

JANUARY-MARCH
2019
INTERIM REPORT Q1



Summary of the period - Q1 2019

“ Continued healthy growth and increased activity with potential new customers ”

Net turnover for the period amounted to kSEK 6 170 (3 813), which corresponds to an increase in turnover of 62% (2 663%). Operating profit/loss amounted to kSEK -4 435 (-3 295).

January to March 2019

- No important events during the period.

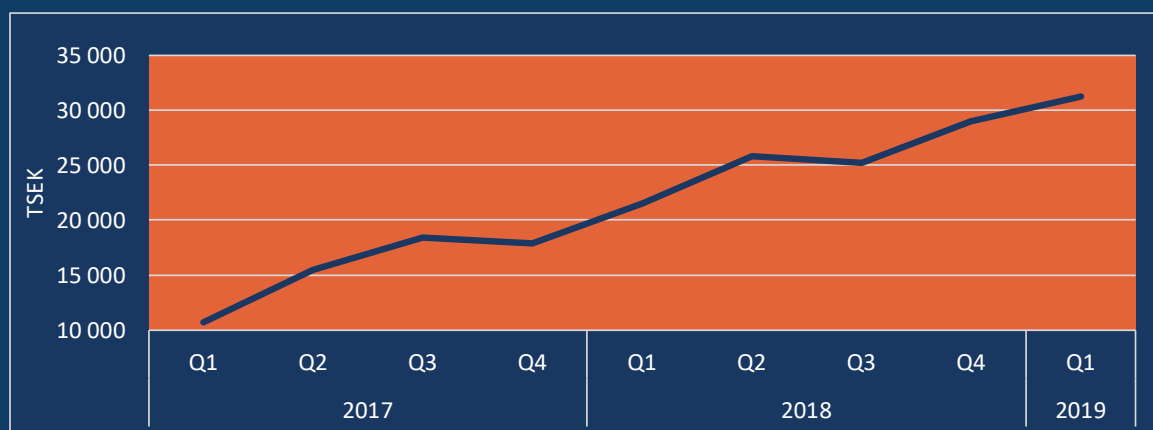
Important events after the period

- The Swedbank Robur Teknik and Microcap funds have increased their shareholdings in I-Tech after buying the main part of the 850 000 shares that I-Tech's second largest owner, Almi Invest, sold during April.
- After a 40-month trial, Team Tankers International signed up more ships to use Selektope®-powered hull coatings.

Financial Summary

<i>All amounts in TSEK</i>	2019 jan-mar	2018 jan-mar	2018 jan-dec	2017 jan-dec
Net sales	6 170	3 813	28 947	17 849
Operating result	-4 435	-3 295	-13 625	-7 448
Net result	-4 469	-3 357	-13 737	-8 418
Operating cash flow	-573	-6 895	-11 945	-6 238
Equity at end of period	98 512	73 601	102 981	36 955
Cash and cash equivalents at end of period	45 802	13 417	46 538	20 535

Rolling twelve-month turnover



CEO comments

During the first quarter, turnover amounted to SEK 6.2 million (SEK 3.8 million) which corresponds to continued growth in line with that of 2018. The gross margin for the period amounted to 44% (30%) which is in line with the company's plans. Furthermore, we are seeing increased activity among a couple of leading potential customers through a relatively larger order intake than normal during the development/validation phase.

The first quarter shows that the growth curve has not slowed down, even considering that the first quarter is usually somewhat weaker. It is also positive that the gross margin lands at a level that shows continuity in the efficiency program implemented during the latter part of 2018.

The sales volume comes mainly from Chugoku Marine Paints (CMP), which is ramping up its profiling efforts in the premium segment. The Selektope® brand is gaining more awareness across the industry, which is helping to attract new customers to CMP and Hempel. I-Tech continues its work to put the technology first and to educate and engage end users. In several cases, this has contributed to direct orders between shipowners and coating companies.

At the same time, the challenges from last year remain in the industry with a price-sensitive customer group and concern in the shipping industry about how fuel costs will develop with the introduction of new sulphur requirements. Poor margins and major uncertainties are hampering the pace of investment and this is probably the reason why order books for new construction continue to be at low levels.

Our production rate during the first quarter was significantly higher than demand. The purpose of this has been primarily to validate the capacity



levels and the efficiency of the process, as well as to ensure delivery capacity on future orders. The supplier has taken ownership of this investment, but it will be adjusted during the second quarter as I-Tech will contribute to the joint investment in building inventories.

Despite the challenging market outlook being worse than expected, especially on the new construction side, we are keeping our goal to have a third global customer launch Selektope-based products during 2019. We see signs that there is a clear intensification of the development phase in several other places. In the latter part of the first quarter and at the beginning of the second quarter, I-Tech has received relatively large development orders from two global coating companies. This indicates they are now taking the step to test the Selektope-based coating on a broader fleet than we previously expected. Although several aspects remain in the customers' development work, we see opportunities that this work can result in new product launches in the coming years.

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 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.



On April 2019, I-Tech AB was crowned winner of the Trade and Industry Group Göteborg & Co Companipris 2018.

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 the Nasdaq First North stock exchange on 29 May 2018. As of 29 March 2019, the number of shareholders amounted to 1 711. With a closing price for the share on 29 March 2019 amounting to SEK 60.36, the company's market capitalisation amounted to SEK 719 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 involving intellectual property and product development. For a more detailed description of risk factors, please see I-Tech's prospectus, which was published in connection with the public offering, and the company's annual report for 2018.

Certified Adviser

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

Long-term incentive plan

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 29 March 2019.

Shareholder	No. of shares	%
Cambrex Karlskoga AB	1 945 660	16,34%
Almi Invest Group	1 900 164	15,96%
Pomona-gruppen	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%
Daniel Sandberg	444 609	3,73%
Aquamarine Ltd	371 390	3,12%
Avanza Bank	329 111	2,76%
Swedbank Robur	291 348	2,45%
Bendz, David	282 167	2,37%
Nordnet pensionsförsäkring	251 637	2,11%
Göran Källebo	175 000	1,47%
Wigren Chaabane, Philip	153 899	1,29%
Others	3 052 279	25,63%
Total number of shares	11 908 457	100,00%

Financial information

Turnover and profit/loss

Sales for the period amounted to kSEK 6 170 (3 813), which gives a net turnover of 62% (2 663%). 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% (30%), 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 the same period in previous years, with an operating loss of kSEK -4 435 (-3 295).

Cash flow

The cash flow from operating activities for the first quarter amounted to kSEK -573 (-6 895), where the negative earnings amount to kSEK -2 372 (-2 306) and the operating capital amounts to kSEK 1 799 (-4 589). The positive change in the operating capital comes mainly from natural variable changes in operating receivables and liabilities.

During the period, I-Tech has invested kSEK -13 (-73) in intellectual property rights, which is somewhat lower than planned. The rate will be normalised during the year. From the cash flow from financing activities, a net kSEK -150 (-150) has been spent. The negative effect is directly due to amortisation of long-term loans. In total, this gives a cash flow for the period of kSEK -736 (-7 118).

Financial summary

Cash and cash equivalents in the company at the end of the period amounted to kSEK 45 802 (13 417) and equity amounted to kSEK 98 512 (73 601). The increase in cash and cash equivalents, as well as equity, is related to the public offering during 2018 with a reduction of the company's negative earnings and a change in the operating capital.

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 2018.

Upcoming financial reports

28 August 2019	Interim report, second quarter
25 October 2019	Interim report, third quarter
19 February 2020	Year-end report 2019

Income statement

<i>Amounts in kSEK</i>	2019 jan-mar	2018 jan-mar	2018 jan-dec	2017 jan-dec
Operating income, etc.				
Net sales	6 170	3 813	28 947	17 849
Capitalized work for own account	-	-	-	38
Other operating income	171	231	1 093	1 077
	6 341	4 044	30 040	18 964
Cost of goods sold	-3 465	-2 669	-18 665	-12 150
Other external costs	-3 124	-2 369	-11 165	-7 915
Personnel expenses	-2 079	-1 049	-5 835	-4 671
Depreciations, amortizations and impairments	-2 057	-1 058	-7 233	-1 258
Other operating expenses	-51	-194	-767	-418
	-10 776	-7 339	-43 665	-26 412
Operating income	-4 435	-3 295	-13 625	-7 448
Financial items				
Interest income and similar items	4	62	439	-
Interest expense and similar items	-38	-124	-551	-970
	-34	-62	-112	-970
Result after financial items	-4 469	-3 357	-13 737	-8 418
Tax on result from the year	-	-	-	-
NET RESULT	-4 469	-3 357	-13 737	-8 418

Balance sheet

<i>Amounts in kSEK</i>	2019 mar-31	2018 mar-31	2018 dec-31	2017 dec-31
ASSETS				
Intangible assets	66 324	74 129	68 364	35 107
Tangible assets	16	36	21	42
Total fixed assets	66 340	74 165	68 385	35 149
Inventory	1 082	160	303	613
Short-term receivables	6 767	3 599	8 300	3 630
Cash and bank balances	45 802	13 417	46 538	20 535
Total current assets	53 651	17 176	55 141	24 778
Total assets	119 991	91 341	123 526	59 927
EQUITY AND LIABILITIES				
Share capital	23 817	19 554	23 817	15 663
Restricted equity	1 337	1 337	1 337	1 337
Unrestricted equity	77 827	56 067	91 564	28 373
Result	-4 469	-3 357	-13 737	-8 418
Total equity	98 512	73 601	102 981	36 955
Long-term liabilities	11 258	13 114	11 408	13 264
Short-term liabilities	10 221	4 626	9 137	9 708
Total liabilities	21 479	17 740	20 545	22 972
Total equity and liabilities	119 991	91 341	123 526	59 927

Cash-flow analysis

<i>Amounts in kSEK</i>	2019 jan-mar	2018 jan-mar	2018 jan-dec	2017 jan-dec
Operating activities				
Operating result	-4 435	-3 295	-13 625	-7 448
Adjustments for non-cash items	2 057	1 058	7 233	1 258
Interest received	4	62	439	-
Interest paid	-38	-124	-551	-970
Income tax paid/received	40	-7	24	-3
Changes in working capital				
Change in inventories	-779	453	310	3 024
Change in operating receivables	1 533	39	-4 680	673
Change in operating liabilities	1 045	-5 081	-1 095	-2 772
Cash flow from operating activities	-573	-6 895	-11 945	-6 238
Investment activities				
Investments in non-current assets	-13	-73	-466	-708
Cash flow from investment activities	-13	-73	-466	-708
Financing activities				
Amortization/issue loan	-150	-150	-1 346	-138
New share issue	-	-	39 760	10 490
Cash flow from financing activities	-150	-150	38 414	10 352
The period's cash flow	-736	-7 118	26 003	3 406
Cash and cash equivalents at beginning of period	46 538	20 535	20 535	17 129
Cash and cash equivalents at end of period	45 802	13 417	46 538	20 535
<i>Adjustments for non-cash items</i>				
Depreciation	2 057	1 058	7 233	1 258
Other items not affecting cash flow	-	-	-	-
	2 057	1 058	7 233	1 258

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
2017-12-31	15 663	753	584	71 667	-51 712	36 955
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
2018-12-31	23 817	753	584	143 276	-65 457	102 973

Financial ratios

Amounts in kSEK	2019 jan-mar	2018 jan-mar	2018 jan-dec	2017 jan-dec
Turnover growth %	62%	2663%	62%	5%
Gross margin %	44%	30%	36%	32%
Operating margin %	-72%	-86%	-47%	-42%
Profit margin %	-72%	-88%	-47%	-47%
Solidity	82%	81%	83%	62%
Cash liquidity	514%	368%	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	7 831 525	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	-0,4	-0,4	-1,2	-1,1
Result per share fully diluted	-0,4	-0,4	-1,2	-1,1
Equity per share	8,3	9,4	8,6	4,7
Equity per share fully diluted	8,3	9,4	8,6	4,6
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, 10 May 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

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