

ASTar has been tested at the Uppsala University Hospital before the start of studies

Third quarter, 1 July – 30 September 2020

- Net sales amounted to SEK 0.0 million (0.0).
- The operating result totalled SEK -50.0 million (-35.8).
- The result for the period amounted to SEK -48.7 million (-35.1).
- Earnings per share before and after dilution amounted to SEK -1.80 (-1.53).
- Cash flow from operating activities totalled SEK -46.7 million (-35.8).

Period: 1 January – 30 September 2020

- Net sales amounted to SEK 0.2 million (1.0).
- The operating result totalled SEK -164.5 million (-117.1).
- The result for the period amounted to SEK -162.1 million (-115.4).
- Earnings per share before and after dilution amounted to SEK -6.55 (-5.04).
- Cash flow from operating activities totalled SEK -160.6 million (-117.7).
- At 30 September 2020, cash and cash equivalents totalled SEK 17.8 million (26.0). Short-term investments in fixed-income funds amounted to SEK 205.5 million (150.4), short-term components of listed corporate bonds to SEK 151.4 million (30.1) and long-term investments in listed corporate bonds to SEK 34.5 million (121.0).

Significant events

in the third quarter of 2020

- The company signed an agreement with Hvidovre Hospital in Denmark as a participant in the clinical study and thus both Hvidovre and the Uppsala University Hospital will participate in the Company's pivotal study in Europe
- Q-linea installed the first ASTar system for testing at Uppsala University Hospital before the start of the studies

after the end of the period

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

Intense quarter lays the foundation for imminent clinical study



Q-linea's third quarter has been full of intense preparations ahead of our European pivotal clinical study with our key product, ASTar®, which is scheduled to start in the fourth quarter. Most of the quarter's activities have focused on the study and most of our preparations have now been finished. Our verification batches have been completed and have soon completed the analytical verification and are preparing the start of the clinical validation.

During the quarter we announced that the clinical microbiology laboratory at Uppsala University Hospital and Hvidovre Hospital in Denmark will participate in the study. Together with Q-linea, Uppsala University Hospital completed a prospective patient study that yielded excellent results, which met the regulatory limits for the EU and the US. The upcoming study is a prospective performance study with 80 to 100 patients. Its results will be an important part of the documentation in the ongoing process for CE-IVD approval prior of the market launch of ASTar in Europe. The study will also be conducted internally at Q-linea.

We installed an ASTar instrument at Uppsala University Hospital during the quarter for beta testing and evaluation, which was an important part of preparing for the study and launch. We have numerous ASTar units in operation at our laboratory but the feedback from external users could not be overestimated. Being evaluated in a real laboratory environment by a potential customer will provide us with valuable insights on ASTar. It is an important milestone that marks further progress on the road towards bringing ASTar on the market.

The feedback we have received so far is that the system is easy to use. Those who have tested the system at Uppsala University Hospital note that tests can be started easily and that anyone in the lab can use the system. This is the best feedback we could have received. User friendliness and time to result have been a central part of our

development. To have it confirmed that the system functions works as well as expected is enormously satisfying and bodes well for the future. Additionally, Uppsala University Hospital is exactly the type of large hospital ASTar was designed for.

During the quarter we intensified discussions with Thermo Fisher Scientific ahead of the launch and we feel ready for commercialisation as soon as the study, which is self-certified, is complete. The partnership with Thermo Fisher Scientific is working very well and we are moving forward in everything from webinars to marketing material to supply chain issues, where we are now starting to establish procedures for the processes. We have also started visiting potential customers.

As soon as ASTar receives its CE label, we will also be ready to start detailed planning for our first health economics study, which we plan to start in 2021. We have plans to carry it out in Italy and we will be able to use it around the world. What we learn in the Italian study will be of great use when planning future health economics studies, which are all planned to support our sales process.

The ongoing pandemic has had an effect on the atmosphere and work on Q-linea as well, and the effects we have seen have been primarily based on more stringent internal and external guidelines. At present, with the large increases we see around us, there is of course an increased risk that the situation may affect the time frame for the emerging clinical studies. However, we continue to see that the clinical studies will begin in accordance with previous communication, which feels positive.

Preparations for the American study have gone well despite a difficult COVID situation in the US. As in Europe, several large hospitals have been interested in testing ASTar. We will choose at least two to partner with.

