019 was characterised by discussions with multiple potential partners, and a number of global companies showed strong interest in commercialising ASTar. In February 2020, Q-linea entered into an exclusive worldwide partnership with Thermo Fisher Scientific for the commercialisation of ASTar. The agreement is an extremely important commercial milestone for both companies, since Q-linea's ASTar can make the workflow of Thermo Fisher Scientific's customers significantly more efficient.

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 ASTar in the Swedish market. The partnership is the exclusive for both companies when it comes to rapid AST testing, and they will work closely together to offer customers an extensive portfolio of AST equipment.

Thermo Fisher Scientific's complete, automated Sensititre™ AST system is the prevailing industry standard for traditional MIC identification. Combining Thermo Fisher Scientific's long-standing experience and strength in the field with Q-linea's unique system for rapid, fully automated AST has the potential to improve and expedite the diagnosis of patients with serious infectious diseases.

Combining Thermo Fisher Scientific's long-standing experience and strength in the field with Q-linea's unique system for rapid, fully automated AST has the potential to improve and expedite the diagnosis of patients with serious infectious diseases.



A unique system that satisfies many needs

Tiziana Di Martino is a medical doctor with experience both as a clinician within internal medicine settings and in research. Her interest in business led her to transition to the medical device industry via an MBA from London Business School. Prior to joining Q-linea in April 2019, she was Head of Clinical Development at Accelerate Diagnostics.

Tiziana Di Martino is a medical doctor with experience both as a clinician within internal medicine settings and in research.

IN ADDITION TO CONTRIBUTING TO IMPROVED CLINICAL OUTCOMES, THE ASTar SYSTEM HAS THE POTENTIAL TO GENERATE ECONOMIC BENEFITS.

How come you joined Q-linea?

It was an easy decision. I had been impressed by the technology and the team for quite some time, so when this opportunity arose, I was fast to decide. The technology is very impressive which is of course key, but the people are also great. There is a very good spirit and company culture and a friendly working environment.

Could you elaborate on that key technology?

The ASTar has a rare combination of features. It provides faster MIC values within three to six hours against a broad antibiotics panel including novel molecules coupled with broad antibiotic ranges. It is easy to use by anyone, not only microbiologists and it has high throughput over footprint as it can analyze in parallel up to 12 samples also of different type, such as blood culture samples and isolates from pure colony. Therefore, the system is very flexible.

An important aspect is that the system uses broth microdilution, BMD, which is the gold standard method used to test the susceptibility of microorganisms to antibiotics. Conventional BMD-based technologies have a longer time for results than the ASTar. As the only faster BMD-based system soon available in the market the ASTar can boast a unique position in the AST technology landscape.

You have travelled a lot since you started at Q-linea, how come?

I'm paving the way for ASTar commercialization, so I'm meeting microbiologists and physicians to generate awareness of our technology and to receive feedback on the system and on our coming products. It's a mutual exchange of information.

How is the interest in ASTar?

There is a lot of interest as the system is so unique and satisfies so many needs. Scientific evidence has demonstrated that in a time-dependent condition such as sepsis the initiation of early appropriate antibiotic therapy is key but frequently challenging due to increasing incidence of multidrug-resistant bacteria. The ASTar will enable physicians both to faster escalate from inappropriate to appropriate antibiotic treatment and to more rapidly deescalate if empirical therapy is appropriate. Faster MIC-driven targeted antimicrobial therapy and antimicrobial dosage adjustment may be a life saver in critically ill patients who typically have severely altered and variable antibiotic pharmacokinetics.

I had been impressed by the technology and the team for quite some time, so when this opportunity arose, I was fast to decide, says Doctor Tiziana Di Martino

The ASTar panel is the broadest in the market, but can it be too broad i.e. will the whole panel be used?

In a country like Sweden the whole panel will probably, hopefully, not be used. But in southern European countries the case is much different. In those geographies, where the antimicrobial resistance rate is higher, the feedback on including new antibiotics such as ceftolozano-tazobactam and ceftazidime-avibactam has been very positive. In some markets these new antibiotics can be life savers. MIC results drive both dosage decisions and combination therapy strategies to get a synergistic therapeutic effect. In that respect a broad panel is key and very appreciated.

What about conventional systems that are cheaper?

The initial cost is cheaper for conventional AST technologies, but as they have longer turnaround times the overall cost for the healthcare institution might very well be higher. Critically ill patients need optimal antibiotic therapy as soon as possible, but with conventional systems clinicians cannot start it until after three to four days, which is of course detrimental or even life-threatening for patients in addition to being costly for hospitals.

So, health economy is an important diver for the system?

Yes, in addition to contributing to improved clinical outcomes, the ASTar system has the potential to generate economic benefits resulting from reduced intensive care unit (ICU) length of stay and to enhance antimicrobial stewardship by decreasing selective pressures that lead to antimicrobial resistance as well as reducing the risk of side effects, such as clostridium difficile infections, and toxicities resulting from a suboptimal use of antibiotics. One of the main tasks at Q-linea going forward is to show cost effectiveness resulting from ASTar in health economics and outcomes research (HEOR) studies.

2020

Q-linea intends to start its first health economics study in the second half of 2020

The clinical studies are expected to begin during the second half of 2020

ASTar will undergo clinical studies in both Europe and the US to demonstrate that it is safe and effective.

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.

The study samples 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). The clinical bacterial isolates will be obtained from the available isolate banks of clinical partners; in 2019, around 600 bacterial isolates were obtained. In addition, about 9,000 tests of blood samples and 7,500 quality control (QC) tests were performed in Q-linea's laboratory.

In October, the FDA responded positively to Q-linea's proposed study design. The FDA also indicated a new regulatory path for including organism-antibiotic combinations for which there are currently no FDA-approved breakpoints. The applicant must be able to demonstrate a clinical need and scientific support for these new combinations to receive approval. Q-linea expects that the company could become one of the first manufacturers to take advantage of this opportunity, which would further strengthen its product offering in the US.

The FDA furthermore responded positively to the proposal to reduce the number of samples in the clinical performance study for certain low prevalence organisms. This specifically applied to an organism that requires an enriched culture medium (fastidious supplement). This means that Q-linea's ability to analyse fastidious and non-fastidious organisms in the same test can fully benefit patients.

The pivotal US study with ASTar studies the system's clinical and analytical performance, and it will be conducted at at least three sites – two in the US and one in Europe. One of the latter may be Q-linea's microbiology laboratory in Uppsala.
We expect to be able to begin the study in the second half of 2020.

Q-linea is always working for a sustainable world

Q-linea's overall sustainability goals are part of the company's vision, combined with important programmes and measures for the company's environmental and social responsibility.

Developing tools for improved diagnosis of bacterial infectious diseases, particularly serious illnesses such as sepsis where incorrect treatment or treatment with effective antibiotics that comes too late can have fatal consequences, means working for a sustainable world.

Q-linea's vision is to help ensure that antibiotics continue to be an effective treatment for future generations. This gives sustainability an even broader significance.

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.

Thanks to ASTar's innovative technology, Q-linea's products have substantial potential to save lives, reduce hospital costs, avoid unnecessary antibiotic treatment and slow the development of resistant bacteria.

Environment

Q-linea is adamant about preserving and protecting the environment in all parts of its business. The company 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 can be described in the following four areas:

Production

- ✔ Engage in safe, resource-efficient and environmentally friendly production and development
- ✔ Use natural resources effectively. Green electricity – investigate whether solar cells can be installed
- ✔ 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. A rapid and intensive mould injection process
- ✔ Consider environmental criteria when selecting suppliers

The product

- ✔ Seek to ensure that all of the components in Q-linea's products are recyclable

Transports

- ✔ Consider environmental criteria when selecting suppliers
- ✔ Use electric transport – owned by the company or third parties – locally in Uppsala

Travel

- ✔ Consider environmental criteria when selecting suppliers
- ✔ Seek to communicate digitally and continuously evaluate various environmentally friendly travel alternatives
- ✔ Provide company bicycles

Organisation and employees

Q-linea's philosophy is that all employees 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. Q-linea continually reviews its processes to ensure that they function properly in terms of taking diversity into consideration when hiring employees and consultants.

Some important objectives are to:

- ✔ Achieve a high level of dedication to the company's operations and vision
- ✔ Have low staff turnover
- ✔ Support diversity – but not through quotas
- ✔ Offer environmental training courses when relevant

The Clean Cooking Alliance – a multidimensional carbon offset

WHO estimates that about three billion people worldwide use wood or coal indoors in order to cook and to illuminate and heat their homes. The smoke and soot from stoves, fires and simple lamps and heaters create major environmental and health problems, and in many cases lead to life-threatening illnesses, particularly among children and the elderly. In India, this is one of the most common causes of pneumonia in children.

The Clean Cooking Alliance is a non-profit organisation supported by the United Nations Foundation. The organisation partners with UNICEF and WHO in India to improve living conditions by installing newer and more efficient stoves and heaters, facilitating the transition to gas and other sources of energy, and educating people on the risks of traditional indoor heating and how to reduce these risks.

