

JULY-SEPTEMBER

2019

INTERIM REPORT Q3



Summary of the period - Q3 2019

"A strong quarter with high growth and clear positive action for the future"

Net sales for the period amounted to kSEK 12 238 (4 993), which corresponds to an increase in sales of 145% (-10%). Operating result amounted to kSEK -763 (-4 889).

Net sales for the first nine months of the year amounted to kSEK 30 990 (18 077), which corresponds to an increase in sales of 71% (69%). Operating result for the first nine months amounted to kSEK -6 104 (-10 743).

July to September 2019

- Chugoku Marine Paints launched its eighth Selektope®-powered antifouling paint product.
- I-Tech received its largest supply order to date from Chugoku Marine Paints worth SEK 57 million.
- Cambrex sold its holding (approximately 16%) in I-Tech. Länsförsäkringar, Handelsbanken and The Fourth Swedish National Pension Fund are new, large institutional investors on the list of shareholders.

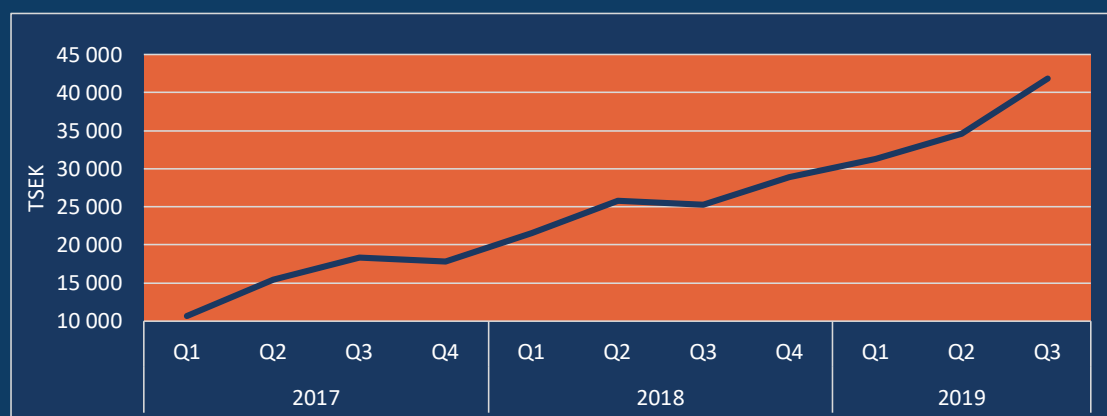
Important events after the period

- No important events have occurred after the period

Financial Summary

All amounts in TSEK	2019 jul-sep	2018 jul-sep	2019 jan-sep	2018 jan-sep	2018 jan-dec
Net sales	12 238	4 993	30 990	18 077	28 947
Operating result	-763	-4 899	-6 104	-10 743	-13 625
Net result	-411	-5 108	-5 926	-10 743	-13 737
Operating cash flow	320	-2 068	-4 100	-11 181	-11 945
Equity at end of period	97 055	105 761	97 055	105 761	102 981
Cash and cash equivalents at end of period	39 965	48 102	39 965	48 102	46 538

Rolling twelve-month turnover



CEO comments

The third quarter this year provided a record order and sales that increased by 145 percent; from SEK 5.0 million in the corresponding quarter last year to SEK 12.2 million. The reason for the strong improvement is an increased level of activity among our customers. This includes increased sales to development customers who, after successful product verification, are close to launching products on the market.

The gross margin improved to a good 48 percent, driven by high sales and a widened customer base. For the second quarter in a row, we reported a positive EBITDA margin.

Summing up the third quarter, I can see that it puts us in a very promising position for what I believe will be an incredibly exciting journey ahead of us. What stands out in this quarter is a record order from our largest customer, Chugoku Marine Paints (CMP), which will bring strong growth in the coming year. In addition to CMP placing a large order, they also launched another product during the quarter, which further broadens their Selektope®-powered antifouling paint range. Another thing worth highlighting is that 20% of the quarter's sales came from one of our development customers outside the Nordic region, a company which is one of the six largest in the world. This customer has progressively stepped up during this year and is currently conducting large-scale verification of our technology which paves the way for upcoming launch of new products.

As a consequence of high orders, good continued growth and a broader customer base, our gross margin improved slightly and increased from 44% to 48%. As in the second quarter, we have a positive



EBITDA margin, confirming that we are on the right track to achieving our profitability target during 2020.

In September, a major change in ownership occurred as I-Tech's largest owner, Cambrex, who held approximately 16% of the shares, sold its entire holding in the company. The sale was made in conjunction with Cambrex being in the process of being bought out of the New York Stock Exchange. In this context, it feels very satisfying to note that we have gained reputable institutions in the form of Länsförsäkringar, Handelsbanken and The Fourth Swedish National Pension Fund as new owners.

The third quarter represents an interesting milestone for I-Tech. In addition to CMP's core business growing significantly, another large and dominant OEM in the coating industry has geared up by placing a series of recurring orders in a relatively short period of time.