In summary, I am proud of what we achieved during the quarter. After the private placement in the second quarter, which raised SEK 270 million for the company before costs, we are well equipped for the forthcoming commercialisation of ASTar. I look forward towards the journey ahead with you all, and especially to 2021.

Uppsala, November 2020,

Jonas Jarvius, President

Product verification completed

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 third quarter of 2020

Consumables

- Following the locked-down design in the second quarter, the consumables underwent product verification during the third quarter to formally demonstrate that the product specifications had been fulfilled. Test stability and the ability to use different blood culture bottles have been verified.
- The company's pilot production department worked on the final preparations ahead of the consumables production process validation, in parallel with continued product development projects with materials for development and verification.

Instruments

- In total, most of instruments from the instrument generation on which the clinical performance study will be conducted and which will then form the basis of the commercial instruments have gone into operation in Q-linea's microbiology laboratory. The instruments were used during the third quarter to carry out product verification of consumables.

Clinical performance study

- During the third quarter, the company signed an agreement with Hvidovre Hospital in Copenhagen for the completion of the clinical performance study. There is already a similar agreement in place with Uppsala University Hospital. The plans are to carry out the clinical performance study externally at two hospitals and internally at Q-linea, scheduled to start in the fourth quarter.

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 third quarter amounted to SEK 0 thousand (27), a decrease of SEK 27 thousand compared with the year-earlier period. Net sales for the January to September period totalled SEK 243 thousand (990), down SEK 747 thousand. The decrease during the January to September period is mainly attributable to the company's planned lack of licensing revenue since the knowledge transfer to EMPE Diagnostics AB was completed during the second quarter of 2019.

Other operating income amounted to SEK 88 thousand (0) for the third quarter and SEK 258 thousand (23) for the January to September period. An increase of SEK 235 thousand due to deferred invoicing of service facilities and development services provided for external customers.

Operating expenses including depreciation, amortisation and impairment totalled SEK 50,059 thousand (35,864) for the third quarter, up SEK 14,194 thousand compared with the corresponding quarter in the preceding year. Operating expenses for the January to September period totalled SEK 164,979 thousand (118,070), up SEK 46,909 thousand. The increases in the third quarter and the period 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 6,488 thousand (4,026) for the third quarter, up SEK 2,462 thousand compared with the corresponding quarter in the preceding year. Raw materials and consumables costs for the January to September period totalled SEK 27,157 thousand (16,301), up SEK 10,856 thousand. The cost increases in the quarter and the period 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 amounted to SEK 19,313 thousand (16,336) for the third quarter and SEK 66,607 thousand (52,004) for the January to September period, up SEK 2,977 thousand and SEK 14,603 thousand, respectively.

The cost increases in the quarter and the period were attributable to the use of external consultants to complete the company's new production premises on Palmladsgatan and the Company's purchase of a new ERP system.

Personnel costs amounted to SEK 22,595 thousand (14,415) for the third quarter, up SEK 8,180 thousand compared with the corresponding quarter in the preceding year. Personnel costs for the January to September period totalled SEK 66,677 thousand (46,495), up SEK 20,182 thousand. These costs were mainly attributable to an increase in the average number of employees in product development, production and the commercial organisation.

EBIT Q3
SEK -50 million

Depreciation, amortisation and impairment of tangible and intangible assets amounted to SEK 1,640 thousand (1,004) for the third quarter, up SEK 636 thousand. Depreciation, amortisation and impairment for the January to September period totalled SEK 4,424 thousand (3,033), up SEK 1,391 thousand.

This cost increase in the quarter and the period was mainly attributable to investments in production equipment and other equipment in the building.

Other operating expenses amounted to SEK 23 thousand (82) for the third quarter and SEK 114 thousand (237) for the January to September period, and pertain largely to exchange-rate losses.

The operating result totalled SEK -49,971 thousand (-35,837) for the third quarter and SEK -164,477 thousand (-117,057) for the January to September period. The increases in the third quarter and the period were mainly attributable to an increase in purchases of raw materials and consumables, other external costs and increased personnel costs.

Net financial items amounted to SEK 1,315 thousand (763) for the third quarter and SEK 2,422 thousand (1,703) for the January to September period, up SEK 552 thousand and SEK 718 thousand, respectively. The increase in financial items was mainly attributable to coupon rates received and accrued interest on listed corporate bonds.