Q-linea provides financial support to the Clean Cooking Alliance and considers the organisation's work extremely important There are multiple dimensions to these measures to reduce environmental impact. In addition to the goal of reducing child mortality, in Q-linea's view, reducing the rate of pneumonia can also reduce usage of antibiotics, thereby helping to stop the development of antibiotic resistance.

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 1,336 million (1,385). 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 1,161,769.35, distributed between 23,235,387 shares. Each share carries one vote. The quotient value per share is SEK 0.05.

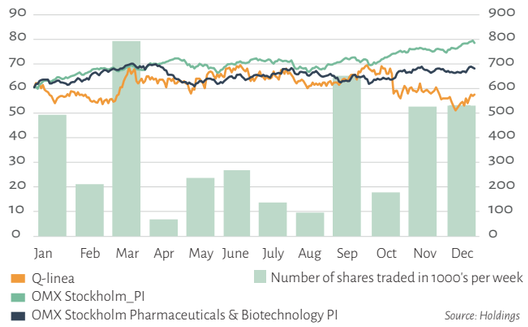
Share capital trend

	Number of shares, thousand	Share capital, SEK thousand
Opening balance, 1 January 2018	**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**
New share issue	211	11
New share issue	117	6
Closing balance on 31 December 2019	**23,235**	**1,162**

Share turnover

In 2019, a total of 4.2 million shares were traded at a value of SEK 255 million. An average of 16,826 Q-linea shares were traded each day.

Share price trend and turnover



Source: Holdings

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 2019[1)]

	Number of shares	Number of shares and votes
Nexttobe AB	9,799,957	42.18%
Investment AB Öresund	2,281,155	9.82%
Fourth Swedish National Pension Fund	1,855,465	7.99%
Länsförsäkringar Fonder	622,599	2.68%
Mats Nilsson	497,320	2.14%
Third Swedish National Pension Fund	491,846	2.12%
Ulf Landegren	461,580	1.99%
Jonas Jarvius	376,857	1.62%
Q-linea AB	328,472	1.41%
Second Swedish National Pension Fund	320,000	1.38%
Sundt AS	290,000	1.25%
Invesco	283,613	1.22%
Aktie-Ansvar Fonder	280,000	1.21%
SEB-Stiftelsen	275,000	1.18%
Swedbank Robur Fonder	270,000	1.16%
Anders Wall	254,922	1.10%
Peg Capital Partners AB	186,000	0.80%
Johan Stenberg	174,610	0.75%
Skandia Fonder	174,344	0.75%
Håkan Englund	160,802	0.69%
Holdings, 20 largest shareholders	**19,384,542**	**83.4%**
Other shareholders	3,850,845	16.6%
Total number of shares	**23,235,387**	**100%**

[1)] Ownership may refer to personal ownership or ownership through a company.

Source: Holdings

Financial objectives

Until the launch of ASTar in the US and European 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's current net sales and earnings are primarily based on non-recurring income under the licensing and partnership agreements that have been signed. Q-linea will continue to focus on further developing ASTar and related applications as well as preparing for the launch of ASTar. Q-linea will also set aside resources for expanding its project portfolio.

Dividends and dividend policy

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

At the end of 2019, Q-linea had two share-based incentive programmes of the performance share type. In December 2019, the company's employee share option programme was concluded, and participants had the opportunity to exercise their options. These three programmes are described in the Corporate Governance Report, in the section "Share-based incentive programme" on pages 41-42.

Analysts

Carnegie Investment Bank AB

- Ulrik Trattner
- Erik Hultgård
- Kristofer Liljeberg

Kempen

- Alex Cogut

Redeye

- Arvid Necander

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 2019 financial year. All figures pertain to 2019 and are compared with the 2018 financial year, unless otherwise stated.

Operations

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 2008 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 seven 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

In January, Q-linea AB announced that the company's first product, ASTar, is expected to be ready for launch 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 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.

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

In April, the company showcased the final design of ASTar to potential customers at the most important annual conference for us, The European Congress of Clinical Microbiology & Infectious Diseases (ECCMID), which was held in Amsterdam. At ECCMID, Q-linea primarily presented four pieces of news regarding ASTar, which resulted in fantastic feedback:

- An even simpler workflow using a new graphic interface and hands-on time of less than a minute
- Pre-production systems for ASTar
- A common antibiotics panel for the US and EU markets with a large concentration interval
- The ability to use ASTar as a semi-automatic system for analysing isolates

At the Annual General Meeting in May 2019, the Meeting resolved to re-elect directors Erika Kjellberg Eriksson, Mats Nilsson Bernitz, Ulf Landegren, Marcus Storch, Marianne Hansson, Per-Olof Wallström and Hans Johansson. Erika Kjellberg Eriksson was elected Chairperson and it was noted that Jon Heimer declined re-election. Due to the introduction of a long-term incentive programme (LTIP 2019), it was resolved to adopt the long-term incentive programme (LTIP 2019) and authorisation for the Board of Directors to issue and to buy shares, as well as transfer treasury shares. The registered accounting firm Öhrlings PricewaterhouseCoopers AB was re-elected as auditor.

The company strengthened its management team and appointed MD Tiziana di Martino as CMO (Chief Medical Officer), while Thomas Fritz was appointed CCO (Chief Commercial Officer), and they assumed their positions in July and September, respectively.

In June, the company submitted its final proposal regarding the US clinical study (pre-submission supplement) to the FDA Food and Drug Administration). The supplement contained a detailed description of the intended design of the US study and the specifics of the trial protocol.

In late October, the company announced that it had received an official response from the FDA, including a number of clarifications and highly positive feedback regarding the company's planned pivotal study with ASTar in the US. The FDA responded positively to Q-linea's proposed study design and also indicated a new regulatory path for including organism-antibiotic combinations for which there are currently no FDA-approved breakpoints. The FDA furthermore responded positively to the proposal to reduce the number of samples in the clinical performance study for certain low prevalence organisms. This specifically applied to an organism that requires an enriched culture medium (fastidious supplement).

Significant events after the end of the financial year

In February, Q-linea signed a global partnership with Thermo Fisher Scientific for the commercialisation of ASTar. Thermo Fisher Scientific will have exclusive rights to offer ASTar to the market in all geographic areas, with the exception of the Swedish market where Q-linea can distribute ASTar. 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.

Some of the effects of the new coronavirus could impact parts of Q-linea's operations, but on the date of signing of this Annual Report, it had only resulted in a higher percentage of employees working from home and slightly higher absence due to illness. Q-linea is taking action to protect its employees, assume its responsibility in society and at the same time minimise the negative impact on Q-linea's operations.

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 (previously known as 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.

In 2019, a major step was that the fully integrated version of the ASTar system was produced and implemented in Q-linea's own microbiology laboratory. To meet the increased internal need for consumables, successful action was taken to achieve more efficient production processes. About 600 clinical isolates were collected in 2019 for the clinical studies planned during 2020. More than half of these were also characterised using the reference method for the clinical performance study of ASTar. Continued constructive and positive communication with the FDA took place during the year to prepare for the future launch of ASTar in the US market. Furthermore, the company presented data on both ASTar and potential future applications at the world's largest infections conference, ECCMID, and the US equivalent, ASM-Microbe. As previously, these offer key opportunities for Q-linea to talk to future users and experts in the field to obtain feedback so that the company continues to develop products for which there are major patient and customer requirements.

At the end of 2019, Q-linea's IP portfolio comprised 17 different patent families and four registered design families, with a total of 91 patents and registered designs in various geographies. In total, at the end of 2019, Q-linea had 26 patents granted in various geographies, of which 16 were granted in 2019. The patents granted comprise those that describe aspects of ASTar, as well as patents that relate to potential future products.

Scaling up of production

As of October 2019, the company is leasing premises for the production and manufacturing of consumables for ASTar on

Palmbladsgatan, in Uppsala, Sweden. The premises are being adapted for Q-linea's requirements, with the construction of cleanrooms, laboratories, storage, goods handling and offices. During 2019, key milestones were reached to secure Q-linea's future production and manufacturing of consumables.

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

The company is looking forward to putting the new premises and production equipment into operation during 2020.

Income, expenses and earnings

Net sales for the full year totalled SEK 1,005 thousand (1,066), down SEK 61 thousand. The difference is mainly attributable to the decrease in licensing revenue from the agreement with EMPE Diagnostics.

Other operating income for the full year amounted to SEK 11 thousand (33) and was mainly attributable to exchange-rate gains.

Operating expenses including depreciation, amortisation and impairment totalled SEK 180,131 thousand (128,464) for the full year. The cost increase totalled SEK 51,667 thousand, corresponding to an increase of 40% compared with the preceding year.

The increase in the cost category of raw materials and consumables was due to the company ordering more ASTar prototype instruments and producing more consumables. External costs increased due to a higher number of consultants mainly in product development and production scale-up. Costs for the company's patents and costs for the adaptation of administrative capacity to meet expanded reporting obligations increased. The company gained access to premises for manufacturing consumables on Palmbladsgatan in Uppsala. These premises have been modified to the company's planned need for production capacity and were taken into use in the first quarter of 2020.

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. During the year, the management team was strengthened with the addition of Dr Tiziana di Martino (CMO) and Thomas Fritz (CCO).

