

Strong study results and virtual presentation of ASTar

Second quarter: 1 April–30 June 2020

- Net sales amounted to SEK 0.1 million (0.5).
- The operating result totalled SEK -58.6 million (-44.5).
- The result for the period amounted to SEK -57.4 million (-44.0).
- Earnings per share before and after dilution amounted to SEK -2.37 (-1.92).
- Cash flow from operating activities totalled SEK -54.8 million (-40.9).

Period: 1 January–30 June 2020

- Net sales amounted to SEK 0.2 million (1.0).
- The operating result totalled SEK -114.5 million (-81.2).
- The result for the period amounted to SEK -113.4 million (-80.3).
- Earnings per share before and after dilution amounted to SEK -4.81 (-3.50).
- Cash flow from operating activities totalled SEK -113.9 million (-81.9).
- At 30 June 2020, cash and cash equivalents totalled SEK 38.0 million (26.0). Short-term investments in fixed-income funds amounted to SEK 235.4 million (150.4), short-term components of listed corporate bonds to SEK 95.1 million (30.1) and long-term investments in listed corporate bonds to SEK 90.4 million (121.0).

Significant events

in the second quarter of 2020

- Q-linea carried out a directed issue of four million shares in June 2020, raising gross proceeds of SEK 270 million.
- Q-linea announced positive results from prospective study with ASTar.
- The Annual General Meeting was held on 26 May. Refer to “Other information” for information about the resolutions passed at the Annual General Meeting.

after the end of the period

- No significant events took place after the end of the period.

Strong study results and virtual presentation of ASTar



After an intense quarter – during a year marked by the coronavirus pandemic – I am pleased to present Q-linea’s progress in its efforts to bring its key product, ASTar, to market.

The pandemic has naturally affected the mood at Q-linea, but we have thankfully been spared most of its direct and indirect effects. While the situation could certainly change as more countries relax their travel and social distancing restrictions, we remain cautiously positive.

Despite the challenges of the pandemic, such as the need to conduct digital meetings rather than in-person meetings, our collaboration with Thermo Fisher Scientific is progressing very well and according to plan. We have held frequent meetings, during which our collaboration has been intensified and expanded. Those who follow Thermo Fisher Scientific’s work in microbiology know that the company is doing exciting things in the field, and we see clear synergies with ASTar.

During the quarter, we held our first market presentation of ASTar, during which we shared a little more information about the underlying technology. Our aim is to show how well-thought-out ASTar is in order to convincingly demonstrate the major benefits it will offer. The presentation is still available on our website, and the overall response has been highly positive.

In May, we announced excellent results from a prospective patient study conducted together with the laboratory for clinical microbiology at Uppsala University Hospital. We are pleased that the study could be carried out despite these challenging times for healthcare.

In the study, ASTar analysed samples from 17 patients and the antibiotic panel consisted of 29 antibiotic preparations, covering both fastidious¹ and non-fastidious bacteria. The results (Essential Agreement: 94.5%, Categorical Agreement: 97.3%)

were well above the regulatory requirements for the EU and the US (at least 90% in both categories).

These strong results and our positive collaboration bode well for the major prospective performance study involving 80 to 100 patients to be carried out in the autumn. In addition, we can also announce that we have signed a contract with Uppsala University Hospital to be the first hospital involved in the study. This study will form part of the documentation in the ongoing process for CE-IVD approval and submission to the FDA. We have numerous ASTar units in operation at our laboratory and a number of other activities under way ahead of the clinical studies. We plan to begin analytical and clinical validation during the second half of the year.

The prospective clinical part of the study is expected to take approximately three months and will initially start in Europe, since US sites are still closed. We are currently reviewing the design of the US study. A portion of the study may be carried out internally following a response by the FDA, and Thermo Fisher Scientific may be able to help us gain access to US laboratories, but all of this naturally depends on the development of the coronavirus pandemic.

At the Annual General Meeting in May, Mario Gualano was elected as a new director of the company. Mario has an extremely impressive background. With over 25 years of experience in the microbiology and diagnostics industry – the last 15 of which he spent at Thermo Fisher Scientific – he is an enormous asset for Q-linea. I feel humbled and thankful that we have succeeded in attracting such a leading expert and see this as an important step for us as a company.

In summary, I am proud of what we achieved during the quarter and know that we still have an interesting and intense journey ahead of us. During the quarter, we carried out a directed issue that raised gross proceeds of SEK 270 million for the company. This money will primarily be used for the commercialisation of ASTar. I would like to take this opportunity to thank our owners – both old and new – for the confidence you have shown in us and I look forward to continuing this journey with you all.

Uppsala, July 2020, Jonas Jarvius, President

¹ Bacteria that require richer growth media to perform AST analyses

ASTar nearing the validation phase

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

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

Developments in the second quarter of 2020

Consumables

- Following a design review, the design of the consumables was finalized during the quarter. The locked-down design includes all components, reagents and packaging included in the future product. The consumables will now undergo product verification in order to formally demonstrate that the product specifications have been fulfilled.
- The consumables for product verification were produced by the company's pilot production department, and production process validation also continued during the quarter.