The reported tax in the third quarter and for the January to September period amounted to SEK 0 thousand (0).

The result for the period amounted to SEK -48,655 thousand (-35,074) for the third quarter and SEK -162,056 thousand (-115,354) for the January to September period.

Financial position

Cash and cash equivalents at the end of the third quarter totalled SEK 17,796 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 January to September period, the Company carried out a directed issue that improved the financial position by SEK 270,000 thousand before issue costs. The company invested SEK 185,000 thousand of the issue proceeds in interest-bearing securities and SEK 50,000 thousand in listed corporate bonds during the period.

On the balance sheet date, the Company's short-term investments amounted to SEK 356,891 thousand (180,512), consisting of fixed-income funds and the short-term portion of listed corporate bonds. The fixed-income funds, which invest in low-risk interest-bearing securities and other interest-rate instruments, amounted to SEK 205,535 thousand (150,419) at the end of the third quarter. The fair value of fixed-income funds at the end of the third quarter amounted to SEK 206,616 thousand (level 1 in the fair value hierarchy). The company's short-term component of the listed corporate bonds amounted to SEK 151,356 thousand (30,092) at the end of the third quarter. The value includes accrued coupon rates.

Total financial assets amounted to SEK 37,526 thousand (124,023) on the balance sheet date, down SEK 86,497 thousand. The decrease is due to a reclassification between financial assets and short-term investments, as the term of the listed holdings is shorter than 12 months. The company's financial assets

Equity/assets

ratio 92%

primarily comprise listed corporate bonds in several sectors with a diversified maturity structure with high credit ratings. At the end of the third quarter they were measured at amortised cost, which amounted to SEK 34,552 thousand (120,976) thousand. An impairment test was performed at every measurement, which entailed an impairment of SEK -73 thousand (0) for the January to September period.

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

At the end of the quarter, equity amounted to SEK 435,715 thousand (340,944), the equity/assets ratio to 92% (91) and the debt/equity ratio to -94% (-96).

Cash flow and investments

Cash flow from operating activities totalled SEK -46,711 thousand (-35,777) for the third quarter and SEK -160,585 thousand (-117,696) for the January to September period. 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 -659 thousand (-2,374) for the third quarter and SEK -5,413 thousand (-6,277) for the January to September period. During the third quarter, changes in working capital were primarily attributable to increased other current receivables, which has counteracted the increase of accounts payable and other current liabilities during the quarter.

Cash flow from investing activities amounted to SEK 27,233 thousand (35,719) for the third quarter and SEK -101,443 thousand (-217,223) for the January to September period. Investments in production equipment and other equipment in the building during the third quarter amounted to SEK -2,660 (-3,147) for the third quarter and SEK -12,214 (-4,219) thousand for the January to September period. The increase was attributable to building production capacity at Palmladsgatan in Uppsala. The Company did not invest in short- or long-term investments during the quarter, but during the January to September period SEK -185,000 (-170,000) thousand was invested in short-term fixed-income funds and SEK -50,127 thousand (-151,766) in listed corporate bonds. All investments have the highest rating from S&P and Moody's. Short-term investments are being divested to cover recurring expenses. These divestments amounted to SEK 29,894 thousand (38,865) for the third quarter and SEK 129,885 thousand (108,772) for the January to September period. No bonds matured during the third quarter, but in the January to June period two bonds matured at a total value of SEK 16,013 thousand (0).

Cash flow from financing activities amounted to SEK -708 thousand (-105) for the third quarter. For the January to September period, cash flow from financing activities amounted to SEK 253,857 thousand (-315). This change in the period was attributable to the directed issue totalling SEK 270,000 thousand (16) less issue costs, which amounted to SEK -15,845 thousand (0). The change in the third quarter was attributable to additional issue costs of SEK -620 thousand (0).

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 repaid loans to credit institutions amounting to SEK -88

thousand (-105) during the third quarter and SEK -298 thousand (-315) during the January to September period. One of the loans to external institutions was repaid, leading to lower amortisation.