Depreciation, amortisation and impairment of tangible and intangible assets amounted to SEK 4,127 thousand (3,037) for the full year. The increase was attributable to non-current assets acquired in the second quarter of 2018, for which depreciation and amortisation commenced in the third quarter of 2018.

Multi-year overview

Amounts in SEK thousand	2019	2018	2017	2016	2015
Earnings					
Net sales	1,005	1,066	1,500	81	1,917
Operating result	-179,115	-127,366	-67,869	-60,085	-39,139
EBITDA	-174,988	-124,329	-66,149	-58,443	-37,757

	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Financial position					
Total assets	374,407	539,068	18,397	16,861	13,962
Cash and cash equivalents, short and non-current assets	327,456	504,438	6,588	7,254	1,320
Equity	340,994	513,458	1,511	8,455	8,408
Equity/assets ratio, %	91%	95%	8%	50%	60%
Debt/equity ratio, %	-96%	-98%	-237%	-86%	-13%

The information for 2016-2019 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 2015 has been prepared in accordance with the Swedish Accounting Standards Board's recommendation BFNAR 2016:10 (K2). Refer also to Note 2.

Other operating expenses amounted to SEK 249 thousand (105) for the year and pertained largely to exchange-rate losses.

The operating result totalled SEK -179,115 thousand (-127,366) for the full year. The larger operating loss was mainly attributable to the increase in operating expenses.

Net financial items totalled SEK 1,761 thousand (-988) for the full year. The year-on-year improvement is mainly attributable to the return on listed bonds.

No tax was recognised for 2019 or 2018.

The result for the period totalled SEK -177,354 thousand (-128,353) for the full year.

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 company follows an investment policy approved by the Board of Directors. It contains, for example, rules on the management and investment of cash and cash equivalents. The average maximum fixed-interest period permitted is five years for the long-term bonds and investments are made in securities with an investment grade rating or equivalent. 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 year, 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 -169,760 thousand (-122,712) 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 -636 thousand (2,150) for the full year.

Cash flow from investing activities totalled SEK -159,827 thousand (-164,248) for the year. Investing activities refer to investments in tangible assets of SEK 7,636 thousand (1,398), short-term fixed-income funds of SEK 170,000 thousand (238,014) and listed corporate bonds of SEK 151,776 thousand (0).

Cash flow from financing activities totalled SEK 1,119 thousand (634,810) for the full year. During the year, employees received the opportunity to exercise employee share options, entailing that thecompany gained SEK 1,538 thousand, as well as the issue and acquisition of 328,472 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. During the preceding year, two new share issues were carried out, 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).

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. Q-linea has 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 70 (53) employees at year-end, 26 (19) of whom are women. The number of contracted consultants amounted to 36 (25) at year-end, seven (six) of whom are women. The average number of employees during the financial year was 62 (47). Total salaries, remuneration and social security contributions amounted to SEK 57,120 thousand (42,166). For information concerning remuneration to the Board of

Directors, President and other senior executives, refer to Note 9 and Note 23.

The share and shareholders

The company's three largest owners at year-end were Nextobe 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 2019, the company had 23,235,387 shares, of which 328,472 were treasury shares. Refer to the section "Corporate Governance Report"" on pages 34–47.

Future development

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.

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.

Sustainability and environment

For information on the company's sustainability agenda, refer to pages 24–25. The basis of strategic and everyday activities is Q-linea's Code of Conduct. The Code is based on the principles of the UN Global Compact, to which Q-linea became a signatory in 2018. Consequently, the company supports the fundamental principles on human rights, labour, environment and anti-corruption. Q-linea participates in the Uppsala 2030 network for a sustainable future.

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. 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.

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 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 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.

The novel coronavirus

Measures and potential impact

Q-linea has taken action to protect its employees, assume its responsibility in society and at the same time minimise the negative impact on Q-linea's operations. As of the date of the signing of this Annual Report, Q-linea has only seen a slight increase in sickness absence and a somewhat higher number of employees are working from home.

Although it is currently not possible to estimate the extent to which Q-linea's operations could be affected, the following are the significant areas that could be subject to the effects of any outbreak:

- The timeframe of planned clinical trials, if hospitals are tied up with activities related to SARS-CoV-2 and COVID-19
- Expense levels and financing strategy

Q-linea is monitoring the ongoing situation very closely and will implement further measures as required and keep the markets informed if the assessment of potential impact changes significantly. It is currently impossible to estimate the ultimate impact on the company.

Proposed appropriation of unrestricted equity

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

	SEK
Share premium reserve	697,061,574
Retained earnings	-179,930,347
Result for the year	-177,354,479
Total	**339,776,747**

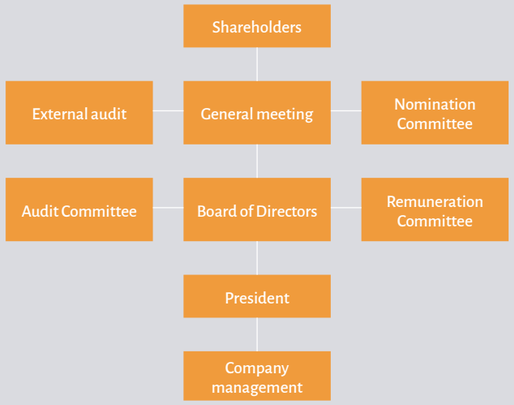
The Board proposes that profit be appropriated as follows: SEK 339,776,747 to be carried forward The Board proposes to the Annual General Meeting that no dividend be paid for 2019. For more information concerning the company's earnings and financial position, refer to the following income statement and 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. Q-linea's corporate governance is guided by the Swedish Companies Act, the company's Articles of Association, 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 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.

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 did not deviate from any of the rules stipulated in the Code in 2019. In addition, Q-linea was not subject to a ruling by Nasdaq Stockholm's Disciplinary Committee or statement from the Securities Council.

Shareholders

Q-linea's shares are listed on Nasdaq Stockholm. The company's share capital at 31 December 2019 amounted to SEK 1,161,769.35, distributed between 23,235,387 shares with a quotient value of SEK 0.05. Of these 23,235,387 shares, 328,472 are treasury shares. As of 31 December 2019, 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 42.18% (40.49) 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% 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.

2019 Annual General Meeting

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

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

1) At the end of the 2019 financial year, the company had issued and repurchased 328,472 shares.

Annual General Meeting 2020

Q-linea's 2020 Annual General Meeting will be held at 4:00 p.m. on 26 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 not later than 13 April 2020.

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 22 May 2019, 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 2019, 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 2020 Annual General Meeting:

a) Election of Chairperson for the Meeting,
b) Determination of the number of directors,
c) Determination of fees and other remuneration payable to the Board and its committees, divided between the chairpersons and other members,
d) Determination of audit fees,
e) Election of directors and Chairperson of the Board,
f) Election of auditors, and
g) Principles for the Nomination Committee's composition and work prior to the 2020 Annual General Meeting.

Ahead of the 2020 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 informationdisclosed 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 Articles of Association do not contain any provisions on appointing or dismissing 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 Marcus Storch 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 Marianne Hansson (Chairperson) and Erika Kjellberg Eriksson.

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 22 May 2019 resolved that an annual fee of SEK 320,000 should be paid to the Board's Chairperson, and SEK 160,000 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 2018 and 2019 financial years, remuneration was paid according to the table in Note 9 and Note 23.

Work of the Board in 2019

In 2019, the Board of Directors held 17 meetings at which minutes were taken. The participation of individual directors at these meetings is shown in the table on page 37. 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.
- 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. The annual evaluation was carried out in 2019 with a questionnaire sent to all directors with questions and space for comments. The results were positive. The areas that will be strengthened are primarily commercial, now that the company is evolving from being a dedicated development company to a company with products on the market. The results of the 2019 annual evaluation were submitted to the Nomination Committee.

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

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	17(17)	5(5)	5(5)
Jon Heimer[1)]	Director	Director since 2012, chairperson 2013–2018	Yes	No	2(7)		
Ulf Landegren	Director	Director since 2012	Yes	No	17(17)		
Mats Nilsson	Director	Director since 2008, Chairperson 2008–2013	No	Yes	16(17)		
Marcus Storch	Director	Director since 2018	Yes	Yes	17(17)		
Marianne Hansson	Director	Director since 2018	Yes	Yes	17(17)	5(5)	5(5)
Per Olof Wallström	Director	Director since 2018	Yes	No	17(17)	5(5)	
Hans Johansson	Director	Director since 2018	Yes	Yes	17(17)		
Total number of Board and Committee meetings					**17**	**5**	**5**

1) Jon Heimer declined reelection at the Annual General Meeting held on 22 May 2019.

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 2019 financial year is specified in the table below. All amounts are in SEK thousand.

Remuneration of the President and senior executives

Amounts in SEK thousand	President Jonas Jarvius	Other senior executives	Total
Fixed salary	2,636	9,876	**12,512**
Variable pay	516	901	**1,417**
Benefits	–	–	**–**
Other remuneration	7	66	**73**
Share-based remuneration	441	1,122	**1,563**
Total	**3,599**	**11,965**	**15,564**
Pension	607	1,953	**2,560**
Total	**4,206**	**13,918**	**18,124**

The level of remuneration to the President and senior executives increased in the 2019 financial year compared with 2018, due to new hires made in 2018 and 2019 as well as a review of applicable wage levels.

