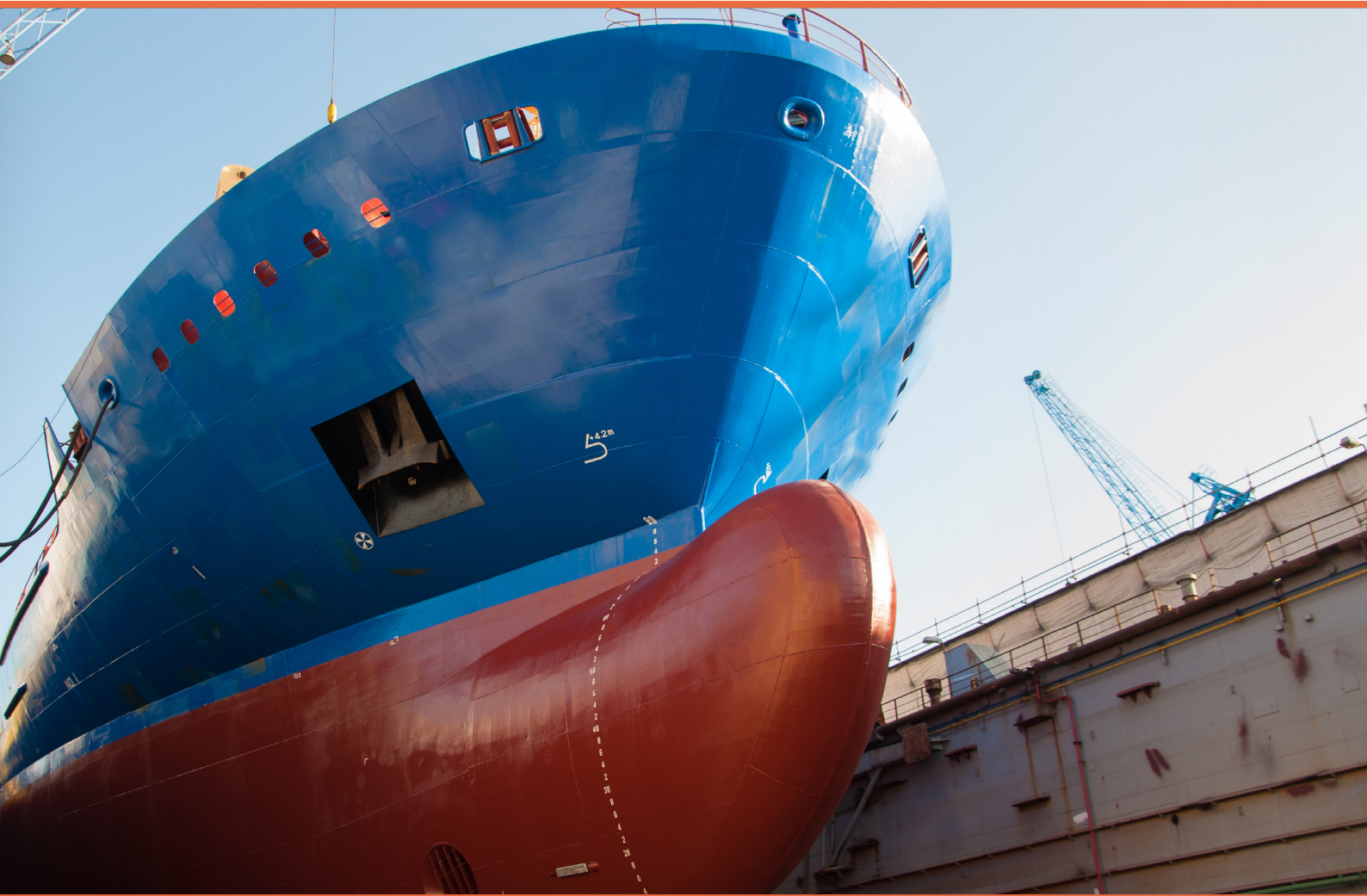


**JANUARY-DECEMBER**

**2018**

**YEAR-END REPORT**



# Summary of the period

## *" Strong finish to an exciting year "*

- Net turnover for the period amounted to kSEK 10 870 (7 156), which corresponds to an increase in turnover of 52% (-7%). Operating profit/loss amounted to kSEK -2 882 (-2 061).
- Net turnover for the full year 2018 amounted to kSEK 28 947 (17 849), which corresponds to an increase in turnover of 62% (5%). Operating profit/loss amounted to kSEK -13 625 (-7 448).