Instruments

- The first Alpha 3 instruments were put into operation at Q-linea's microbiology laboratory. Alpha 3 is the instrument generation on which the clinical performance study will be conducted and which will then form the basis for the commercial instruments. The instruments are currently being used, for example, to carry out tests with positive blood cultures and for product verification of consumables.

Clinical performance study

- According to the company's assessment, the collection and characterisation of bacterial isolates ahead of the clinical performance study to be carried out primarily in Europe is now complete. Supplementary collection and reference characterisation may be carried out as needed for the fresh samples collected during the clinical performance study.
- The company has signed an agreement with Uppsala University Hospital for the completion of the clinical performance study.

Financial performance in brief

Comments on the report

Figures in parentheses refer to the outcome for the corresponding period in the preceding year with respect to earnings and cash flow and to the closing balance in the preceding financial year with respect to the balance sheet.

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

Income, expenses and earnings

Net sales for the second quarter amounted to SEK 65 thousand (537), a decrease of SEK 472 thousand compared with the year-earlier period.

Net sales for the first half of the year totalled SEK 243 thousand (963), down SEK 720 thousand. This decrease is mainly attributable to the company's planned lack of licensing revenue due to the termination of the agreement with EMPE in 2019.

Other operating income amounted to SEK 162 thousand (0) for the second quarter and SEK 170 thousand (23) for the first half of the year.

Operating expenses including depreciation, amortisation and impairment totalled SEK 58,834 thousand (45,031) for the second quarter, up SEK 13,803 thousand compared with the corresponding quarter in the preceding year. Operating expenses for the first half of the year totalled SEK 114,920 thousand (82,206), up SEK 32,714 thousand.

The increases in the second quarter and the first half of the year were primarily due to the planned increase in the production of prototypes as well as increased personnel resources.

Costs for raw materials and consumables amounted to SEK 11,170 thousand (6,210) for the second quarter, up SEK 4,960 thousand compared with the corresponding quarter in the preceding year. Costs for raw materials and consumables for the first half of the year totalled SEK 20,669 thousand (12,275). The cost increases in the quarter and the first half of the year were attributable to the fact that more AStar units were produced and used and larger volumes of consumables were therefore used compared with earlier periods.

Other external costs totalled SEK 23,081 thousand (20,742) for the second quarter and SEK 47,294 thousand (35,668) for the first half of the year. The cost increases in the quarter and the first half of the year were attributable to the use of external consultants to complete the company's new production premises on Palmbladsgatan and to the increase in the number of consultants in product development, production and quality assurance compared with the year-earlier period.

Personnel costs amounted to SEK 22,993 thousand (17,098) for the second quarter, up SEK 5,895 thousand compared with the year-earlier period. Personnel costs for the first half of the year totalled SEK 44,082 thousand (32,080). These costs were mainly attributable to an increase in the average number of employees in product development, production and the commercial organisation.

EBIT Q2
SEK **-58.6** million

Depreciation, amortisation and impairment of tangible and intangible assets amounted to SEK 1,581 thousand (925) for the second quarter and SEK 2,784 thousand (2,029) for the first half of the year. This cost increase was mainly attributable to the company's investments in production equipment and other equipment in the building.

Other operating expenses amounted to SEK 9 thousand (57) for the second quarter and SEK 91 thousand (154) for the first half of the year, and pertain largely to exchange-rate losses.

The operating result amounted to SEK -58,607 thousand (-44,495) for the fourth quarter and SEK -114,507 thousand (-81,220) for the first half of the year. The increases in the second quarter and the first half of the year were mainly attributable to an increase in purchases of raw materials and consumables as well as external costs and personnel costs.

Net financial items amounted to SEK 1,166 thousand (537) for the second quarter and SEK 1,106 thousand (940) for the first half of the year. The increase in other interest income and similar profit items was partly attributable to coupon rates received and accrued interest on listed corporate bonds.

The reported tax in the second quarter and for the period January-June amounted to SEK 0 (0) thousand.

The result for the period amounted to SEK -57,440 thousand (-43,958) for the first quarter and SEK -113,400 thousand (-80,280) for the first half of the year.

Financial position

Cash and cash equivalents at the end of the second quarter totalled SEK 37,982 thousand (25,968). Cash and cash equivalents that will not be used in the daily operations over the coming 12 months have been placed in fixed-income funds and listed corporate bonds. During the second quarter, the company carried out a directed issue that raised proceeds of SEK 270,000 thousand, of which SEK 185,000 thousand was invested in interest-bearing securities and SEK 50,000 thousand was invested in listed corporate bonds.

Short-term investments amounted to SEK 330,485 thousand (180,512) and comprised fixed-income funds and the short-term component of listed corporate bonds. The fixed-income funds, which invest in low-risk interest-bearing securities and other interest-rate instruments, amounted to SEK 235,428 thousand (150,419) at the end of the second quarter. The fair value of fixed-income funds at the end of the second quarter amounted to SEK 235,619 thousand (level 1 in the fair value hierarchy). The company's short-term component of the listed corporate bonds amounted to SEK 95,057 thousand (30,092) at the end of the second quarter. The short-term component of the listed corporate bonds at the end of the second quarter amounted to SEK 93,969 thousand (level 1 in the fair value hierarchy).