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 22 May 2019 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 fixed salary, customary employment benefits and pension. Variable pay may also be offered.

The fixed salary is to account for the individual's areas of responsibility and experience, and be reviewed annually. The division between fixed 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.

Base salary during a notice period and any severance pay, in total, may not exceed an amount equivalent to the fixed 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.

The Board of Directors' proposal for guidelines for executive remuneration

The Board of Directors of Q-linea AB (publ), Corporate Registration Number 556729-0217, proposes that the 2020 AGM resolve that the following guidelines for executive remuneration apply until the 2024 AGM, unless circumstances arise that entail that the guidelines need to be revised at an earlier point in time.

Scope and application of the guidelines

These guidelines encompass Q-linea's President and the member of Q-linea's management team at any time. If a director of the company performs work for the company alongside their Board assignment, these guidelines shall be applied to any remuneration paid to the director for such work.
The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2020 AGM. Remuneration equates to the transfer of securities and awarding rights to acquire securities from the company in the future.

The remuneration resolved by the general meeting, for example, share and share-price incentive programmes, are not encompassed by these guidelines.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Remuneration paid is to motivate company management to implement the company's business strategy and thus safeguard the company's long-term interests in a sustainable manner. The criteria for variable pay are to be structured so that they can be linked to this end.

Business strategies for the company are:

Regulatory strategy: carry out necessary regulatory activities for launch of the ASTar instrument and the consumables, including performing clinical studies in Europe and the US. The first product focuses on sepsis diagnostics;

Commercial strategy: Q-linea has entered an agreement with Thermo Fisher Scientific, a worldwide, already established sales partner that has local sales teams in the markets where Q-linea's products are to be launched The aim of this is 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 the potential income. The companies will work very closely together and Q-linea will have access to all aspects of the sales process and participate with applications specialists. The aim of the collaboration is to enable Q-linea to continuously be part of the development process and to receive feedback from customers, so that it can continue to develop customer-driven products in the best possible manner. The collaboration regarding service means that Thermo Fisher Scientific will manage all first-hand service and Q-linea will be responsible for expertise in connection with more complex issues;

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;

Intellectual property rights strategy: continue to develop and maintain a broad and relevant intellectual property portfolio; and

Service & support strategy: continue to build a free-standing service organisation with a focus on expert service, and continue to develop the company's applications specialists to participate in and follow up on customer visits.

For further information about the company's business strategy, www.qlinea.com/about-us/business-concept-and-strategy/.

The aim of the remuneration package to company management is to motivate, retain and reward qualified personnel for their contributions to achieving the company's business strategy, long-term interests and sustainability.

The incentive programme comprising share and share-price-based remuneration is resolved by the general meeting and is not included in these guidelines. However, the existing incentive programme is described below in order to provide a complete picture of the company's total remuneration package for company management. The existing, long-term share-based incentive programmes (LTIP 2018 and LTIP 2019) contain performance requirements linked to the business strategy.

Various forms of remuneration

The remuneration offered is to be on market terms and consist of fixed salary, variable cash remuneration, pension benefits and other benefits.

Fixed salary is to be individual for each senior executive and based on the executive's areas of responsibility and experience, and is to be reviewed every year. The division between fixed salary and any variable cash remuneration is to be proportionate to the executive's responsibilities and authorities.

Variable cash remuneration requires that the executive meet criteria that can be measured during the period of one year. The ceiling for variable cash salary is a maximum of 40% for the President and a maximum of 30% for other senior executives of the total fixed cash salary during the target fulfilment period measured. Variable cash remuneration shall not qualify for pension benefits unless required by mandatory collective agreement provisions. The Board 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, if particularly difficult economic circumstances were to prevail. The Board shall also have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable pay paid on incorrect grounds (claw-back).

Pension benefits are to be post-employment defined-contribution pension plans. For defined-contribution pension plans, Q-linea shall pay contributions to publicly or privately administered pension insurance plans on a compulsory, contractual or voluntary basis. The company has different pension levels for various categories of employees and ages. Pension premiums for premium defined pension shall amount to not more than 25% of the senior executive's annual fixed salary.

The following pension levels apply from the 2020 nancial year:

Age and category	Provision
Up to age 25	No provision
Between the age of 25 and 30	6.5%
Age 35 and above	12.5%
Member of OMG/SDG[1)]	+2.5%
Manager with more than ten employees	+5%
President and management team	22.5% – 25%

1) OMG – Operational Management Group, SDG – Strategic Development Group

Other benefits may include occupational health services, occupational group life assurance, health and medical insur-

ance and other similar benefits. Other benefits may amount to not more than 3% of the senior executive's annual fixed salary. In the commercial organisation (with the main focus on sales), a remuneration structure will be applied with a fixed salary and a commission-based part. It is the CEO who determine the detailed design of the model / conditions, which, however, must follow the industry standard and be optimized to create good incentive for the relevant employees.

Consultancy fees are to be on market terms. If consultancy services are performed by one of the company's directors, this director is not entitled to participate in the Board's (or the Remuneration Committee's) discussions regarding remuneration of such consultancy services.

Information on criteria and conditions for payment of variable pay

Short term incentive, STI

The choice of criteria (STI targets) for future years' STI that form the basis of payment of variable pay is to be adopted every year by the Board to ensure that the criteria are aligned with the company's business plan. These STI targets can be set both individually and collectively and are to be structured in such a manner that they promote the company's business plan. These criteria may be linked to, for example, the company achieving certain targets under the framework of its commercialisation plans, that company initiating or concluding certain steps or the company signing certain agreements. The outcome is to be compared with the established targets after the end of the measurement period. The outcome of the current year's STI programme is to be discussed at the end of the year by the Board and the President (after being prepared by the Remuneration Committee). The Board then makes a decision on the outcome without the presence of the President or CFO.

Long-term incentive programme (LTI)

LTIP 2018

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. The rights to receive performance shares were allotted free of charge in March 2019. 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, which are aligned with the company's business strategies. The performance share rights are earned as the performance targets are met.

LTIP 2019

The Annual General Meeting on 22 May 2019 resolved that a long-term incentive programme (LTIP 2019) would be implemented in the form of a performance share-based programme. The rights to receive performance shares were allotted free of charge in December 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, which are aligned with the company's business strategies. The performance share rights are earned as the performance targets are met.

Termination of employment and severance pay

The notice period for the President and other senior executives may not exceed six months if notice of termination of employment is made by the company. Fixed cash salary during the period of notice and any severance pay may together not exceed an amount equivalent to the President's or the senior executives' fixed cash salary for one year. The period of notice may not to exceed six months without any right to severance pay when termination is made by the executive.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income. The remuneration paid by the company shall amount to not more than 80%, for a maximum of six (6) months after the end of employment, of the monthly income at the time of termination of employment.

Salaries and employment conditions for employees not members of company management

In the preparation of these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report that will be prepared for paid and current remunerations encompassed by these guidelines

The decision-making process to determine, review and implement the guidelines

The Board has established a Remuneration Committee, whose tasks include preparing the Board's decision to propose remuneration principles, remuneration and other employment conditions for company management. The Remuneration Committee is also to monitor and evaluate variable pay plans for company management both ongoing and those completed during the year. The Committee shall also monitor and evaluate the application of the guidelines for executive remuneration that the general meeting is to resolve on according to law, as well as the current remuneration structures and compensation levels in the company.

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting.

The President and other members of the company management do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters

Derogation from the guidelines

The Board may temporarily resolve to derogate from the guidelines if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

Description of material changes to the guidelines

These guidelines were prepared by the Board's Remuneration Committee in consultation with the company's HR function and the proposal was approved for presentation to the 2020 AGM. The proposal essentially corresponds to the guidelines approved by the 2019 AGM.

Share-based remuneration programmes

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 were distributed to the participants in the employee share option programme in February 2020. The maximum dilutive effect for the exercise of the employee share options amounted to approximately 0.44%.

Performance share incentive programme 2018 (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 free of charge to participants of the programme.

Actual number of performance share rights 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 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 costs for the performance share-based programme are recognised continuously 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.

Performance share incentive programme 2019 (LTIP 2019)

The Annual General Meeting on 22 May 2019 resolved that a long-term incentive programme (LTIP 2019) would be implemented according to the following primary terms: In total, up to ten of the company's current or future employees will be offered to participate in the LTIP 2019. The participants, who were divided into two categories depending on their position, were offered the opportunity to receive ordinary shares free of charge under the framework of LTIP 2019, known as performance shares.

Furthermore, the company's Board was authorised by the AGM to issue 117,424 class C shares at a quotient value to Carnegie Investment Bank and to decide to repurchase class C shares through an acquisition offer. The AGM 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 2019 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 2019. These resolutions aimed to ensure delivery of performance shares within the framework of the incentive programme.

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

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

Performance shares will be allotted after the end of the performance period, which runs for three years from the time of implementation of the incentive programme.