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 January to September period of 2020. This issue raised gross proceeds for the Company of SEK 270,000 thousand. As of 30 September 2020, the Company had access to cash and cash equivalents of SEK 17,796 thousand (25,968), short-term investments including short-term components of other securities held as non-current assets of SEK 356,891 thousand (180,512) and long-term listed corporate bonds of SEK 34,479 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 January to September period, 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 September 2020, to be sufficient to cover the Company's needs over the next 12 months.

Other information

Nomination Committee

Q-linea's Nomination Committee ahead of the 2021 Annual General Meeting has been appointed and comprises: Øystein Engebretsen, Chairman of the Nomination Committee (Investment AB Öresund), Ulrik Grönvall (Swedbank Robur Fonder) and Erika Kjellberg Eriksson, Chairperson Q-linea AB (Nexttobe AB).

Employees

Calculated on the basis of full-time equivalents, Q-linea had 100 (64) employees at the end of the quarter, 41 (24) of whom are women. The number of consultants at the end of the quarter was 34 (40), 7 (9) 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 seen a slight increase in sickness absence, directly as well as indirectly, and a 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 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Operating result	-49,971	-35,837	-164,477	-117,057	-179,115
Depreciation, amortisation and impairment	1,640	1,004	4,424	3,033	4,127
EBITDA	-48,331	-34,833	-160,053	-114,024	-174,988

Equity/assets ratio

SEK thousand (unless otherwise stated)	30 Sep 2020	30 Sep 2019	31 Dec 2019
Total assets	471,819	421,783	374,407
Equity	435,715	400,251	340,944
Equity/assets ratio (%)	92%	95%	91%

Debt/equity ratio

SEK thousand (unless otherwise stated)	30 Sep 2020	30 Sep 2019	31 Dec 2019
Long-term liabilities to credit institutions (a)	118	411	331
Current liabilities to credit institutions (b)	292	403	378
Total borrowing (c=a+b)	410	814	709
- Less cash and cash equivalents (d)	-17,796	-19,204	-25,968
- Less short-term investments (e)	-356,891	-211,228	-180,512
- Less long-term investments (g)	-34,479	-151,776	-120,976
Net debt (g=c+d+e+f)	-408,756	-381,393	-326,746
Equity (h)	435,348	400,251	340,944
Debt/equity ratio (g/h) (%)	-94%	-95%	-96%

Equity per share

SEK thousand (unless otherwise stated)	30 Sep 2020	30 Sep 2019	31 Dec 2019
Equity (a)	435,715	400,251	340,944
Total number of shares outstanding (b)	27,337,947	23,235,387	23,235,387
- Less holding of treasury shares (c)	-328,472	-328,472	-328,472
Equity per share (a/(b+c)), SEK	16.13	17.47	14.88

Performance measures and other information

	2020 Jul–Sep	2019 Jul–Sep	2020 Jan–Sep	2019 Jan–Sep	2019 Jan–Dec
Earnings					
Net sales	0	27	243	990	1,005
EBITDA	-48,331	-34,833	-160,053	-114,024	-174,988
Operating result	-49,971	-35,837	-164,477	-117,057	-179,115
Result for the period	-48,655	-35,074	-162,056	-115,354	-177,354
Per share					
Equity per share, SEK	16.13	17.47	16.13	17.47	14.88
Earnings per share before and after dilution, SEK	-1.80	-1.53	-6.55	-5.04	-7.74
Total number of shares outstanding	27,337,947	23,235,387	27,337,947	23,235,387	23,235,387
- of which, treasury shares	328,472	328,472	328,472	328,472	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	27,337,947	23,213,689	25,066,564	23,104,611	23,104,611
- of which, average number of treasury shares	328,472	306,774	328,472	197,696	197,696
Average number of shares excl. treasury shares	27,009,475	22,906,915	24,738,092	22,906,915	22,906,915
Cash flow					
Cash flow from operating activities	-46,711	-35,777	-160,585	-117,696	-169,760
Cash flow from investing activities	27,233	35,719	-101,443	-217,223	-159,827
Cash flow from financing activities	-708	-105	253,857	-315	1,119

SEK thousand (unless otherwise stated)	30 Sep 2020	30 Sep 2019	31 Dec 2019
Financial position			
Total assets	471,819	421,783	374,407
Cash and cash equivalents	17,796	19,204	25,968
Short-term investments and non-current securities	391,370	363,004	301,488
Equity	435,715	400,251	340,994
Equity/assets ratio, %	92	95	91
Debt/equity ratio, %	-94	-95	-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, 4 November 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 been subject to auditors' review. 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

18 February 2021	Year-end report	January to December 2020
Week of 12 April 2021	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

Q-linea AB (publ)

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This information is information that Q-linea AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 5 November 2020 at 7:30 a.m. (CET).