A strong improvement in earnings, a positive EBITDA margin and new institutional owners enable us to look forward to the coming years with great confidence.

Philip Chaabane, CEO

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.

During 2018, the company was listed on Nasdaq First North Growth Market 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.



I-Tech talks to the industry during a 'Biofouling Blue Talk seminar' held earlier this year at the NorShipping international marine expo in Oslo, Norway. This is one of many conferences that I-Tech is invited to participate in following increasing recognition of our product Selektope and its contributions to a more efficient shipping industry.

Other information

Share information

At the start of 2019, I-Tech's share capital amounted to SEK 23,816,914 distributed across 11,908,457 shares. The ratio value of all the shares amounts to SEK 2 and they have equal rights in the company's assets and profit/loss.

I-Tech's shares were listed on Nasdaq First North Growth Market on 29 May 2018. As of 30 September 2019, the number of shareholders amounted to 2,125. With a closing price for the share on 30 September 2019 of SEK 40.00, the company's market capitalisation amounted to SEK 476 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 risks associated with intangible assets and product development. For a more detailed description of significant risks and uncertainty factors are referred to I-Tech's prospectus which was published in conjunction with the public offering and the company's annual report for 2018.

Certified Adviser

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

Long-term incentive programs

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

Audit review

The interim report has not been subject to audit.

List of stakeholders

The list of stakeholders shows the status in the company as of 30 September 2019.

Shareholders	No. of shares	%
Pomona-gruppen	1 357 528	11,40%
Swedbank Robur	1 132 500	9,51%
Almi Invest Companies	1 050 164	8,82%
Länsförsäkringar Funds	750 000	6,30%
Handelsbanken Funds	462 500	3,88%
Göran Wessman incl. companies	452 335	3,80%
Stefan Sedersten incl. companies	451 330	3,79%
Unionen	450 000	3,78%
Daniel Sandberg incl. companies	389 109	3,27%
Avanza Pensions	373 749	3,14%
Aquamarine	371 390	3,12%
Fourth Swedish National Pension Fund	290 660	2,44%
David Bendz	282 167	2,37%
Nordnet Pensions	245 815	2,06%
Göran Källebo	175 000	1,47%
Philip Chaabane	153 899	1,29%
Others	3 520 311	29,56%
Total shares	11 908 457	100,00%

Financial information

Turnover and profit/loss

Sales for the period amounted to kSEK 12 238 (4 993), resulting in a net sales growth of 145% (-10%). Sales are mainly related to the company's largest customer, Chugoku Marine Paints, as well as other customers in the development phase. The increase for the period is attributable to upcoming dockings and painting of vessels with antifouling coatings, as well as activities in development projects relating to new antifouling coatings.

The gross margin for the period at 48% (32%) has, in line with the company's plans, improved significantly compared to previous years. The increase is mainly the result of the significant efforts the company has made to improve production processes and also, to some extent, the mix of customers for the period. Although the fixed cost structure within the company is sharply increased in line with planned efforts, the increased gross profit means that the company's operating result improved significantly compared to the same period last year, kSEK -763 (-4,899). The improvement in earnings also means that operating result before depreciation is positive both for the period, kSEK 1 298 (-2,841), and for the first nine months, kSEK 75 (-5,568).

Cash flow

Cash flow from operating activities for the period amounted to kSEK 320 (-2,068), where the earnings amount to kSEK 1 584 (-3,041) and the working

capital amounts to kSEK -1 264 (973). Besides natural variations in operating receivables and liabilities, mainly due to deliveries, the company has made advance payments to its contractors as part of the company's aim to take responsibility for stock build up during earlier periods in 2019. Working capital thereby increased by kSEK 5 247.

During the period, I-Tech has invested kSEK -28 (-123) in fixed assets. Investments relate to capitalised costs in intangible assets. From the cash flow from financing operations there is a net reduction of kSEK -1 522 (150). The negative effect is directly related to the amortisation of long-term loans. This gives a cash flow for the period of kSEK -1 230 (-2,555).

Financial summary

Cash and cash equivalents in the company, at the end of the period, amounted to kSEK 39 965 (48,102) and equity amounted to kSEK 97 055 (105,761). The decrease in cash and cash equivalents and equity is directly related to the company's negative result and a change in operating capital.

Principles of preparation

The accounts in this interim report have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's 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 2018.

Upcoming financial reports

19 February 2020	Year-end report 2019
8 May 2020	Interim report, quarter 1
26 Augusti 2020	Interim report, quarter 2
23 October 2020	Interim report, quarter 3

Income statement

<i>Amounts in kSEK</i>	2019 jul-sep	2018 jul-sep	2019 jan-sep	2018 jan-sep	2018 jan-dec
Operating income, etc.					
Net sales	12 238	4 993	30 990	18 077	28 947
Capitalized work for own account	-	-	-	-	-
Other operating income	224	44	895	314	1 093
	12 462	5 037	31 885	18 391	30 040
Cost of goods sold	-6 394	-3 417	-16 779	-12 552	-18 665
Other external costs	-2 583	-2 829	-8 449	-7 315	-11 165
Personnel expenses	-2 104	-1 231	-6 377	-3 451	-5 835
Depreciations, amortizations and impairments	-2 061	-2 058	-6 179	-5 175	-7 233
Other operating expenses	-83	-401	-205	-641	-767
	-13 225	-9 936	-37 989	-29 134	-43 665
Operating income	-763	-4 899	-6 104	-10 743	-13 625
Financial items					
Interest income and similar items	402	-88	411	367	439
Interest expense and similar items	-50	-121	-233	-367	-551
	352	-209	178	-	-112
Result after financial items	-411	-5 108	-5 926	-10 743	-13 737
Tax on result from the year	-	-	-	-	-
NET RESULT	-411	-5 108	-5 926	-10 743	-13 737

Balance sheet

<i>Amounts in kSEK</i>	2019 sep-30	2018 sep-30	2018 dec-31
ASSETS			
Intangible assets	62 728	70 298	68 364
Tangible assets	129	26	21
Total fixed assets	62 857	70 324	68 385
Inventory	1 003	776	303
Short-term receivables	13 512	3 897	8 300
Cash and bank balances	39 965	48 102	46 538
Total current assets	54 480	52 775	55 141
Total assets	117 337	123 099	123 526
EQUITY AND LIABILITIES			
Share capital	23 817	23 817	23 817
Restricted equity	1 337	1 337	1 337
Unrestricted equity	77 827	91 350	91 564
Result	-5 926	-10 743	-13 737
Total equity	97 055	105 761	102 981
Long-term liabilities	9 586	12 814	11 408
Short-term liabilities	10 696	4 524	9 137
Total liabilities	20 282	17 338	20 545
Total equity and liabilities	117 337	123 099	123 526

Cash-flow analysis

<i>Amounts in kSEK</i>	2019 jul-sep	2018 jul-sep	2019 jan-sep	2018 jan-sep	2018 jan-dec
Operating activities					
Operating result	-853	-4 899	-6 104	-10 743	-13 625
Adjustments for non-cash items	2 061	2 058	6 179	5 175	7 233
Interest received	402	-88	411	367	439
Interest paid	-50	-121	-233	-367	-551
Income tax paid/received	24	9	90	-	24
Changes in working capital					
Change in inventories	10	1 942	-700	-163	310
Change in operating receivables	-6 275	4 410	-5 212	-266	-4 680
Change in operating liabilities	5 001	-5 379	1 469	-5 184	-1 095
Cash flow from operating activities	320	-2 068	-4 100	-11 181	-11 945
Investment activities					
Investments in non-current assets	-28	-123	-651	-348	-466
Cash flow from investment activities	-28	-123	-651	-348	-466
Financing activities					
Amortization/issue loan	-1 522	-150	-1 822	-450	-1 346
New share issue	-	-214	-	39 546	39 760
Cash flow from financing activities	-1 522	-364	-1 822	39 096	38 414
The period's cash flow	-1 230	-2 555	-6 573	27 567	26 003
Cash and cash equivalents at beginning of period	41 195	50 657	46 538	20 535	20 535
Cash and cash equivalents at end of period	39 965	48 102	39 965	48 102	46 538
<i>Adjustments for non-cash items</i>					
Depreciation	2 061	2 058	6 179	5 175	7 233
Other items not affecting cash flow	-	-	-	-	-
	2 061	2 058	6 179	5 175	7 233

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	
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 year	-	-	-	-	-13 737	-13 737
2018-12-31	23 817	753	584	143 276	-65 449	102 981
2019-01-01	23 817	753	584	143 276	-65 449	102 981
Net result for the period	-	-	-	-	-5 926	-5 926
2019-09-30	23 817	753	584	143 276	-71 375	97 055

Financial ratios

Amounts in kSEK	2019 jul-sep	2018 jul-sep	2019 jan-sep	2018 jan-sep	2018 jan-dec
Turnover growth %	145%	-10%	71%	69%	62%
Gross margin %	48%	32%	46%	31%	36%
Operating margin %	-6%	-98%	-20%	-59%	-47%
Profit margin %	-3%	-102%	-19%	-59%	-47%
Solidity	83%	86%	83%	86%	83%
Cash liquidity	500%	1149%	500%	1149%	600%
Return on average total capital	neg.	neg.	neg.	neg.	neg.
Return on average total equity	neg.	neg.	neg.	neg.	neg.
Average of outstanding shares*	11 908 457	11 883 387	11 908 457	9 486 605	10 097 044
Outstanding shares end of period	11 908 457	11 908 457	11 908 457	11 908 457	11 908 457
Result per share	0,0	-0,4	-0,5	-0,9	-1,2
Result per share fully diluted	0,0	-0,4	-0,5	-0,9	-1,2
Equity per share	8,2	8,9	8,2	8,9	8,6
Equity per share fully diluted	8,2	8,9	8,2	8,9	8,6
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, 25 October 2019

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

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