The performance share rights were allotted free of charge in December 2019. In addition to the requirement that internal targets are met, the allocation of performance shares requires that the participant has been permanently employed at the Company throughout the performance period. The Board, or a special committee established by the Board, will be responsible for the further development and management of the terms of the incentive programme.

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

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

Maximum allotment of performance shares

Category	Maximum number of participants	Maximum no. of performance shares per participant	Maximum no. of performance shares per category
Management team	5	12,620	**63,100**
	5	5,250	**26,250**
Total	**10**	**–**	**89,350**

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 AGM on 22 May 2019. The shares were repurchased 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 allotted free of charge in December 2019. The table below shows the actual number of performance share rights issued per participant category.

Actual number of performance share rights issued 31 December 2019

Category	Maximum number of participants	No. of performance share rights issued per participant	Maximum no. of performance shares per category
Management team	2	12,620	25,240
Other key employees	3	5,250	15,750
Total	**5**	**–**	**40,990**

The programme measures performance over a three-year period starting in December 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 56.00 and is based on the closing price on the allotment date (20 December 2019).

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.

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 2020 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 22 May 2019 resolved that audit fees are to be approved and paid on an ongoing basis. Fees paid in 2019 and 2018 are shown in the table below.

	2019	2018
PwC, Öhrlings PricewaterhouseCoopers AB		
Audit assignment	461	502
Audits other than audit assignment	129	248
Tax advisory services	20	106
Other advisory services	56	4,443
Total	**666**	**5,299**

The amount pertaining "Other advisory services" in 2018 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.

Authorisations

The AGM on 22 May 2019 resolved that a long-term incentive programme would be implemented in the form of a performance-based share programme for certain employees of the company (LTIP 2019). The AGM also resolved to authorise the Board to resolve on a directed issue of not more than 117,424 Class C shares to Carnegie Investment Bank to ensure delivery of shares to employees under the LTIP 2019, as well as to secure potential social charges arising as a result of LTIP 2019, and to authorise the Board to resolve on the repurchase of all issued Class C shares for the same purpose.

Other than this, there are no authorisations granted by the general meeting for the Board to resolve on share issues, warrants and/or convertibles or acquisitions of shares.

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. The Board has made the assessment that, given the company's size and the scope of its transactions, as well as the skills in the field possessed by the Board and the Board's meeting with its auditors, there is no reason to establish a formal internal control function.

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

Q-linea's Board comprises a combination of entrepreneurs, inventors and people with industrial experience who represent the company's largest shareholders and provide active support to management. The Board of Directors consists of seven ordinary members: Erika Kjellberg Eriksson (Chairperson), Marianne Hansson, Hans Johansson, Ulf Landegren, Mats Nilsson, Marcus Storch and Per-Olof Wallström. Jon Heimer declined re-election as a director before the 2019 Annual General Meeting (AGM). The assignment for all directors applies for the period up until the end of the next AGM, which will be held on 26 May 2020. 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 also presented in the table on page 37.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1. Erika Kjellberg Eriksson

Chairperson since 2018, Director since 2012

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 CEO and Chairperson of Nexttobe AB, Chairperson of Linum AB, Bioimics AB, Navinci Diagnostic AB, Aros Biotech, Lumina Adhesives AB, Allgo Holding AB, Capilet Genetics AB, Lokon Pharma AB, Tanea Medical AB and Bluefish Pharmaceuticals AB (publ), Director of Sweden Carnica Group AB, Delta Projects AB, Vivolux AB and Findolon 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.

She is independent from the company and its management, but not from major shareholders.

2. Marianne Hansson

Director since 2018

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, Amylonix AB and ProtemEdge 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, CEO of Mariham Consulting AB and external CEO of ScandiBio Therapeutics AB, ScandiEdge Therapeutics AB, Amylonix AB and ProtemEdge AB.

Holdings in the company: Marianne Hansson owns 3,088 shares in the company through her wholly owned company Mariham Consulting AB.

She is independent from the company and its management as well as from major shareholders.

3. Hans Johansson

Director since 2018

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

Born: 1954

Education: MSc in chemical engineering.

Other ongoing assignments: Hans Johansson is Chairperson of Myrtila AB and Doloradix AB and a Director of Uppsala Innovation Centre AB, Immunovia AB (publ) and Swelife.

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

He is independent from the company and its management as well as from major shareholders.

4. Ulf Landegren

Director since 2012

Ulf Landegren is a senior professor of molecular medicine at Uppsala University and one of the founders of Olink Bioscience AB (the name was later changed to Navinci 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 Organisation.

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 senior professor of molecular medicine at Uppsala University. He also serves as a Director of Navinci AB, Landegren Gene Technology AB and the Swedish Foundation for Strategic Environmental Research (MISTRA).

Holdings in the company: Ulf Landegren owns 24,920 shares in the company. He owns an additional 436,660 shares in the company through his wholly owned company Landegren Gene Technology AB.

He is independent from the company and its management, but not from major shareholders.

5. Mats Nilsson

Director since 2008 (Chairperson 2008–2013)

Mats Nilsson is a professor of molecular diagnostics and has founded several companies in the biotech industry. He is one of Q-linea's founders. He has extensive board experience and has served 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).

Other ongoing assignments: Mats Nilsson is Scientific Director and professor of biochemistry at the Science for Life Laboratory at Stockholm University. He also serves as a Director of EMPE Diagnostics AB, CartaNA 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 Biocyclia Holding AB.

He is independent from major shareholders, but not from the company and its management.

6. Marcus Storch

Director since 2018

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.

He is independent from the company and its management as well as from major shareholders.

7. Per-Olof Wallström

Director since 2018

Per-Olof Wallström has 48 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 Nexttobe AB and Arosia Communication AB.

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

He is independent from the company and its management, but not from major shareholders.

Senior executives

The company's management team comprises nine individuals. Jonas Jarvius is Chief Executive Officer (CEO). Other senior executives in the company are Mats Gullberg (Vice President, Research Director), Thomas Fritz (Chief Commercial Officer/CCO), Anders Lundin (Chief Financial Officer, CFO, Investor Relations), Nils Kristensen (Chief Operating Officer, COO), Charlotta Göransson (Marketing Director), Tiziana Di Martino (Chief Medical Officer/CMO), 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 9,601 shares and 12,620 performance share rights in the company.

3. Thomas Fritz

CCO since 2019

Thomas Fritz has more than 20 years' commercial experience in the microbiology field.
He has also worked in clinical, pharmaceutical and industrial markets. He has led marketing, sales, customer service and support organisations in various regions. He was also CEO of a large manufacturing facility. In his previous role, he served as Senior Director, Commercial EMEA for the microbiology division of Thermo Fisher Scientific.

Born: 1964

Education: MSc in microbiology, University of Tübingen, Germany (1993)

Other ongoing assignments: Thomas Fritz is part-owner and CEO of ATC GmbH

Holdings in the company: Thomas Fritz owns 4,500 shares and 12,620 performance share rights in the company.

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. He owns an additional 14,705 shares in the company through his wholly owned company CFO Akuten AB.

5. 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 leadership and project management, and has been running businesses and R&D projects for over 30 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 CEO of Kristensen Consulting AB.

Holdings in the company: Nils Kristensen owns 441 shares and 12,620 performance share rights.

6. 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 in the company.

7. Tiziana Di Martino

CMO since 2019

Tiziana Di Martino has more than 16 years' experience in clinical practice, research and medical businesses in the microbial diagnostics industry. She has previously served as Regional Medical Affairs Manager at Abbott Molecular, Clinical and Scientific Affairs Manager EMEA at Abbott Point of Care and Head of Clinical Development EMEA at Accelerate Diagnostics. In these roles, she has successfully driven clinical projects related to new product launches.

Born: 1976

Education: MD, Università Cattolica del Sacro Cuore in Rome (2003); MSc in toxicology, University of Surrey (2011); MBA, London Business School (2014).

Other ongoing assignments: Tiziana Di Martino has no other current assignments.

Holdings in the company: Tiziana Di Martino owns 12,620 performance share rights in the company.

8. 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 in the company.

9. 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 CEO 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. He owns an additional 1,029 shares in the company through his wholly owned company Hardcover AB.