Presentation

Q-linea invites investors, analysts and the media to an audiocast and teleconference (in English) today, 5 November, 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 September 2020 period and respond to questions.

Webcast: <https://tv.streamfabriken.com/q-linea-q3-2020>

Telephone numbers for the teleconference: SE: +46856642704 UK: +443333009268 US: +18332498403

Income statement

Amounts in SEK thousand	Note	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Operating income						
Net sales	1	0	27	243	990	1,005
Other operating income		88	0	258	23	11
Total operating income		88	27	502	1,013	1,016
Operating expenses						
Raw materials and consumables		-6,488	-4,026	-27,157	-16,301	-28,585
Other external costs		-19,313	-16,336	-66,607	-52,004	-75,847
Personnel costs		-22,595	-14,415	-66,677	-46,495	-71,324
Depreciation/amortisation of tangible and intangible assets		-1,640	-1,004	-4,424	-3,033	-4,127
Other operating expenses		-23	-82	-114	-237	-249
Total operating expenses		-50,059	-35,864	-164,979	-118,070	-180,131
Operating result		-49,971	-35,837	-164,477	-117,057	-179,115
Other interest income and similar profit items		1,226	771	3,423	1,729	2,467
Interest expenses and similar loss items		89	-8	-1,001	-26	-706
Result from financial items		1,315	763	2,422	1,703	1,761
Result before tax		-48,655	-35,074	-162,056	-115,354	-177,354
Tax on result for the period						-
Result for the period		-48,655	-35,074	-162,056	-115,354	-177,354

Statement of comprehensive income

Amounts in SEK thousand	Note	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Result for the period		-48,655	-35,074	-162,056	-115,354	-177,354
Other comprehensive income, net after tax		-	-	-	-	-
Total comprehensive income		-48,655	-35,074	-162,056	-115,354	-177,354
Earnings per share before and after dilution, SEK	6	-1.80	-1.53	-6.55	-5.04	-7.74
Average number of shares		27,009,475	22,906,915	24,738,092	22,906,915	22,906,915

Balance sheet

Amounts in SEK thousand	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS				
Non-current assets				
<i>Intangible assets</i>				
Licences		185	256	238
Technology and customer relationships		462	628	586
Goodwill		5,160	6,247	5,975
Total intangible assets		5,806	7,130	6,799
<i>Tangible assets</i>				
Equipment, tools, fixtures and fittings		22,353	10,920	13,570
Total tangible assets		22,353	10,920	13,570
<i>Financial assets</i>				
Other securities held as non-current assets	5,7	37,476	154,773	123,973
Other long-term receivables		50	50	50
Total financial assets		37,526	154,823	124,023
Total non-current assets		65,685	172,873	144,392
Current assets				
<i>Current receivables</i>				
Accounts receivable		93	13	17
Other receivables		28,838	16,519	20,129
Prepaid expenses and accrued income		2,516	1,946	3,389
Short-term investments	4	356,891	211,228	180,512
Total current receivables		388,338	229,706	204,047
Cash and bank balances		17,796	19,204	25,968
Total current assets		406,134	248,910	230,015
TOTAL ASSETS		471,819	421,783	374,407