The company's financial assets primarily comprise listed corporate bonds in several sectors with a diversified maturity structure with high credit ratings. The carrying amount of these financial assets at the end of the quarter was SEK 90,356 thousand (120,976). This value includes impairment of SEK 210 thousand (0).

Other long-term non-current assets mainly comprise participations in EMPE Diagnostics AB amounting to SEK 2,997 thousand (2,997) at the end of the quarter.

Equity/assets
ratio 94%

At the end of the quarter, equity amounted to SEK 483,905 thousand (340,944), the equity/assets ratio to 94% (91) and the debt/equity ratio to -95% (-96).

Cash flow and investments

Cash flow from operating activities totalled SEK -54,755 thousand (-40,915) for the second quarter and SEK -113,874 thousand (-81,919) for the first half of the year.

The increased cash outflow from operating activities was mainly due to a larger operating loss compared with the corresponding quarter in the preceding year.

Changes in working capital amounted to SEK 830 thousand (1,707) for the second quarter and SEK -4,753 thousand (-3,903) for the first half of the year.

Changes in working capital in the second quarter were mainly attributable to other current liabilities, which increased compared with the corresponding quarter in the preceding year.

Cash flow from investing activities amounted to SEK -190,282 thousand (39,802) for the second quarter and SEK -128,677 thousand (-252,941) for the first half of the year.

During the second quarter, the company invested SEK 185,000 thousand (0) in short-term interest-bearing funds and divested SEK 40,022 thousand (39,927) in investments in fixed-income funds in order to cover its ongoing operating expenses during the quarter. In total, the company carried out short-term investments of SEK 185,000 thousand (170,000) and divestments of SEK 99,991 thousand (69,907) during the first half of the year.

The company also invested SEK 50,127 thousand (0) in listed corporate bonds during the second quarter. Bonds amounting to SEK 7,987 thousand (0) matured during the second quarter, and bonds with a total value of SEK 16,013 thousand (0) matured during the first half of the year. Corporate bonds generated total coupon rates of SEK 952 thousand (865) during the first half of the year.

The company invested SEK 3,165 thousand (410) in production equipment and other equipment in the building during the second quarter and SEK 9,554 thousand (1,072) during the first half of the year.

Cash flow from financing activities amounted to SEK 254,670 thousand (-105) for the second quarter and SEK 254,565 thousand (-210) for the first half of the year. This change was attributable to the directed issue totalling SEK 270,000 thousand (11) less issue costs, which amounted to SEK 15,225 thousand (0), generating cash and cash equivalents of SEK 254,775 thousand (11) for the company. Cash flow from financing activities in the corresponding quarter of 2019 was attributable to an issue and acquisition of a total of 211,048 shares at a quotient value of SEK 0.05 per share, intended to ensure the delivery of performance shares under LTIP 2018. The company also repaid loans to credit institutions amounting to SEK -105 thousand (-105) during the second quarter and SEK -210 thousand (-210) during the January to June period.

Financing

To provide the company with sufficient liquidity to continue operating and

developing according to its strategic plan, the company carried out a directed issue during the second quarter of 2020. This issue raised gross proceeds for the company of SEK 270,000 thousand. As of the end of the second quarter, the company had access to cash and cash equivalents of SEK 37,982 thousand (25,968), short-term investments including short-term components of other securities held as non-current assets of SEK 330,485 thousand (180,512) and long-term listed corporate bonds of SEK 90,356 thousand (120,976).

Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. During the second quarter, the company carried out a directed issue amounting to SEK 270 million before issue costs, which is described under "Financing" above. Based on the proceeds generated for the company, the Board deems the existing working capital, as of 30 June 2020, to be sufficient to cover the company's needs over the next 12 months.

Other information

Capital raise through directed issue

In early June, Q-linea's Board of Directors decided, based on the issue authorisation from the Annual General Meeting on 26 May 2020, to carry out a directed issue of 4,000,000 shares at a subscription price of SEK 67.50 per share, thereby raising gross proceeds of SEK 270 million for the company.

The subscription price of SEK 67.50 per share corresponded to a discount of approximately 2.5% in relation to the closing price on Nasdaq Stockholm on 2 June 2020. The investors in the directed issue included numerous Swedish and international institutional investors and industry specialists.

The net proceeds from the directed issue are intended to be used for the following:

- to finance the commercial launch of ASTar, including a scale-up of production capacity in order to handle expected sales volumes;
- to further accelerate the development of ASTar and other new products; and
- for the company's operating activities, including strengthening its working capital in order to manage any long-term effects of COVID-19 on the operations

The directed issue resulted in a dilutive effect of approximately 14.6% of the total number of shares and votes in the company. As a result of the directed issue, the number of shares outstanding and votes increased by 4,000,000 from 23,337,947 till 27,337,947. The share capital increased by SEK 200,000.00 from SEK 1,166,897.35 to SEK 1,366,897.35.

ABG Sundal Collier and Carnegie Investment Bank acted as Joint Bookrunners in connection with the directed issue. Advokatfirman Lindahl served as the company's legal advisor, while White & Case Advokatbyrå served as legal advisor to the Joint Bookrunners.

2020 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, Marianne

Hansson, Marcus Storch, Per-Olof Wallström and Hans Johansson, and to elect Mario Gualano as a new director. The Annual General Meeting were informed that Ulf Landegren had declined re-election. Erika Kjellberg Eriksson was re-elected as Board Chairperson.

- To appoint the registered accounting firm Öhrling Pricewaterhouse-Coopers AB as auditor. The Annual General Meeting was informed that, due to auditor rotation rules, Leonard Daun would be replaced as Auditor-in-Charge by Authorised Public Accountant Lars Kylberg.
- To introduce an employee share option programme (“Employee share option programme 2020/2023”) for the company’s employees.
- To authorise the Board of Directors, on one or more occasions during the period until the next Annual General Meeting, to decide to increase the company’s share capital by a maximum of SEK 233,380. The Board may decide to issue shares, warrants and/or convertibles by disapplying the preferential rights of the shareholders and/or with payment through contribution in kind, by offset or on terms in accordance with Chapter 2, Section 5, Paragraph 2, Subsections 1-3 and 5 of the Swedish Companies Act. Issues in accordance with this authorisation are to be on market terms.

Employee share option programme 2020/2023

The company’s Annual General Meeting on 26 May 2020 resolved to introduce an employee share option programme for the company’s employees. Employee share option programme 2020/2023 is to comprise a maximum of 350,000 employee share options. Employee share options are to be offered free of charge to individuals employed by the company as of 15 June 2020.

Each employee share option is to entitle the holder, upon the fulfilment of certain strategic and operational targets established by the Board and after a vesting period of three years, to acquire one (1) new ordinary share in the company at an exercise price corresponding to 125% of the volume-weighted average price for the company’s share according to Nasdaq Stockholm’s price list during the ten (10) trading days prior to 26 May 2020. However, the subscription price may not under any circumstances be less than the quotient value.

The employees are divided into three categories and it is proposed that Employee share option programme 2020/2023 enable the following employee share options to be allotted to employees in these categories:

- President: the President may be allotted a maximum of 16,200 employee share options.
- Management team: participants in this category may be jointly allotted a maximum of 69,600 employee share options. However, each participant may be allotted a maximum of 8,700 employee share options.
- Other employees: participants in this category may be allotted a maximum of 3,700 employee share options.

To enable the company’s delivery of shares under the programme and to cover the cash flow effects as a result of any social security contributions arising under the programme, the Annual General Meeting resolved to carry out a directed issue of a maximum of 459,970 warrants to the company, of which a

maximum of 109,970 warrants were issued to cover any cash flow effects as a result of social security contributions arising under the programme.

As of 30 June 2020, when the programme was closed to new participants, a total of 345,850 employee share options had been allotted to the 84 participants who had registered for the programme. The allotment of employee share options per participant and category are presented in the table below.

Category	No. of participants	No. of allotted employee share options per participant	No. of allotted employee share options per category
President	1	15,660	15,660
Management team	7	8,410	58,870
Other employees	76	3,570	271,320
Total	84	-	345,850

The volume-weighted average price for the company's share according to Nasdaq Stockholm's price list during the period from 11–25 May, meaning the ten (10) trading days prior to 26 May 2020, was SEK 79.19, and the exercise price was thus set at SEK 98.98 per share. The option value on the allotment date of 30 June 2020 was based on the average price on the allotment date and was calculated at SEK 11.38 per option.

Employees

Calculated on the basis of full-time equivalents, Q-linea had 86 (61) employees at the end of the quarter, 33 (24) of whom are women. The number of consultants at the end of the quarter was 36 (38), nine (ten) of whom were women.

The novel coronavirus

Q-linea has taken action to protect its employees, assume its responsibility in society and at the same time minimise the negative impact on the company's operations. As of the date of the signing of this interim 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.

Information about risks and uncertainties

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

The goal of the company's risk management is to identify, measure, control and limit the risks associated with its operations. Risks can be divided into financial risks and operational and business environment risks. Q-linea's operational and business environment risks mainly comprise risks related to research and development, clinical trials and the dependence on key individuals. A detailed description of the company's risk exposure and risk management is presented on pages 28–68 of the 2019 Annual Report.

Definition of performance measures

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

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

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

Reconciliation of alternative performance measures

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

EBITDA

SEK thousand (unless otherwise stated)	2020 Apr–Jun	2019 Apr–Jun	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Operating result	-58,607	-44,495	-114,507	-81,220	-179,115
Depreciation, amortisation and impairment	1,581	925	2,784	2,029	4,127
EBITDA	-57,026	-43,570	-111,723	-79,191	-174,988

Equity/assets ratio

SEK thousand (unless otherwise stated)	30 Jun 2020	30 Jun 2019	31 Dec 2019
Total assets	516,745	459,847	374,307
Equity	483,905	434,471	340,944
Equity/assets ratio (%)	94%	94%	91%

Debt/equity ratio

SEK thousand (unless otherwise stated)	30 Jun 2020	30 Jun 2019	31 Dec 2019
Long-term liabilities to credit institutions (a)	171	499	331
Current liabilities to credit institutions (b)	328	420	378
Total borrowing (c=a+b)	499	919	709
- Less cash and cash equivalents (d)	-37,982	-19,367	-25,968
- Less short-term investments (e)	-330,485	-250,093	-180,512
- Less long-term investments (g)	-90,357	-151,776	-120,976
Net debt (g=c+d+e+f)	-458,325	-420,317	-326,746
Equity (h)	483,905	434,471	340,944
Debt/equity ratio (g/h) (%)	-95%	-97%	-96%

Equity per share

SEK thousand (unless otherwise stated)	30 Jun 2020	30 Jun 2019	31 Dec 2019
Equity (a)	483,905	434,471	340,944
Total number of shares outstanding (b)	27,337,947	23,117,963	23,235,387
- Less holding of treasury shares (c)	-328,472	-211,048	-328,472
Equity per share (a/(b+c)), SEK	17.92	18.97	14.88

Performance measures and other information

	2020 Apr–Jun	2019 Apr–Jun	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Earnings					
Net sales	65	537	243	963	1,005
EBITDA	-57,026	-43,570	-111,723	-79,191	-174,988
Operating result	-58,607	-44,495	-114,507	-81,220	-179,115
Result for the period	-57,440	-43,958	-113,400	-80,280	-177,354
Per share					
Equity per share, SEK	17.92	18.97	21.12	18.97	14.88
Earnings per share before and after dilution, SEK	-2.37	-1.92	-4.81	-3.50	-7.74
Total number of shares outstanding	27,337,947	23,117,963	27,337,947	23,117,963	23,235,387
- of which, treasury shares	328,472	211,048	328,472	211,048	328,472
Number of shares outstanding excl. treasury shares	27,009,475	22,906,915	27,009,475	22,906,915	22,906,915
Average number of shares	24,524,760	23,117,963	23,918,393	23,049,168	23,104,611
- of which, average number of treasury shares	328,472	211,048	328,472	142,253	197,696
Average number of shares excl. treasury shares	24,196,288	22,906,915	23,589,921	22,906,915	22,906,915
Cash flow					
Cash flow from operating activities	-54,755	-40,915	-113,874	-81,919	-169,760
Cash flow from investing activities	-190,282	39,802	-128,677	-252,941	-159,827
Cash flow from financing activities	254,670	-105	254,565	-210	1,119

SEK thousand (unless otherwise stated)	30 Jun 2020	30 Jun 2019	31 Dec 2019
Financial position			
Total assets	516,745	459,847	374,407
Cash and cash equivalents	37,982	19,367	25,968
Short-term investments and non-current securities	420,842	401,869	301,488
Equity	483,905	434,471	340,994
Equity/assets ratio, %	94	94	91
Debt/equity ratio, %	-95	-97	-96

CERTIFICATION AND UPCOMING REPORT DATES

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

Uppsala, 15 July 2020

Jonas Jarvius
President

Erika Kjellberg Eriksson
Chairperson

Mats Nilsson
Director

Mario Gualano
Director

Marcus Storch
Director

Marianne Hansson
Director

Per-Olof Wallström
Director

Hans Johansson
Director

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

Upcoming reporting dates

5 November 2020	Interim report, Q3	January to September 2020
18 February 2021	Year-end report	January to December 2020
Week of April 12 th	Annual Report 2020	
6 May 2021	Interim report, Q1	January to March 2021
25 May 2021	Annual General Meeting	
15 July 2021	Interim report, Q2	January to June 2021
4 November 2021	Interim report, Q3	January to September 2021

About the company

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This information is information that Q-linea AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 16 July 2020 at 7:30 a.m. (CET).

Presentation

Q-linea invites investors, analysts and the media to an audiocast and teleconference (in English) today, 16 July, at 1:00 to 2:00 p.m. (CET). President Jonas Jarvius and CFO Anders Lundin will present Q-linea, comment on the interim report for the January to June 2020 period and respond to questions.

Webcast: <https://tv.streamfabriken.com/q-linea-q2-2020>

Telephone numbers for the teleconference: SE: +46851999383 UK: +443333009269 US: +18446251570

Income statement

Amounts in SEK thousand	Note	2020 Apr–Jun	2019 Apr–Jun	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Operating income						
Net sales		65	537	243	963	1,005
Other operating income		162	-	170	23	11
Total operating income		227	537	413	986	1,016
Operating expenses						
Raw materials and consumables		-11,170	-6,210	-20,669	-12,275	-28,585
Other external costs		-23,081	-20,742	-47,294	-35,668	-75,847
Personnel costs		-22,993	-17,098	-44,082	-32,080	-71,324
Depreciation/amortisation of tangible and intangible assets		-1,581	-925	-2,784	-2,029	-4,127
Other operating expenses		-9	-57	-91	-154	-249
Total operating expenses		-58,834	-45,031	-114,920	-82,206	-180,131
Operating result		-58,607	-44,495	-114,507	-81,220	-179,115
Other interest income and similar profit items		1,589	546	2,196	958	2,467
Interest expenses and similar loss items		-423	-9	-1,090	-18	-706
Result from financial items		1,166	537	1,106	940	1,761
Result before tax		-57,440	-43,958	-113,400	-80,280	-177,354
Tax on result for the period		-	-	-	-	-
Result for the period		-57,440	-43,958	-113,400	-80,280	-177,354

Statement of comprehensive income

Amounts in SEK thousand	Note	2020 Apr–Jun	2019 Apr–Jun	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Result for the period		-57,440	-43,958	-113,400	-80,280	-177,354
Other comprehensive income, net after tax		-	-	-	-	-
Total comprehensive income		-57,440	-43,958	-113,400	-80,280	-177,354
Earnings per share before and after dilution, SEK		-2.37	-1.92	-4.81	-3.50	-7.74
Average number of shares		24,196,288	22,906,915	23,589,921	22,906,915	22,906,915

Balance sheet

Amounts in SEK thousand	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS				
Non-current assets				
<i>Intangible assets</i>				
Licences		202	274	238
Technology and customer relationships		503	669	586
Goodwill		5,432	6,518	5,975
Total intangible assets		6,137	7,461	6,799
<i>Tangible assets</i>				
Equipment, tools, fixtures and fittings		21,001	8,446	13,570
Total tangible assets		21,001	8,446	13,570
<i>Financial assets</i>				
Other securities held as non-current assets	5	93,354	154,773	123,973
Other long-term receivables		50	50	50
Total financial assets		93,404	154,823	124,023
Total non-current assets		120,543	170,730	144,392
Current assets				
<i>Current receivables</i>				
Accounts receivable		227	43	17
Other receivables		24,720	17,270	20,129
Prepaid expenses and accrued income		2,788	2,343	3,389
Short-term investments	4	330,485	250,093	180,512
Total current receivables		358,220	269,750	204,047
Cash and bank balances		37,982	19,367	25,968
Total current assets		396,202	289,117	230,015
TOTAL ASSETS		516,745	459,847	374,407

Balance sheet

Amounts in SEK thousand	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
EQUITY				
Restricted equity				
Share capital		1,367	1,156	1,162
Unregistered share capital		-	-	5
Total restricted equity		1,367	1,156	1,167
Unrestricted equity				
Share premium reserve		951,637	695,528	697,062
Retained earnings		-355,698	-181,933	-179,930
Result for the period		-113,400	-80,280	-177,354
Total unrestricted equity		482,538	433,315	339,777
Total equity		483,905	434,471	340,944
LIABILITIES				
Long-term liabilities				
Loans from credit institutions		171	499	331
Total long-term liabilities		171	499	331
Current liabilities				
Loans from credit institutions		328	420	378
Accounts payable		12,151	8,527	9,181
Current tax liabilities		1,298	696	1,158
Other liabilities		2,419	2,226	2,496
Accrued expenses and deferred income		16,472	13,008	19,919
Total current liabilities		32,668	24,877	33,132
TOTAL LIABILITIES AND EQUITY		516,745	459,847	374,407

Changes in equity

Amounts in SEK thousand	Note	Restricted equity		Unrestricted equity			Total equity
		Share capital	Unregistered share capital	Share premium reserve	Retained earnings	Result for the year	
Opening balance, 1 January 2019		1,145	-	695,528	-54,862	-128,353	513,458
Comprehensive income							
Result for the period		-	-	-	-	-80,280	-80,280
Appropriation of profits		-	-	-	-128,353	128,353	0
Total comprehensive income		-	-	-	-128,353	48,073	-80,280
Transactions with shareholders							
New share issue	3	11	-	-	-	-	11
Acquisition of own shares	3	-	-	-	-11	-	-11
Share-based remuneration programmes	3	-	-	-	1,293	-	1,293
Total transactions with shareholders		11	-	-	1,282	-	1,293
Closing balance, 30 June 2019		1,156	-	695,528	-181,933	-80,280	434,471
Opening balance, 1 January 2019		1,145	-	695,528	-54,862	-128,353	513,458
Comprehensive income							
Result for the year		-	-	-	-	-177,354	-177,354
<i>Appropriation of profits in accordance with AGM decision</i>							
- Carried forward to unrestricted equity		-	-	-	-128,353	128,353	0
Total comprehensive income		-	-	-	-128,353	-49,001	-177,354
Transactions with shareholders							
New share issue	3	16	5	1,533	-	-	1,555
Acquisition of own shares	3	-	-	-	-16	-	-16
Share-based remuneration programmes	3	-	-	-	3,301	-	3,301
Total transactions with shareholders		16	5	1,533	3,285	-	4,840
Closing balance, 31 December 2019		1,162	5	697,062	-179,930	-177,354	340,944
Opening balance, 1 January 2020		1,162	5	697,062	-179,930	-177,354	340,944
Result for the period						-113,400	-113,400
Appropriation of profits					-177,354	177,354	0
Total comprehensive income					-177,354	63,954	-113,400
Transactions with shareholders							
New share issue		205	-5	269,800	-	-	270,000
Issue costs		-	-	-15,225	-	-	-15,225
Share-based remuneration programmes	3	-	-	-	1,587	-	1,587
Total transactions with shareholders		205	-5	254,575	1,587	-	256,362
Closing balance, 30 June 2020		1,367	0	951,637	-355,698	-113,400	483,905

Cash flow statement

Amounts in SEK thousand	Note	2020 Apr–Jun	2019 Apr–Jun	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Cash flow from operating activities						
Operating result						
Adjustments for non-cash items		-58,607	-44,495	-114,507	-81,220	-179,115
- Depreciation reversal		1,581	925	2,784	2,029	4,127
- Share-based remuneration programmes		797	847	1,587	1,293	3,301
- Licensing revenue paid through shares		-	-250	-	-500	-500
Interest received		481	546	951	958	2,516
Interest paid		-69	-9	-75	-18	-47
Tax paid		232	-187	140	-558	594
Cash flow from operating activities before changes in working capital		-55,585	-42,622	-109,120	-76,017	-169,124
<i>Changes in working capital</i>						
Increase/decrease in accounts receivable		-223	-27	-210	43	-17
Increase/decrease in other current receivables		-997	-3,167	-3,990	-4,895	-8,799
Increase/decrease in other current liabilities		3,344	4,762	-3,525	2,332	8,823
Increase/decrease in accounts payable		-1,294	139	2,971	-1,297	-643
<i>Changes in working capital</i>		<i>830</i>	<i>1,707</i>	<i>-4,754</i>	<i>-3,903</i>	<i>-636</i>
Cash flow from operating activities		-54,755	-40,915	-113,874	-81,919	-169,760
Cash flow from investing activities						
Investments in tangible assets		-3,165	-125	-9,554	-1,072	-7,632
Short-term investments		-185,000	-	-185,000	-170,000	-170,000
Divestment of short-term investments		40,022	39,927	99,991	69,907	169,581
Investments in financial assets		-50,127	-	-50,127	-151,776	-151,776
Sale of financial assets		7,987	-	16,013	-	-
Cash flow from investing activities		-190,282	39,802	-128,677	-252,941	-159,827
Cash flow from financing activities						
New share issue		270,000	11	270,000	11	1,555
Issue costs		-15,225	-	-15,225	-	-
Acquisition of own shares		-	-11	-	-11	-16
Repayment of loans		-105	-105	-210	-210	-420
Cash flow from financing activities		254,670	-105	254,565	-210	1,119
Cash flow for the period		9,633	-1,218	12,015	-335,071	-328,470
Cash and cash equivalents at the beginning of the period		28,349	20,585	25,968	354,438	354,438
Cash and cash equivalents at the end of the period		37,982	19,367	37,982	19,367	25,968

Accounting policies and notes

Compliance with IFRS

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

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

The company's accounting policies, which are unchanged compared with the preceding year with the exception of the changes stated below, are presented in the company's Annual Report for 2019.

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

Holding of treasury shares

At the end of the second quarter of 2020, Q-linea had a holding of 328,472 treasury shares. The shares are valued at SEK 0.05 per share, which is also the quotient value of the share. The aim of these shares is to ensure the delivery of performance shares under the long-term incentive programmes LTIP 2018 and LTIP 2019. The holding of treasury shares has been excluded from the calculation of per-share performance measures.

For a more detailed description of the accounting policies applied in this interim report, refer to page 53 of the Annual Report for the 2019 financial year. The interim report comprises pages 1–23, and pages 1–14 thus comprise an integrated component of this financial report.

Note 1 Specification of net sales

Net sales specified by geographic market:

Amounts in SEK thousand	2020 Apr–Jun	2019 Apr–Jun	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Sweden	65	537	243	963	1,005
Total net sales by geographic market	65	537	243	963	1,005

Net sales specified by type of income:

Amounts in SEK thousand	2020 Apr–Jun	2019 Apr–Jun	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Licensing revenue	0	250	0	500	500
Prototype development	65	287	243	463	505
Total net sales by type of income	65	537	243	963	1,005

Licensing revenue derives from the licensing agreement signed between EMPE Diagnostics AB and Q-linea during 2017. As planned, Q-linea received no licensing revenue in 2020. Since the third quarter of 2019, Q-linea has received no licensing revenue from EMPE since the knowledge transfer under the agreement was completed in the second quarter of 2019.

Note 2 Related-party transactions

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

A licensing agreement was signed between EMPE Diagnostics AB and Q-linea, and SEK 0 thousand (250) was recognised as income in the second quarter of 2020. 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 3 Shared-based remuneration programmes

At the end of the second quarter, Q-linea had three ongoing share-based remuneration programmes: LTIP 2018 and LTIP 2019 and Employee share option programme 2020/2023.

Performance share-based programme LTIP 2018

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 performance targets are linked to product development, product approval and commercialisation. The performance share rights are earned as the performance targets are met. The value of each performance share right is SEK 55.54 and is based on the closing price on the allotment date (1 March 2019). The cost recognised including social security contributions amounted to SEK 1,171 thousand (850) for the second quarter and SEK 1,937 thousand (1,138) for the first half of the year.

Performance share-based programme LTIP 2019

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 performance targets are linked to 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 including social security contributions amounted to SEK 274 thousand (0) for the second quarter and SEK 497 thousand (0) for the first half of the year.

Employee share option programme 2020/2023

The company's Annual General Meeting on 26 May 2020 resolved to introduce an employee share option programme ("Employee share option programme 2020/2023") for the company's employees. The employee share option programme is to comprise a maximum of 350,000 employee share options, which are to be offered free of charge to individuals employed by the company as of 15 June 2020.

Each employee share option is to entitle the holder, upon the fulfilment of certain strategic and operational targets established by the Board and after a vesting period of three years, to acquire one (1) new ordinary share in the company at an exercise price corresponding to 125% of the volume-weighted average price for the company's share according to Nasdaq Stockholm's price list during the ten (10) trading days prior to 26 May 2020. However, the subscription price may not under any circumstances be less than the quotient value.

The employees are divided into three categories and it is proposed that Employee share option programme 2020/2023 enable the following employee share options to be allotted to employees in these categories:

- President: the President may be allotted a maximum of 16,200 employee share options.
- Management team: participants in this category may be jointly allotted a maximum of 69,600 employee share options. However, each participant may be allotted a maximum of 8,700 employee share options.
- Other employees: participants in this category may be allotted a maximum of 3,700 employee share options.

To enable the company's delivery of shares under the programme and to cover the cash flow effects as a result of any social security contributions arising under the programme, the Annual General Meeting resolved to carry out a directed issue of a maximum of 459,970 warrants to the company, of which a maximum of 109,970 warrants were issued to cover any cash flow effects as a result of social security contributions arising under the programme.

As of 30 June 2020, when the programme was closed to new participants, a total of 345,850 employee share options had been allotted to participants who had registered for the programme. The allotment of employee share options per participant and category are presented in the table below.

Category	No. of participants	No. of allotted employee share options per participant	No. of allotted employee share options per category
President	1	15,660	15,660
Management team	7	8,410	58,870
Other employees	76	3,570	271,320
Total	84	-	345,850

The volume-weighted average price for the company's share according to Nasdaq Stockholm's price list during the period from 11–25 May, meaning the ten (10) trading days prior to 26 May 2020, was SEK 79.19, and the exercise price was thus set at SEK 98.98 per share. The option value on the allotment date of 30 June 2020 was based on the average price on the allotment date and was calculated at SEK 11.38 per option. The cost recognised for the second quarter and for the January to June period amounted to SEK 0 thousand (0) since the employee share options were allotted to the participants on 30 June 2020.

Note 4 Short-term investments

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

Short-term investments also include the short-term component of the company's listed corporate bonds with a maturity of less than 12 months. Short-term investments at the end of the second quarter amounted to SEK 235,428 thousand (250,093), of which SEK 95,056 thousand (0) pertained to the short-term component of corporate bonds in listed companies. The fair value of the short-term investments amounted to SEK 235,619 thousand (250,978).

Note 5 Other securities held as non-current assets

Other securities held as non-current assets primarily comprise low-risk listed corporate bonds and amounted to SEK 90,566 thousand (120,976) at the end of the second quarter. The value includes a credit reserve of SEK 210 thousand (0) since the company's assessment during the first quarter was that there is a need for impairment due to the current financial market.

The bonds have a term of more than 12 months. The fair value of the bonds at the end of the second quarter amounted to SEK 89,744 thousand (151,109) (level 1 in the fair value hierarchy). Bonds valued at SEK 7,987 thousand (0) matured and were paid out during the second quarter, and bonds valued at a total of SEK 16,013 thousand (0) matured and were paid out in the first half of the year. The bond coupon rates carry both variable and fixed interest with periodic payments. The cost recognised amounted to SEK 487 thousand (428) for the second quarter and SEK 952 thousand (865) for the first half of the year.

Other securities held as non-current assets pertain to participations in EMPE Diagnostics AB acquired at the end of 2017. 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 30 June 2020, the company deemed that there was no impairment requirement for the participations in EMPE Diagnostics AB.

Note 6 Earnings per share

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

SEK thousand (unless otherwise stated)	2020 Apr–Jun	2019 Apr–Jun	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Result for the period	-57,440	-43,958	-113,400	-80,280	-177,354
Weighted average number of shares outstanding	24,525,760	23,117,963	23,918,393	23,049,168	23,104,611
- Less average holding of treasury shares	-328,472	-211,048	-328,472	-142,253	-197,696
Earnings per share before and after dilution (SEK)	-2.37	-1.92	-4.81	-3.50	-7.74

Note 7 Risk management

The company is exposed to various types of risks during the course of its operations. By creating an awareness of the risks associated with the operations, such risks can be limited, controlled and managed while allowing business opportunities to be utilised in order to increase the company's earnings. During the second quarter, the company's financial risk is deemed to have decreased since the company gained SEK 270 million in financing before issue costs through a new share issue. However, the risks associated with the ongoing COVID-19 pandemic are deemed to have remained unchanged compared with the first quarter. During the first half of the year, the company recognised an impairment of SEK 210 thousand (0) on the listed corporate bonds due to the prevailing market situation. The material risks associated with Q-linea's operations are presented in the Annual Report for the 1 January to 31 December 2019 financial year and on pages 17–33 of the prospectus prepared prior to the listing on Nasdaq Stockholm.

Note 8 Future financing

Q-linea does not yet have any approved products and does not generate its own positive cash flow. During the second quarter, the company carried out a directed issue amounting to SEK 270 million before issue costs, which is described under "Financing" above. Based on the proceeds generated for the company, the Board deems the existing working capital, as of 30 June 2020, to be sufficient to cover the company's needs over the next 12 months.

Note 9 Significant events after the end of the period

No significant events took place after the end of the period.