Income statement

Amounts in SEK thousand	Note	2019	2018
Operating income			
Net sales	5	1,005	1,066
Other operating income	6	11	33
Total operating income		**1,016**	**1,098**
Operating expenses			
Raw materials and consumables		-28,858	-21,054
Other external costs	7, 8	-75,847	-54,851
Personnel costs	9	-71,324	-49,417
Depreciation/amortisation of tangible and intangible assets	11, 12	-4,127	-3,037
Other operating expenses	6	-249	-105
Total operating expenses		**-180,131**	**-128,464**
Operating result		**-179,115**	**-127,366**
Other interest income and similar profit items		2,467	14
Interest expenses and similar loss items		-706	-1,002
Result from financial items		**1,761**	**-988**
Result before tax		**-177,354**	**-128,353**
Tax on result for the year	10	–	–
Result for the year		**-177,354**	**-128,353**

Statement of comprehensive income

Amounts in SEK thousand	Note	2019	2018
Result for the year		-177,354	-128,353
Total comprehensive income		**-177,354**	**-128,353**
Earnings per share before and after dilution, SEK	18	-7.74	-8.82
Average number of shares [1)]		22,906,915	14,559,462

[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 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets			
Licences	11	238	488
Technology and customer relationships	11, 24	586	752
Goodwill	11, 24	5,975	7,061
Total intangible assets		**6,799**	**8,302**
Tangible assets			
Equipment, tools, fixtures and fittings	12, 24	13,570	8,562
Total tangible assets		**13,570**	**8,562**
Financial assets			
Other securities held as non-current assets	13	123,973	2,997
Other long-term receivables		50	50
Total financial assets		**124,023**	**3,047**
Total non-current assets		**144,392**	**19,911**
Current assets			
Current receivables			
Accounts receivable		17	–
Other receivables	14	20,129	13,050
Prepaid expenses and accrued income	15	3,389	1,669
Total current receivables		**23,535**	**14,719**
Short-term investments			
Other short-term investments	16	180,512	150,000
Total short-term investments		**180,512**	**150,000**
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 AND LIABILITIES			
Equity			
Restricted equity			
Share capital	17	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	26	**339,777**	**512,313**
Total equity		**340,944**	**513,458**
Liabilities			
Long-term liabilities			
Loans from credit institutions	19	331	709
Total long-term liabilities		**331**	**709**
Current liabilities			
Loans from credit institutions	19	378	420
Accounts payable		9,181	9,824
Current tax liabilities		1,158	564
Other liabilities	20	2,496	4,685
Accrued expenses and deferred income	21	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	Note	Restricted equity: Share capital	Restricted equity: Unregistered share capital	Unrestricted equity: Share premium reserve	Unrestricted equity: Retained earnings	Unrestricted equity: Result for the year	Total equity
Equity at 1 January 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							
– Profit/loss deducted from share premium reserve		–	–	–	-67,879	67,879	**–**
Total comprehensive income		**–**	**–**	**–**	**-67,879**	**-60,474**	**-128,353**
Transactions with shareholders							
New share issue		570	–	690,942	–	–	**691,512**
Issue costs		–	–	-53,294	–	–	**-53,294**
Shareholder contribution received		–	–	–	822	–	**822**
Option programme	9	–	–	–	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**

Amounts in SEK thousand	Note	Share capital	Unregistered share capital	Share premium reserve	Retained earnings	Result for the year	Total equity
Equity at 1 January 2019		**1,145**	**–**	**695,528**	**-54,862**	**-128,353**	**513,458**
Comprehensive income							
Result for the year		–	–	–	–	-177,354	**-177,354**
Appropriation of profits in accordance with AGM decision							
– Carried forward to unrestricted equity		–	–	–	-128,353	128,353	**0**
Total comprehensive income		**–**	**–**	**–**	**-128,353**	**-49,001**	**-177,354**
Transactions with shareholders							
New share issue	17	16	5	1,533	–	–	**1,555**
Acquisition of own shares		–	–	–	-16	–	**-16**
Share-based remuneration programmes		–	–	–	3,301	–	**3,301**
Total transactions with shareholders	9	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	2019	2018
Cash flow from operating activities			
Operating result		-179,115	-127,366
Adjustments for non-cash items			
– Depreciation reversal		4,127	3,037
– Share-based remuneration programmes	9	3,301	1,260
– Licensing revenue paid through shares		-500	-1,000
– Unrealised changes in value in investments		98	-
Interest received		2,418	14
Interest paid		-47	-180
Tax paid		594	-628
Cash flow from operating activities before changes in working capital		**-169,124**	**-124,863**
Changes in working capital			
Increase/decrease in inventories		–	165
Increase/decrease in accounts receivable		-17	793
Increase/decrease in other current receivables		-8,799	-10,786
Increase/decrease in other current liabilities		8,823	9,397
Increase/decrease in accounts payable		-643	2,582
Changes in working capital		**-636**	**2,150**
Cash flow from operating activities		**-169,760**	**-122,712**
Cash flow from investing activities			
Investments in tangible assets		-7,632	-1,398
Acquisition of business	24	–	-12,800
Short-term investments	16	-170,000	-238,014
Divestment of short-term investments	16	169,581	88,014
Investments in financial assets		-151,776	-50
Cash flow from investing activities		**-159,827**	**-164,248**
Cash flow from financing activities			
New share issue		1,555	691,512
Issue costs		–	-53,294
Acquisition of treasury shares		-16	–
Loans raised	19, 24	–	12,800
Repayment of loans	19, 24	-420	-16,209
Cash flow from financing activities		**1,119**	**634,810**
Cash flow for the period		**-328,470**	**347,849**
Cash and cash equivalents at the beginning of the year		354,438	6,588
Cash and cash equivalents at the end of the year		**25,968**	**354,438**

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 infection diagnostics 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, ASTar™, 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 2020.

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 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 capital
Transaction costs that are directly attributable to issues or new shares or options are recognised in net amounts after tax in equity as a deduction from the issue proceeds. On the repurchase of treasury shares, the total purchase consideration paid reduces equity.Holding of treasury shares are recognised in share capital at the quotient value of the shares. The holding of treasury shares has been excluded from the calculation of per-share performance measures.

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
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 2019.

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.

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:

- Licences 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. 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 that was raised from the owners in 2018. 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 essentially 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 of the financial assets (other securities held as non-current assets that pertain to shareholdings). Impairment takes place if the decline in value is deemed to be permanent and 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.

Employee share option 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. Payments received, less any directly associated transaction costs, are credited to share capital and other paid-in equity.

Performance share-based programmes LTIP 2018 and LTIP 2019
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.

Social security contributions
The social security contributions arising on the allotment of performance share rights are considered to be an integrated part of the allotment and the cost is treated as a cash-settled share-based remuneration, which means that a liability is recognised in the balance sheet. This liability is continuously remeasured and the value of the liability and the cost in profit or loss depend on the change in value and on the allocation based on the vesting of the options.

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.
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

	2019	2018
Operating result	-179,115	-127,366
Depreciation, amortisation and impairment	4,127	3,037
EBITDA	**-174,988**	**-124,329**

Equity/assets ratio

	31 Dec 2019	31 Dec 2018
Total assets	374,307	539,068
Equity	340,944	513,458
Equity/assets ratio (%)	**91%**	**95%**

Equity per share

	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**

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

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%.

SEK thousand	Sales	Expenses	Result for the year	Change +/- 5%
2019				
EUR		-4,779	-4,779	+/-239
USD		-3,971	-3,971	+/-199
GBP		-3,817	-3,817	+/-191
DKK		-211	-211	+/-11
CHF		-73	-73	+/-4
SEK	1,016	-165,519	-164,503	+/-0
Total	**1,016**	**-178,370**	**-177,354**	**+/-644**

SEK thousand	Sales	Expenses	Result for the year	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
SEK	1,098	-119,726	-118,628	+/-0
Total	**1,098**	**-129,452**	**-128,353**	**+/-486**

Currency risk attributable to the balance sheet
Currency risk attributable to the company's balance-sheet items is insignificant.

Interest rate risk attributable to cash flows and fair values
Q-linea had interest-bearing assets with a current variable rate amounting to SEK 212,059 thousand at year-end. The theoretical earnings effect that would arise if the company's interest rate were to change by +/- 1% amounts to +/- SEK 2,121 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.

The company follows an investment policy that stipulates the regulations for managing Q-linea's cash funds based on the guidelines approved by the Board. The investment policy stipulates regulations in the following areas:

- Permitted classes of assets and limitations for the various classes of assets
- Restrictions on one-handed commitments
- Periodic monitoring of holdings
- Ethical requirements

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. The average maximum fixed-interest period permitted is five years and investments are made in securities with an investment grade rating or equivalent.

The company conducted two new share issues during the first and third quarters of 2019. These share issues generated a total of SEK 1,555 thousand (638,219) in cash and cash equivalents.

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 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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2019				
Borrowing	378	252	79	–
Other liabilities	11,677	–	–	–
Total	**12,055**	**252**	**79**	**–**
At 31 December 2018				
Borrowing	420	378	331	–
Other liabilities	14,509	–	–	–
Total	**14,929**	**378**	**331**	**–**

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.

Credit risk regarding bonds
The company invests in corporate bond with high credit ratings, which means that all bonds have a rating higher than BBB-. The company has decided to invest in several sectors and diversify the maturity structure over various periods for the next four years. Interest rate risk has also been considered and divided evenly between variable fixed interest.

Credit risk regarding accounts receivable
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 its ability to continue its operations, so that the company 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%.

The debt/equity ratio on 31 December 2019 was as follows:

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)	**-326,746**	**-503,309**
Equity (i)	**340,944**	**513,458**
Debt/equity ratio (h/i) (%)	**-96%**	**-98%**

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 2019.

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 572,462 thousand (396,601) on 31 December 2019.

Performance share-based programme
In 2019, the company initiated two share-based incentive programmes (LTIP 2018 and LTIP 2019). The company's President, management team and other key individuals were allotted 142,720 performance share rights in LTIP 2018 and 40,990 in LTIP 2019 free of charge. The distribution of the number of performance share rights to the company's President, management team and other key individuals is presented in the tables in the Corporate Governance Report section on pages 41-42.

The performance share rights are subject to certain vesting conditions and are expensed in line with these conditions being met. The expense is recognised based on vesting, assumptions of staff turnover, fulfilment of operational objectives, and the management and Board of Directors' best estimate of the participants' ability to be allotted shares.

The final cost upon redemption in 2022 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:

	2019	2018
Sweden	1,005	1,066
Total net sales by geographic market	**1,005**	**1,066**

Net sales are specified by type of income as follows:

	2019	2018
Licensing revenue	500	1,000
Prototype development	505	66
Total net sales by type of income	**1,005**	**1,066**

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 SEK 0 thousand (540):

	2019	2018
Short-term contract liabilities attributable to licensing revenue	–	500
Short-term contract liabilities attributable to prototype development	–	40
Total contract liabilities	**–**	**540**

In the first half of 2019, the remaining SEK 540 thousand of the short-term contract liabilities, attributable to licensing revenue and prototype development on 31 December 2018, was recognised in income.

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

	2019	2018
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

Note 6 Other operating income and other operating expenses

Other operating income

	2019	2018
Government assistance	–	11
Other	11	22
Total other operating income	**11**	**33**

Other operating expenses

	2019	2018
Exchange-rate differences	249	105
Total other operating expenses	**249**	**105**

Note 7 Operating leases

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

	31 Dec 2019	31 Dec 2018
Due for payment within one year	5,614	3,452
Due for payment later than one year but within five years	13,763	3,457
Due for payment later than five years		
Total	**19,377**	**6,909**
Expensed lease payments for the period	4,347	3,078
- of which, variable index costs	100	53

Operating leases comprise rent for premises and office equipment.

The lease with the longest contract period expires on 30 September 2024, but the tenant can also terminate the lease in advance on 30 September 2023. Otherwise, the lease will be extended by an additional three years.

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.

The amount pertaining to 2018 under "Other advisory services" includes fees of SEK 1,620 thousand for other audit activities. All of the fees below pertain to remuneration to the audit firm Öhrlings PricewaterhouseCoopers AB and no portion pertains to its network. No remuneration was paid for valuation services.

	2019	2018
PwC, Öhrlings PricewaterhouseCoopers AB		
Audit assignment	461	502
Audits other than audit assignment	129	248
Tax advisory services	20	106
Other advisory services	56	4,443
Total	**666**	**5,299**

Note 9 Employee benefits and disclosures on employees

Employee benefits

	2019	2018
Salaries and remuneration	43,800	32,929
Social security costs	13,320	9,237
Share options allotted to employees	3,301	1,260
Pension costs – defined-contribution plans	6,218	3,949
Total	**66,639**	**47,374**

Employee benefits

The disclosures for 2018 were corrected since Salaries and other remuneration for the Directors, President and other senior executives were not included in variable pay.

	2019		2018	
	Salaries and other remuneration	Pension costs	Salaries and other remuneration	Pension costs
Directors, President and other senior executives	14,959	2,560	8,705	1,197
of which, variable pay	1,417		1,737	
Other employees	28,841	3,658	24,224	2,751
of which, variable pay	–		2,954	
Total	**43,800**	**6,218**	**32,929**	**3,949**
of which, variable pay	**1,417**		**4,691**	

Average no. of employees

	2019		2018	
	Average no. of employees	Of whom, men	Average no. of employees	Of whom, men
Sweden	62	39	47	29
Total	**62**	**39**	**47**	**29**

Other senior executives refers the individuals who, together with the President, comprised the management team during the year. On 31 December 2019, the management team, excluding the President, comprised eight people (two women and six men). During the 2019 financial year, Q-linea recruited Thomas Fritz (CCO) and Dr Tiziana Di Martino (CMO) who are both members of the management team.

At the 2018 Annual General Meeting, four directors were elected (one woman and three men) and the Board thereafter comprised a total of eight directors (two women and six men). Director Jon Heimer declined re-election before the 2019 Annual General Meeting (AGM). On 31 December 2019, the Board comprised seven directors (two women and five men).

Shared-based 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 financial year 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 financial year, no employee share options were allotted, 2,622 options expired and 5,128 options were exercised by the option holder to subscribe for new shares. 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%.

The company has issued warrants to ensure the delivery of the shares to the appropriate employees when they exercise the employee share options. In December 2019, 5,128 exercised options were converted into 102,560 shares. These shares were distributed to the option holders in February 2020. 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.

Number of allotted employee share options

Number	31 Dec 2019	31 Dec 2018
Opening number	7,750	7,645
allotted during the period	–	–
exercised during the period	-5,128	–
expired during the period	-2,622	-350
Correction	–	455
Closing number	**0**	**7,750**

The weighted average price of the shares issued was SEK 56.31 per share.

Employee share options are subject to standard recalculation conditions in connection with issues, etc.

Performance share-based programme
At the end of the year, Q-linea had two ongoing share-based remuneration programmes, LTIP 2018 and LTIP 2019.

Allotted performance share rights issued per programme, 31 December 2019

Number	LTIP 2018	LTIP 2019
Opening number	0	0
allotted during the period	142,720	40,990
exercised during the period	–	–
expired during the period	–	–
Closing number	**142,720**	**40,990**

Actual number of performance share rights issued for LTIP 2018 per category, 31 December 2019

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**

Actual number of performance share rights issued for LTIP 2019 per category, 31 December 2019

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

Allotment date

	LTIP 2019	LTIP 2018
Allotment date	20 Dec 2019	1 Mar 2019
Term	3 years	3 years
Share price on allotment date	SEK 56.00	SEK 55.54
Share price on 31 December 2019	SEK 57.50	SEK 57.50

Performance share-based programme LTIP 2018
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 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. The cost recognised for the year including social security contributions amounted to SEK 2,079 thousand (0).

Performance share-based programme LTIP 2019
The Annual General Meeting on 22 May 2019 resolved 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 for the year amounted to SEK 10 thousand (0).

Refer to the section "Performance share-based incentive programme" on pages 41–42.

Note 10 Tax on result for the year

Tax on result for the year

	2019	2018
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:

	2019	2018
Result before tax	-177,354	-128,353
Income tax calculated according to prevailing tax rate in Sweden (21.4%)	37,954	28,238
Issue costs not included in result	–	11,725
Non-taxable income	116	–
Non-deductible costs	-204	-90
Loss carryforwards for which no deferred tax asset has been recognised	-37,865	-39,873
Tax on result for the year	**0**	**0**

As of 31 December 2019, the company's accumulated loss carryforwards from prior years and from the current financial year amounted to approximately SEK 572,462 thousand (396,601). No deferred tax assets have been recognised in the balance sheet; refer to Note 4.

Note 11 Intangible assets

Total research and development expenses that have been expensed amounted to SEK 121,686 thousand (98,128), corresponding to 68% (76) of operating expenses.

	Licences	Technology and customer relation-ships	Goodwill
31 Dec 2019			
Opening cost	5,500	835	7,605
Closing accumulated cost	5,500	835	7,605
Opening amortisation	-5,012	-83	-543
Amortisation for the year	-250	-166	-1,086
Closing accumulated amortisation	-5,262	-249	-1,630
Closing carrying amount	**238**	**586**	**5,975**
31 Dec 2018			
Opening cost	5,500	–	–
Additional items through business combinations	–	835	7,605
Sales and scrapping	–	–	–
Closing accumulated cost	5,500	835	7,605
Opening amortisation	-4,226	–	–
Amortisation for the year	-786	-83	-543
Closing accumulated amortisation	-5,012	-83	-543
Closing carrying amount	**488**	**752**	**7,061**

Note 12 Tangible assets

Equipment, tools, fixtures and fittings

	31 Dec 2019	31 Dec 2018
Opening cost	14,051	6,701
Purchases	7,632	2,088
Additional items through business combinations	–	5,977
Sales and scrapping	-40	-715
Closing accumulated cost	**21,643**	**14,051**
Opening depreciation	-5,489	-3,889
Sales and scrapping	34	25
Depreciation for the year	-2,619	-1,625
Closing accumulated depreciation	**-8,073**	**-5,489**
Closing carrying amount	**13,570**	**8,562**

Note 13 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 year. The bonds have a term of more than 12 months. The fair value of the bonds at the end of the year 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 2,467 thousand (14) for the year.

The item includes participations in EMPE Diagnostics AB acquired on 22 December 2017. The company has a total of 23,400 shares in EMPE for a shareholding of 8.26%. Participations were recognised at cost in the balance sheet, SEK 2,997 (2,997), which is deemed to comprise the fair value at end of the period. As of 31 December 2019, the company deemed that there was no impairment requirement for the participations in EMPE Diagnostics AB.

Note 14 Other receivables

	31 Dec 2019	31 Dec 2018
VAT receivable	6,472	5,789
Advance payments to suppliers	11,509	3,344
Receivables from suppliers	0	3,730
Other	2,149	187
Total other receivables	**20,129**	**13,050**

Note 15 Prepaid expenses and accrued income

	31 Dec 2019	31 Dec 2018
Prepaid rent	1,485	831
Prepaid insurance costs	70	57
Prepaid marketing costs	600	515
Prepaid IR expenses	160	–
Prepaid expenses for software	762	–
Other items	311	266
Total prepaid expenses and accrued income	**3,389**	**1,669**

Note 16 Short-term investments

	31 Dec 2019	31 Dec 2018
Fixed-income funds	150,419	150,000
Listed corporate bonds	30,093	–
Total short-term investments in the balance sheet	**180,512**	**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.

Listed corporate bonds include the short-term component of the company's corporate bonds with a maturity of less than 12 months. The company investments in corporate bonds with high credit ratings. The fair value of the short-term investments at the end of the year amounted to SEK 180,689 thousand (150,007) (level 1 in the fair value hierarchy).

Note 17 Share capital trend

	Number of shares, thousand	Share capital, SEK thousand
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**
New share issue	211	11
New share issue	117	6
Closing balance on 31 December 2019	**23,235**	**1,162**

The company's share capital at year-end amounted to SEK 1,161,769.35, distributed between 23,235,387 shares. The quotient value per share is SEK 0.05.

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.

Note 18 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.

	2019	2018
Result for the year, SEK thousand	-177,354	-128,353
Weighted average number of shares outstanding	22,906,915	14,559,462
Earnings per share before and after dilution (SEK)	**-7.74**	**-8.82**

Note 19 Borrowing

	31 Dec 2019	31 Dec 2018
Borrowing at the beginning of the year	1,129	3,000
Borrowing, Group companies	–	12,800
Additional borrowing through business combinations	–	1,537
Repayment	-420	-16,209
Borrowing at the end of the year	**709**	**1,129**

Borrowing at the end of the year of SEK 709 thousand (1,129) is recognised in the balance sheet as a long-term liability of SEK 331 thousand (709) and a short-term liability of SEK 378 thousand (420).

Cash flow statement

		Changes affecting cash flow	
SEK thousand	1 Jan 2019	Repayment	31 Dec 2019
Long-term loans from credit institutions	709	-378	331
Short-term loans from credit institutions	420	-42	378
Total	**1,129**	**-420**	**709**

Note 20 Other current liabilities

	31 Dec 2019	31 Dec 2018
Personnel-related liabilities	2,496	4,685
Total other liabilities	**2,496**	**4,685**

Note 21 Accrued expenses and deferred income

	31 Dec 2019	31 Dec 2018
Accrued personnel costs	9,785	2,989
Prepaid licensing revenue	–	500
Deferred income	–	40
Accrued audit fees	340	335
Accrued expenses for consultants	2,822	1,730
Accrued expenses for advisory services	1,187	2,600
Accrued expenses for modifications to premises	1,275	–
Accrued expenses for external consultants	842	–
Accrued expenses for raw materials	1,880	–
Other	1,787	1,213
Total accrued expenses and deferred income	**19,919**	**9,407**

Note 22 Pledged assets and contingent liabilities

The company has pledged assets in an ownership reservation with Nordea Finans that amounted to SEK 709 thousand (1,129) at year-end. The company had no contingent liabilities at year-end 2019 or 2018.

Note 23 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 in 2019 were paid to directors that were not employed in the Nexttobe Group. These fees amounted to SEK 1,030 thousand (472).

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	Variable pay	Pension costs	Share-based remuneration	Other remuneration [5]	Total
2019						
Board Chairperson Erika Kjellberg Eriksson [1]	–	–	–	–	–	–
Director Jon Heimer [2]	–	–	–	–	–	–
Director Mats Nilsson	155	–	–	–	–	155
Director Ulf Landegren	155	–	–	–	–	155
Director Marcus Storch	155	–	–	–	–	155
Director Marianne Hansson	225	–	–	–	–	225
Director Per-Olof Wallström	185	–	–	–	–	185
Director Hans Johansson	155	–	–	–	–	155
President Jonas Jarvius	2,636	516	607	441	7	4,206
Other senior executives (8 people) [4]	9,876	901	1,953	1,122	66	13,918
Total	**13,542**	**1,417**	**2,560**	**1,563**	**73**	**19,154**
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**

1) Chairperson from the Annual General Meeting in June 2018, employed by the Nexttobe Group.
2) Chairperson until the 2018 Annual General Meeting. declined reelection and stepped down at the 2019 Annual General Meeting, employed by the Nexttobe Group.
3) One senior executive stepped down in April, one joined the company in July and another joined the company in August 2018.
4) One senior executive joined the company in April 2019 and another joined the company in September 2019.
5) Other remuneration comprises health insurance and fitness subsidies.

Financial loan transactions with related parties
Nexttobe AB is Q-linea's largest owner with a holding of 42.2% (40.5). In connection with the acquisition of the operations of Umbrella Science 2018, Q-linea raised a short-term interest-free loan of SEK 12,800 thousand (0) from Nexttobe AB. The loan was measured at amortised cost and amounted to SEK 11,978 thousand (0) plus interest of SEK 822 thousand (0), 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 was 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 AB and Q-linea during 2017. Q-linea recognised SEK 500 thousand (1,000) 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. One of Q-linea's senior executives, Mats Gullberg, is a director of EMPE Diagnostics AB.

Note 24 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:

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 were recognised in 2018 in Other external costs in profit or loss.

Note 25 Significant events after the end of the financial year

In February 2020, Q-linea signed a global partnership agreement with Thermo Fisher Scientific for the commercialisation 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.

Some of the effects of the new coronavirus could impact parts of Q-linea's operations, but on the date of signing of this Annual Report, it had only resulted in a higher percentage of employees working from home and slightly higher absence due to illness. Q-linea is taking action to protect its employees, assume its responsibility in society and at the same time minimise the negative impact on Q-linea's operations.

Note 26 Proposed appropriation of unrestricted equity

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

	SEK
Share premium reserve	697,061,574
Retained earnings	-179,930,347
Result for the year	-177,354,479
Total	**339,776,747**

The Board proposes that profit be appropriated as follows: SEK 339,776,747 to be carried forward.

The Board proposes to the Annual General Meeting that no dividend be paid for 2019.

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 2020

Jonas Jarvius
President

Erika Kjellberg Eriksson
Chairperson

Mats Nilsson
Director

Ulf Landegren
Director

Marcus Storch
Director

Marianne Hansson
Director

Per-Olof Wallström
Director

Hans Johansson
Director

Our Auditor's Report was submitted on 16 April 2020

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 2019 except for the corporate governance statement on pages 34-47. The annual accounts of the company are included on pages 28-69 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 2019 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 34-47. 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 other securities held as non-current assets 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 misstatement 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	How our audit addressed the key audit matter
Research and development expenses	
According to Note 11, expenses for the company's research and development activities amounted to SEK 122 million during the 2019 financial year. This corresponds to 68 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.	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 74-75. The Board of Directors and the Managing Director 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 Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director 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 Managing Director 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 Managing Director of Q-linea AB (publ) for the year 2019 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 Managing Director 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 Managing Director

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 organization 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 organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill 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 Managing Director 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 34-47 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 27 May 2019 and has been the company's auditor since April 2007.

Uppsala 16 April 2020

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

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Page	Source:
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	Perez et al, Arch Pathol Lan Med 137:1247-1254, 2013, Perez et al J Infect. 2014 Sep;69(3):216-25, 2014, Bauer et al Clin Infect Dis 51:1074-1080, 2010) Patel et al, J Clin Microbiol. Jan 2017; 55(1): 60–67.
17	Becton Dickinson Investor Day, 17 November 2016. Further information is available on Becton Dickinson's website under the tab for 2016. http://phx.corporate-ir.net/phoenix.zhtml?c=6410 6&p=quarterlyearnings.

Glossary

AST
Antibiotic susceptibility testing.

Antibiotic resistance
When bacteria develop the ability to defeat antibiotics.

Broad-spectrum antibiotics
Antibiotics that act against a wide range of, but not all, bacteria.

CAGR
Compound annual growth rate.

CE marking
Conformité Européenne (European Conformity), a certification mark used primarily in the EU and EEA.

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.

CMS
Centers for Medicare and Medicaid Services in the US.

CPT codes
Current procedural terminology, the medical codes used for medical services and procedures performed by physicians.

DRG
Diagnosis-related group, a system for classifying hospital treatments linked to the diagnosis and patient.

ECCMID
European Congress of Clinical Microbiology and Infectious Diseases.

EEA
The European Economic Area.

EUCAST
European Committee on Antimicrobial Susceptibility Testing

Food and Drug administration (FDA)
The US Food and Drug administration, which is responsible for market approval of IVD products.

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-.

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-positive bacteria are often referred to as G+.

In vitro diagnostics (IVD)
The study of a living microorganism, cell or biomolecule outside its normal context.

Clinical studies
By clinical study, we mean a pivotal clinical study. 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.

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.

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).

Rapid ID
Rapid ID means a rapid microbial identification.

Upcoming reporting dates

7 May 2020	Interim report January to March 2020
26 May 2020	Annual General Meeting
16 July 2020	Interim report January to June 2020
5 November 2020	Interim report January to September 2020

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