Balance sheet

Amounts in SEK thousand	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
EQUITY				
Restricted equity				
Share capital		1,367	1,162	1,162
Unregistered share capital		-	-	5
Total restricted equity		1,367	1,162	1,167
Unrestricted equity				
Share premium reserve		951,017	695,528	697,062
Retained earnings		-354,613	-181,086	-179,930
Result for the period		-162,056	-115,354	-177,354
Total unrestricted equity		434,348	399,089	339,777
Total equity		435,715	400,251	340,944
LIABILITIES				
Long-term liabilities				
Loans from credit institutions		119	411	331
Total long-term liabilities		119	411	331
Current liabilities				
Loans from credit institutions		292	403	378
Accounts payable		13,960	7,597	9,181
Current tax liabilities		1,598	896	1,158
Other liabilities		2,731	1,957	2,496
Accrued expenses and deferred income		17,405	10,268	19,919
Total current liabilities		35,986	21,121	33,132
TOTAL LIABILITIES AND EQUITY		471,819	421,783	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		-	-	-	-	-115,354	-115,354
<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	12,999	-115,354
Transactions with shareholders							
New share issue	3	16	-	-	-	-	16
Acquisition of own shares	3	-	-	-	-16	-	-16
Share-based remuneration programmes	3	-	-	-	2,146	-	2,146
Total transactions with shareholders		16	-	-	2,130	-	2,146
Closing balance, 30 September 2019		1,162	-	695,528	-181,086	-115,354	400,251
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
Comprehensive income							
Result for the period		-	-	-	-	-162,056	-162,056
Appropriation of profits		-	-	-	-177,354	177,354	0
Total comprehensive income		-	-	-	-177,354	15,299	-162,056
Transactions with shareholders							
New share issue		205	-5	269,800	-	-	270,000
Issue costs		-	-	-15,845	-	-	-15,845
Share-based remuneration programmes	3	-	-	-	2,672	-	2,672
Total transactions with shareholders		205	-5	253,955	2,672	-	256,827
Closing balance, 30 September 2020		1,367	0	951,017	-354,613	-162,056	435,715

Cash flow statement

Amounts in SEK thousand	Note	2020 Jul–Sep	2019 Jul–Sep	2020 Jan–Sep	2019 Jan–Sep	2019 Jan–Dec
Cash flow from operating activities						
Operating result						
Adjustments for non-cash items		-49,971	-35,837	-164,477	-117,057	-179,115
- Depreciation reversal		1,640	1,004	4,424	3,033	4,127
- Share-based remuneration programmes	3	1,085	853	2,672	2,146	3,301
- Licensing revenue paid through shares		-	-	-	-500	-500
Interest received		915	771	1,866	1,729	2,516
Interest paid		-22	-8	-97	-26	-47
Tax paid		299	-187	440	-745	594
Cash flow from operating activities before changes in working capital		-46,053	-33,403	-155,172	-111,420	-169,124
<i>Changes in working capital</i>						
Increase/decrease in accounts receivable		134	30	-76	-13	-17
Increase/decrease in other current receivables		-3,847	1,148	-7,837	-3,747	-8,799
Increase/decrease in other current liabilities		1,245	-2,622	-2,279	-290	8,823
Increase/decrease in accounts payable		1,809	-930	4,779	-2,226	-643
<i>Changes in working capital</i>		<i>-659</i>	<i>-2,374</i>	<i>-5,413</i>	<i>-6,277</i>	<i>-636</i>
Cash flow from operating activities		-46,711	-35,777	-160,585	-117,696	-169,760
Cash flow from investing activities						
Investments in tangible assets		-2,660	-3,147	-12,214	-4,219	-7,632
Investment in short-term investments		-	-	-185,000	-170,000	-170,000
Divestment of short-term investments		29,894	38,865	129,885	108,772	169,581
Investments in financial assets		-	-	-50,127	-151,776	-151,776
Sale of financial assets		-	-	16,013	-	-
Cash flow from investing activities		27,233	35,719	-101,443	-217,223	-159,827
Cash flow from financing activities						
New share issue		-	6	270,000	16	1,555
Issue costs		-620	-	-15,845	-	-
Acquisition of own shares		-	-6	-	-16	-16
Repayment of loans		-88	-105	-298	-315	-420
Cash flow from financing activities		-708	-105	253,857	-315	1,119
Cash flow for the period		-20,186	-163	-8,172	-335,234	-328,470
Cash and cash equivalents at the beginning of the period		37,983	19,367	25,968	354,438	354,438
Cash and cash equivalents at the end of the period		17,796	19,204	17,796	19,204	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 carrying amounts of current financial assets and liabilities are assumed to correspond to their fair value, since these items are current by nature. 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 1–21, and pages 1–12 thus comprise an integrated component of this financial report.

Holding of treasury shares

At the end of the third 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.