### **October to December 2018**

- I-Tech received an order worth SEK 36 million from Chugoku Marine Paints. The order is a minimum commitment for supplies during 2019.
- 3-year data from the Calypso study was presented. The vessel demonstrated an unusually low increase in fouling resistance compared to a reference vessel. A physical hull inspection also verified the results by establishing that Calypso's hull was very clean, with divers finding no soft or hard fouling.
- The next generation production process is fully implemented and is contributing to an increased gross margin.

### **January to September 2018**

- From an operational perspective, I-Tech has completed the integration of acquired assets from Cambrex and is now managing the entire supply chain itself.
- The company has initiated a collaboration with a European manufacturer of active substances as part of a strategy to create a broader supplier base.
- The company's previously largest shareholder, Vicore Pharma Holding, resolved at an extraordinary general meeting on 13 August to distribute the majority of its shares in I-Tech to its shareholders. These shares are subject to a lock-up and cannot be sold before 28 May 2019. This has resulted in I-Tech gaining more than 1 500 new shareholders.
- On 28 May, I-Tech was listed on the Nasdaq First North (Stockholm) stock exchange. The company's share issue in conjunction with the listing was oversubscribed at 138%. The company received approximately SEK 40 million after issue costs.
- I-Tech's board of directors was strengthened at the annual general meeting on 17 April with the appointment of Bjarne Sandberg, Managing Director of Cambrex Karlskoga AB. Bjarne adds extensive commercial and industrial experience.

### **Important events after the period**

- No important events after the period.

## **Financial summary**

	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<i>All amounts in TSEK</i>	<b>okt-dec</b>	<b>okt-dec</b>	<b>jan-dec</b>	<b>jan-dec</b>
Net sales	10 870	7 156	28 947	17 849
Operating result	-2 882	-2 061	-13 625	-7 448
Net result	-2 994	-2 168	-13 737	-8 418
Operating cash flow	-764	-2 226	-11 945	-6 238
Equity at end of period	102 981	36 955	102 981	36 955
Cash and cash equivalents at end of period	46 538	20 535	46 538	20 535

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## CEO comments

**I-Tech ended the year by demonstrating a strong delivery capacity, which confirmed that the production system is now in full flow. The investments in the production system that were made during the year have begun to show a return. The gross margin increased for the period to 44% (32%) and for the full year to 36% (32%). Sales amounted to SEK 10.9 million (SEK 7.2 million) for the fourth quarter and for the full year sales were SEK 29.0 million (SEK 17.8 million).**

This growth shows that the company is progressing in line with our stated sales targets. The fourth quarter also indicates we are proceeding along the path towards significant gross margin improvements. The production rate is now in phase with demand. No stock was built up during the quarter as, in principle, everything that was manufactured was delivered to the customer. To manage varying customer demand, the company is set to increase storage capacity as soon as possible. This is considered necessary to maintain the right service level to customers.

The customer side is essentially the same during the fourth quarter. Chugoku Marine Paints is taking full advantage of Selektope and is working on new business based on fine results from various case studies, of which M/T Calypso's 3-year operational data was communicated publicly in December. Being able to demonstrate a hull with high performance both visually and in measured data for three years is proof that there are clear economic and environmental benefits to using the Selektope technology.



We're noticing widespread increased activity among other potential customers. Future changes in legislation related to emissions are driving demand for premium products in the coming years, and CMP's progress also gives a clear signal that puts pressure on other manufacturers to keep up with the development.

In an industry where few embark on abrupt changes, endurance and a long-term perspective are key. The more vessels that sail with Selektope products, showing good results over a number of years, the easier it will be for the technology to gain broader acceptance. I-Tech's growth aligns well with the implementation of legislation that will significantly increase fuel costs. The expected increase in fuel costs incentivises shipping companies to invest in energy efficient measures. We therefore look forward with confidence to 2019, with a continued positive development with existing customers and with the belief that we can secure Selektope-based products on the market from additional manufacturers.

Philip Chaabane, CEO

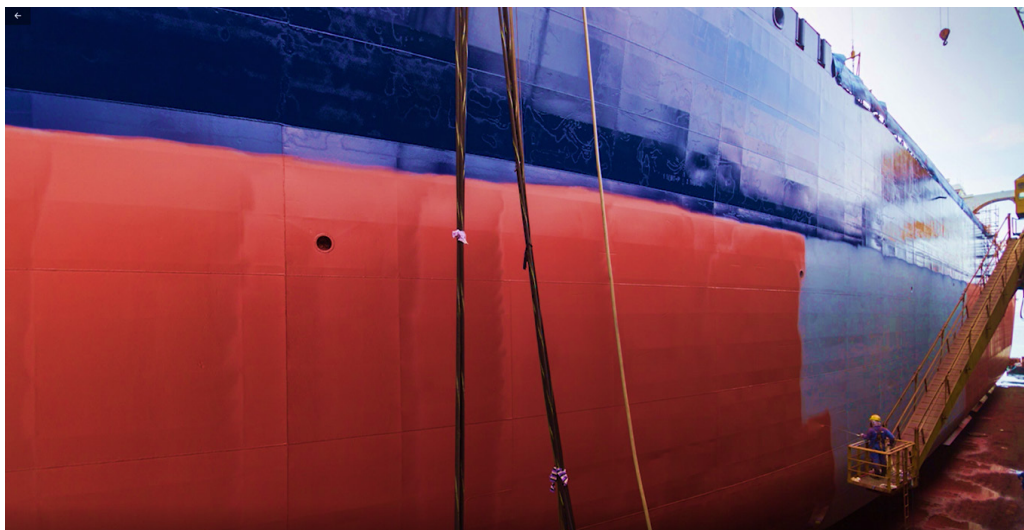
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# Business and structure

I-Tech AB (publ) is a biotech company active in the materials and chemical sector. The company develops and sells the product Selektope®, an active ingredient to counteract marine growth used in coating systems for the commercial shipping industry. The company's business is primarily focused on antifouling coatings, although development is also taking place to potentially prevent marine growth in functional materials such as polyurethane. The company's customers are the leading global marine coating companies. Asia is the dominant market.

I-Tech owns the rights to Selektope and has the necessary manufacturing expertise. The company was founded in 2000 as a spin-off company from the University of Gothenburg and Chalmers University of Technology, and is now located at AstraZeneca's BioVentureHub in Mölndal, just south of Gothenburg in Sweden.

On 28 May, the company was listed on the Nasdaq First North stock exchange and completed a share issue in conjunction with the listing. The company raised SEK 40 million after issue costs and now has the resources to implement strategic investments to achieve long-term objectives. These investments include process and method development within production, with the aim to increase efficiency, develop the supply chain, expand commercial capabilities and increase R&D activities to support existing business, as well as to develop potential new application areas. Lastly, investments will also be made to enter new markets where regulatory processes are expected to be initiated moving forward.



*Repainting of Calypso with Selektope based paint, November 2015*



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## Other information

### Share information

At the start of 2018, I-Tech's share capital amounted to 15 663 049.50 SEK kronor distributed across 156 630 495 shares. In April, the new shares were registered from the directed share issue carried out in conjunction with the acquisition of manufacturing assets from Cambrex Karlskoga AB. In April, the reverse 1:20 split resolved at the annual general meeting on 17 April was also registered. In May, a public offering was carried out comprising a total of 2 131 727 shares, of which 1 875 000 shares were registered in June and 256 727 shares were registered in July. After the registration of all share issues, I-Tech's share capital amounts to 23 816 914 SEK distributed across 11 908 457 shares. The ratio value of all the shares amounts to 2 SEK and they have equal rights in the company's assets and profit/loss.

I-Tech's shares were listed on the Nasdaq First North stock exchange on 29 May. As of 28 December 2018, the number of shareholders amounted to 1 657. With a closing price for the share on 28 December 2018 amounting to SEK 66, the company's market capitalisation amounted to SEK 786 million.

### Risk factors

The company's risks are primarily related to the market development of Selektope, production risks related to partners' production and production capacity, as well as intellectual property and product development. For a more detailed description of risks, please see I-Tech's prospectus which was published in connection with public offering.

### Certified Adviser

I-Tech's Certified Adviser has engaged Erik Penser Bank as the Certified Adviser on Nasdaq First North.

### Long-term incentive program

The company has no long-term incentive program for senior leaders or personnel.

### Audit review

The interim report has not been subject to audit.

### List of shareholders

The list of shareholders shows the status in the company as of 28 December 2018.

Shareholder	No. of shares	%
Cambrex Karlskoga AB	1 945 660	16,34%
Almi companies	1 900 164	15,96%
Pomona-gruppen Aktiebolag	1 357 528	11,40%
Göran Wessman incl. Co.	452 335	3,80%
Stefan Sedersten incl. Co.	451 330	3,79%
Unionen	450 000	3,78%
Aquamarine Ltd	371 390	3,12%
Daniel Sandberg	357 649	3,00%
Avanza Bank	329 111	2,76%
Swedbank Robur	291 348	2,45%
Bendz, David	282 167	2,37%
Nordnet pensionsförsäkring	244 223	2,05%
Göran Källebo	175 000	1,47%
Wigren Chaabane, Philip	153 899	1,29%
Others	3 146 653	26,42%
<b>Total number of shares</b>	<b>11 908 457</b>	<b>100,00%</b>

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# Financial information

## Turnover and profit/loss

Sales for the period amounted to kSEK 10 870 (7 156), which gives a net turnover of 52% (-7%). Sales are mainly to the company's largest customer, Chugoko, with the increase for the period due to scheduled dockings and vessel painting.

At 44% (32%), the gross margin for the period has, in line with the company's plans, significantly improved compared to previous periods. The increase is a result of the significant investments the company has made to improve production processes.

In line with planned efforts to strengthen the company's development, as well as significantly increased depreciations due to the acquisition of production assets, the fixed cost structure within the company is higher compared to previous years with an operating loss of kSEK -2 882 (-2 061).

## Cash flow

The cash flow from operating activities for the fourth quarter amounted to kSEK -764 (-2 226), where the negative earnings amount to kSEK -912 (-1 839) and the operating capital amounts to kSEK -148 (-387). The positive change in the operating capital comes mainly from low stock levels, as an effect of the unmet need after the implemented production process changes.

During the period, I-Tech has invested kSEK -118 (86) in intellectual property rights. This is in line with ongoing development programs.

From the cash flow from financing activities, a net kSEK -682 (11 669) has been spent. The negative effect is somewhat lower than planned due to the reinstatement of previous reservations for listing costs. In total, this gives a cash flow for the period of kSEK -1 564 (9 529).

## Financial summary

Cash and cash equivalents in the company at the end of the period amounted to kSEK 46 538 (20 535) and equity amounted to kSEK 102 981 (36 955). The increase in cash and cash equivalents, as well as equity, is related to the public offering with a reduction of the company's negative earnings and a change in the operating capital. The remaining increase in equity is due to the issue for non-cash consideration when production assets were acquired by Cambrex Karlskoga AB.

## Principles of preparation

The accounts in this interim report have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012:1 annual report and consolidated accounts (K3). The principles of preparation are described in more detail in the company's annual report for the financial year 2017.

# Upcoming financial reports

<b>8 April 2019</b>	<b>Annual report 2018</b>
<b>10 May 2019</b>	<b>Interim report, first quarter</b>
<b>28 Aug 2019</b>	<b>Interim report, second quarter</b>

# Income statement

<i>Amounts in kSEK</i>	2018 okt-dec	2017 okt-dec	2018 jan-dec	2017 jan-dec
<b>Operating income, etc.</b>				
Net sales	10 870	7 156	28 947	17 849
Capitalized work for own account	-	17	-	38
Other operating income	779	644	1 093	1 077
	<b>11 649</b>	<b>7 817</b>	<b>30 040</b>	<b>18 964</b>
Cost of goods sold	-6 113	-4 884	-18 665	-12 150
Other external costs	-4 311	-3 156	-11 626	-7 915
Personnel expenses	-1 923	-1 486	-5 374	-4 671
Depreciations, amortizations and impairments	-2 058	-314	-7 233	-1 258
Other operating expenses	-126	-38	-767	-418
	<b>-14 531</b>	<b>-9 878</b>	<b>-43 665</b>	<b>-26 412</b>
<b>Operating income</b>	<b>-2 882</b>	<b>-2 061</b>	<b>-13 625</b>	<b>-7 448</b>
<b>Financial items</b>				
Interest income and similar items	72	-	439	-
Interest expense and similar items	-184	-107	-551	-970
	<b>-112</b>	<b>-107</b>	<b>-112</b>	<b>-970</b>
<b>Result after financial items</b>	<b>-2 994</b>	<b>-2 168</b>	<b>-13 737</b>	<b>-8 418</b>
Tax on result from the year	-	-	-	-
<b>NET RESULT</b>	<b>-2 994</b>	<b>-2 168</b>	<b>-13 737</b>	<b>-8 418</b>

# Balance sheet

<i>Amounts in kSEK</i>	<b>2018 dec-31</b>	<b>2017 dec-31</b>
<b>ASSETS</b>		
Intangible assets	68 363	35 107
Tangible assets	21	41
<b>Total fixed assets</b>	<b>68 384</b>	<b>35 148</b>
Inventory	303	613
Short-term receivables	8 301	3 631
Cash and bank balances	46 538	20 535
<b>Total current assets</b>	<b>55 142</b>	<b>24 779</b>
<b>Total assets</b>	<b>123 526</b>	<b>59 927</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	23 817	15 663
Restricted equity	1 337	1 337
Unrestricted equity	91 564	28 373
Result	-13 737	-8 418
<b>Total equity</b>	<b>102 981</b>	<b>36 955</b>
Long-term liabilities	11 408	13 264
Short-term liabilities	9 137	9 708
<b>Total liabilities</b>	<b>20 545</b>	<b>22 972</b>
<b>Total equity and liabilities</b>	<b>123 526</b>	<b>59 927</b>



# Cash-flow analysis

<i>Amounts in kSEK</i>	2018 okt-dec	2017 okt-dec	2018 jan-dec	2017 jan-dec
<b>Operating activities</b>				
Operating result	-2 882	-2 061	-13 625	-7 448
Adjustments for non-cash items	2 058	314	7 233	1 258
Interest received	72	-	439	-
Interest paid	-184	-107	-551	-970
Income tax paid/received	24	15	24	-3
<b>Changes in working capital</b>				
Change in inventories	473	101	310	3 024
Change in operating receivables	-4 414	-1 541	-4 680	673
Change in operating liabilities	4 089	1 053	-1 095	-2 772
<b>Cash flow from operating activities</b>	<b>-764</b>	<b>-2 226</b>	<b>-11 945</b>	<b>-6 238</b>
<b>Investment activities</b>				
Investments in non-current assets	-118	86	-40 469	-708
<b>Cash flow from investment activities</b>	<b>-118</b>	<b>86</b>	<b>-40 469</b>	<b>-708</b>
<b>Financing activities</b>				
Amortization/issue loan	-896	1 179	-1 346	-138
New share issue	214	10 490	79 763	10 490
<b>Cash flow from financing activities</b>	<b>-682</b>	<b>11 669</b>	<b>78 417</b>	<b>10 352</b>
<b>The period's cash flow</b>	<b>-1 564</b>	<b>9 529</b>	<b>26 003</b>	<b>3 406</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>48 102</b>	<b>11 006</b>	<b>20 535</b>	<b>17 129</b>
<b>Cash and cash equivalents at end of period</b>	<b>46 538</b>	<b>20 535</b>	<b>46 538</b>	<b>20 535</b>
<i>Adjustments for non-cash items</i>				
Depreciation	2 058	314	7 233	1 258
Other items not affecting cash flow	-	-	-	-
	<b>2 058</b>	<b>314</b>	<b>7 233</b>	<b>1 258</b>

# Equity changes

<i>All amounts in kSEK</i>	Restricted equity			Unrestricted equity		Total equity
	Share capital	Statutory reserve	Development expense fund	Share premium reserve	Other unrestricted equity	
2017-01-01	6 126	753	404	70 714	-43 114	34 883
Capitalization of development expenses	-	-	180	-	-180	-
New share issue	9 537	-	-	953	-	10 490
Net result for the year	-	-	-	-	-8 418	-8 418
<b>2017-12-31</b>	<b>15 663</b>	<b>753</b>	<b>584</b>	<b>71 667</b>	<b>-51 712</b>	<b>36 955</b>
2018-01-01	15 663	753	584	71 667	-51 712	36 955
New share issue	8 154	-	-	71 609	-	79 763
Net result for the period	-	-	-	-	-13 745	-13 745
<b>2018-12-31</b>	<b>23 817</b>	<b>753</b>	<b>584</b>	<b>143 276</b>	<b>-65 457</b>	<b>102 973</b>

# Financial ratios

Amounts in kSEK	2018 okt-dec	2017 okt-dec	2018 jan-dec	2017 jan-dec
Turnover growth %	52%	-7%	62%	5%
Gross margin %	44%	32%	36%	32%
Operating margin %	-27%	-29%	-47%	-42%
Profit margin %	-28%	-30%	-47%	-47%
Solidity	83%	62%	83%	62%
Cash liquidity	600%	249%	600%	249%
Return on average total capital	neg.	neg.	neg.	neg.
Return on average total equity	neg.	neg.	neg.	neg.
Average of outstanding shares*	11 908 457	4 721 471	10 097 044	3 480 857
Outstanding shares end of period	11 908 457	7 831 525	11 908 457	7 831 525
Result per share	-0,3	-0,5	-1,4	-2,4
Result per share fully diluted	-0,3	-0,4	-1,4	-2,3
Equity per share	8,6	7,8	8,6	7,8
Equity per share fully diluted	8,6	7,6	8,6	7,6
Dividend per share	-	-	-	-

\*The figures in the comparative period are recalculated with reference to the reverse split 1:20 that was carried out in 2018.

## DEFINITIONS OF KEY FIGURES

### Turnover growth

The percentage increase in sales for the past period compared with the corresponding previous period.

### Gross margin

Gross profit for the period in relation to the period's net sales.

### Gross profit

Net sales of the period decreased by raw materials and supplies.

### Operating margin

Operating profit for the period in relation to the period's net sales.

### Profit margin

Profit for the period in relation to the period's net sales.

### Solidity

Shareholders' equity as a percentage of total assets.

### Cash liquidity

Current assets, excluding inventories, in relation to current liabilities, without adjustment for proposed dividend.

### Return on average total capital

Net profit for the period, as a percentage of average total capital

### Return on average total equity

Net profit for the period, as a percentage of average shareholders' equity

### Result per share

Profit for the period divided by the average number of outstanding shares during the year.

### Equity per share

Total equity divided by the number of shares at the end of the period.

The Board of Directors and the CEO certify that  
the interim report gives a true and fair view of the  
company's operations

Möln dal, 20 February 2019

Stefan Sedersten, Chairman of the Board  
Leif Darner, Board Member  
Mats Enegren, Board Member  
Bertil Arvidsson, Board Member  
Mikael Laurin, Board Member  
Bjarne Sandberg, Board Member  
Tomas Tedgren, Board Member  
Philip Chaabane, Chief Executive Officer

## **Address**

I-Tech AB  
c/o Bioventurehub  
Pepparedsleden 1  
431 83 Möln dal  
SWEDEN  
Tel: +46 (0)10-30 33 999  
org.nr: 556585-9682

[www.i-tech.se](http://www.i-tech.se)

## **Contact**

Magnus Henell, CFO  
Tel: +46 (0)73 910 37 03  
[magnus.henell@i-tech.se](mailto:magnus.henell@i-tech.se)

Philip Chaabane, CEO  
Tel: +46 (0)73 910 37 08  
[philip.chaabane@i-tech.se](mailto:philip.chaabane@i-tech.se)