Note 1 Specification of net sales

Net sales specified by geographic market:

Amounts in SEK thousand	2020 Jul–Sep	2019 Jul–Sep	2020 Jan–Sep	2019 Jan–Sep	2019 Jan–Dec
Sweden	-	27	243	990	1,005
Total net sales by geographic market	-	27	243	990	1,005

Net sales specified by type of income:

Amounts in SEK thousand	2020 Jul–Sep	2019 Jul–Sep	2020 Jan–Sep	2019 Jan–Sep	2019 Jan–Dec
Licensing revenue	-	-	-	500	500
Prototype development	-	27	243	490	505
Total net sales by type of income	-	27	243	990	1,005

Licensing revenue in 2019 derives from the licensing agreement signed between EMPE Diagnostics AB and Q-linea during 2017. As planned, 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.

The licensing agreement signed between EMPE Diagnostics AB and Q-linea during 2017 was terminated in 2019. 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, remains a director of EMPE Diagnostics AB.

Note 3 Share-based remuneration programmes

At the end of the third 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 2,838 thousand (885) for the third quarter and SEK 4,775 thousand (2,021) for the January to September period.

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 533 thousand (0) for the third quarter and SEK 1,030 thousand (0) for the January to September period.

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.

At the end of the third quarter there were 345,850 (0) employee share options outstanding. The option value on the balance sheet date was SEK 71.61 per option, according to the Black & Scholes model. The cost recognised, including social security contributions, amounted to SEK 832 thousand (0) for the third quarter and SEK 832 thousand (0) for the January to September period.

Note 4 Short-term investments

Cash and cash equivalents not used in the daily operations have been placed in 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. The short-term portion of the Company's financial assets was recognised at amortised cost.

At the end of the third quarter, the Company's short-term investments totalled SEK 356,891 thousand (180,512), of which 151,356 (30,093) represents the short-term portion of the Company's listed corporate bonds. The fair value of the fixed-income funds amounted to SEK 206,616 and the fair value of the bonds amounted to SEK 151,437.

Note 5 Other securities held as non-current assets

Other securities held as non-current assets primarily comprise low-risk listed corporate bonds that were measured at an amortised cost of SEK 34,479 thousand (120,976) on the balance sheet date. The value includes a credit reserve of SEK 73 thousand (0). The Company reduced the credit reserve from SEK 210 thousand (0) to SEK 73 thousand (0) during the third quarter, when the Company decided that the bond market had improved since the first quarter. The bonds all belong to level 1 of the fair value hierarchy. The Company uses credit information from S&P and Moody's in its assessments.

Bilia AB announced in the end of the third quarter that it intended to redeem one of its corporate bonds in advance. The bond was redeemed on the balance sheet date (30 September 2020) and the Company has not yet received cash and cash equivalents, so the bond is recognised as a short-term investment. During the January to September period bonds, excluding Bilia, matured and were paid out in a total of SEK 16,013 thousand (0). The bond coupon rates carry both variable and fixed interest with periodic payments. Coupon rates received amounted to SEK 801 thousand (602) for the third quarter and SEK 1,753 thousand (1,467) for the January to September period.

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). As of 30 September 2020, the Company deemed that there was no impairment requirement for the participations in EMPE Diagnostics AB since the share price at the latest directed issue exceed the price paid by Q-linea. Q-linea's holdings still represent 5.88%.

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 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Result for the period	-48,655	-35,074	-162,056	-115,354	-177,354
Weighted average number of shares outstanding	27,337,947	23,213,689	25,066,564	23,104,611	23,104,611
- Less average holding of treasury shares	328,472	306,774	328,472	197,696	-197,696
Earnings per share before and after dilution (SEK)	-1.80	-1.53	-6.55	-5.04	-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.

The credit reserve, which amounted to SEK 210 thousand (0) at the end of the first quarter, declined to SEK 73 thousand (0) at the end of the third quarter. The Company's assessment is that uncertainty in the bond market has decreased. This entailed an unrealised income of SEK 137 thousand (0) in the third quarter. 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 January to September period, the Company carried out a directed issue that raised SEK 270 million before issue costs. The directed issue is described in the "Financing" section above. Based on the proceeds generated for the Company, the Board deems the existing working capital, as of 30 September 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.

Auditor's report

Q-linea AB. reg. no. 556729-0217

Introduction

We have reviewed the condensed interim financial information (interim report) of Q-linea AB as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with the Swedish Annual Accounts Act.

Uppsala November 4, 2020

Öhrlings PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant