

**APRIL-JUNE**

**2020**

**INTERIM REPORT Q2**



# Summary of the period

## *" Continued growth and positive development despite shipping headwinds "*

Net turnover for the period amounted to kSEK 16,150 (12,582), corresponding to an increase in turnover of 28% (36%). Operating profit/loss amounted to kSEK 47 (-906).

Net sales for the first half of the year amounted to kSEK 29 675 (18 752), corresponding to an increase in sales of 58% (43%). Operating result amounted to kSEK -937 (-5 341).

### April to June 2020

- I-Tech renewed and upgraded the regulatory status of Selektope® in Japan.
- At the Annual General Meeting, Chatarina Schneider and Tomas Bergdahl were elected as new board members, replacing Leif Darner and Mats Enegren.
- The ongoing COVID-19 pandemic has reduced the demand for freight worldwide as a consequence of strict lockdowns in several places. This has had a negative impact on shipping. The development of the pandemic in India is of particular importance for I-Tech's production. Looking forward, the situation is difficult to predict but, so far, the direct impact on I-Tech has been limited to higher logistics costs.

### Important events after the period

- No important events have occurred after the period.

## Financial Summary

<i>All amounts in TSEK</i>	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Net sales	16 150	12 582	29 675	18 752	45 574
Operating result	47	-906	-937	-5 341	-7 019
EBITDA	2 045	1 155	3 049	-1 223	1 220
Net result	-364	-1 046	-896	-5 515	8 427
Operating cash flow	1 055	-3 847	1 351	-4 420	-4 763
Equity at end of period	110 512	97 466	110 512	97 466	111 408
Cash and cash equivalents at end of period	39 886	41 195	39 886	41 195	38 940

## Rolling twelve-month turnover



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## CEO comments

**In the waves of continued declining global demand for sea freight, and subsequent overcapacity and restraint, I-Tech reports continued growth, albeit at slightly lower levels than in previous quarters. Sales for the quarter amounted to SEK 16.2 million (12.6 million) and operating profit was SEK 0.0 million (-0.9 million). One reason is that the market for Selektope®-based anti-fouling products grew during the quarter at a faster pace than the market for traditional products. This is related to better performance and environmental benefits.**

Above all, a continued strong development for Chugoku Marine Paints (CMP) lies behind the sales growth during the quarter. With its Selektope® products, CMP has strengthened its position, not least on the maintenance side (dry-docking), in several significant markets.

Paradoxically, one reason for this is the COVID-19 pandemic, which has continued to leave its mark on the business climate during the quarter, and which has led to a reduced demand for shipping and an increase in stationary ships. This has resulted in longer idling times for the ships, with a consequent risk of increased biofouling, as well as increased financial uncertainty for the shipowners. For shipowners and operators who are still willing to invest, the pandemic has highlighted the importance of using the best possible protection to handle longer periods of idling. CMP has benefited here from its long experience and its good position on the market, as well as being able to offer Selektope®-based products that meet customer requirements for performance and durability. As a result, CMP's collaborations and deals with well-known shipowners have increased, and their Selektope®-based products have taken an increasing share of the market as customers see the benefits they offer.

For I-Tech, there is a risk that the increased uncertainty in the wake of the pandemic and the strengthened Swedish krona will have some impact on growth and profitability for some time yet.

In the operational part of the company, we have started to deliver material from a second fully qualified supplier, which has safeguarded production



flows and provided increased security. Although we have seen a positive development when it comes to the implementation of process improvements, and thereby a slightly lower purchase price, we still have higher logistical costs than normal. This means that our gross profit remains at approximately the same level as last year at 47 % (45).

During the quarter, I-Tech also received a renewed and upgraded regulatory status in Japan. This eliminates a number of bureaucratic obstacles for our customers' sales of Selektope®-based products and creates more favourable conditions for them to import larger volumes. As a result, the prerequisites are improved to support for an increased activity in Japan moving forward.

We have also received a new order from our, earlier communicated and yet unnamed, non-Scandinavian customer, worth approximately a quarter of a million US dollars. The order will be delivered during the third quarter. The customer focuses on the new construction market in Northeast Asia, which is a positive signal that new construction projects have not been paused excessively.

When I summarise the first half of the year, I note that it has been challenging for I-Tech, but we have proven during this period that we have an attractive product that can grow even under difficult market conditions. I also see our good exposure towards strong Asian markets and the generally growing interest for more sustainable solutions. All in all, it provides good indications of the Selektope®-based products' commercial potential in a more normal business climate.

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.

## WEBINAR: SAFEGUARDING FUTURE GLOBAL FLEET EFFICIENCY IN THE POST-PANDEMIC ERA - MAY 13

Join I-Tech, Lean Marine and PowerCell to discuss current market trends and the role that clean tech will play post-pandemic, with particular focus on antifouling technology, digitalization, propulsion optimization and hydrogen fuel cells.

Webinar: Safeguarding future global fleet efficiency in the post-pandemic era  
Wednesday, May 13

Mikael Laurin  
CEO  
Lean Marine

Philip Chabaane  
CEO  
I-Tech

Johan Burgren  
Business Manager  
PowerCell

Session 1: 09.00 CEST / 15.00 SGT / 17.00 AEST  
Session 2: 14.30 BST / 15.30 CEST / 09.30 EDT

LEAN MARINE i-tech POWERCELL

## WEBINAR INVITATION What you can do today to enhance vessel efficiency?

Thursday March 26. 08.30GMT/09.30CET/16.30SGT

Mikael Laurin, CEO  
Lean Marine

Markus Hoffmann,  
Technical Director I-Tech

LEAN MARINE i-tech

*Due to the current situation with the Corona pandemic, many of the international conferences that we visit every year have been postponed or cancelled. In our effort to create and maintain an ongoing dialogue with our customers, we have arranged, together with industry partners, two webinars during the spring, where we highlighted the importance of choosing the right anti-fouling protection. These online events have been much appreciated and have featured a high customer presence.*



# Other information

## Share information

At the start of 2020, 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 at Nasdaq Stockholm as of 29 May 2018. As of 30 June 2020, the number of shareholders amounted to 3,141. With a closing price for the share on 30 June 2020 of SEK 100.00, the company's market capitalisation amounted to SEK 1,191 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, please see I-Tech's prospectus which was published in conjunction with the public offering and the company's annual report for 2019.

## Certified Adviser

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

## Long-term incentive programs

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

## Audit review

This interim report has not been reviewed by the company's auditor.

## List of stakeholders

The list of stakeholders shows the status in the company as of June 30, 2020

Shareholders	No. of shares	%
Pomona-gruppen	1 357 528	11,40%
Swedbank Robur	1 132 500	9,51%
Handelsbanken Funds	650 000	5,46%
Länsförsäkringar Funds	616 503	5,18%
Stefan Sedersten incl. companies	451 330	3,79%
Unionen	450 000	3,78%
Second Swedish National Pension Fund	390 837	3,28%
Aquamarine	371 390	3,12%
Futur pension	363 007	3,05%
Avanza Pension	354 167	2,97%
Fourth Swedish National Pension Fund	325 133	2,73%
David Bendz	282 167	2,37%
Daniel Sandberg incl. companies	264 243	2,22%
Almi Invest Companies	263 326	2,21%
Göran Wessman incl. companies	230 339	1,93%
Lancelot Funds	220 000	1,85%
Göran Källebo	175 000	1,47%
Philip Chaabane*	153 899	1,29%
Others	3 857 088	32,39%
<b>Total shares</b>	<b>11 908 457</b>	<b>100,00%</b>

\* As of July 8th Philip Chaabane sold 50,000 shares.

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# Financial information

## Turnover and profit/loss

Sales for the period amounted to kSEK 16,150 (12,582), which gives a net sales growth of 28% (36). Adjusted for currency effects, it gives an organic growth of 26%. The increase is mainly a result of increased demand in Southeast Asia. The COVID-19 pandemic has not yet led to reduced sales but has led to some delays and high shipping costs.

The gross margin for the period has, in line with the company's plans, been stable and improved slightly compared to the previous year at 47% (45). This means that the effects of the increased shipping costs in the wake of the COVID-19 pandemic have been compensated for.

Personnel and other operating expenses have increased compared to the previous year. This means that not all of the increase in gross profit comes through, but it still underpins a significant improvement and the company shows a small positive operating profit of kSEK 47 (-906) for the quarter. The development also means that the company, for the fifth quarter in a row, shows a positive operating profit before depreciation, kSEK 2,045 (1,155).

As the company now finds itself in a position where it is probable that the company will use accrued loss carryforwards in the future, these are reported in accordance with K3's regulations. The deferred tax assets attributable to these deficits are thus reported in the income statement and balance sheet. The transaction has no cash effect but makes visible the positive effect that is made possible on cash flow when the company shows taxable profits in the future.

## Cash flow

The cash flow from operating activities for the period amounted to kSEK 1,055 (-3,847) where the earnings amount to kSEK 1,577 (-1,041) and the working capital amounts to kSEK -522 (-4,888). The change in working capital is attributable to natural movements in receivables and liabilities. During the period, I-Tech invested kSEK -12 (-610) in fixed assets. Investments refer to capitalised costs in intangible assets. Net kSEK -150 (-150) has been deducted from the cash flow from financing activities. The negative effect is directly attributable to the repayment of long-term loans. This gives a total cash flow for the period of kSEK 893 (-4,607).

## Financial summary

Cash and cash equivalents in the company at the end of the period amounted to kSEK 39,886 (41,195) and equity amounted to kSEK 110,512 (97,466). The change in cash and cash equivalents and equity is directly related to the company's results and other operating changes.

## 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

23 October 2020	Interim report, quarter 3
24 February 2021	Year-end report 2020
21 May 2021	Interim report, quarter 1

# Income statement

<i>Amounts in kSEK</i>	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>Operating income, etc.</b>					
Net sales	16 150	12 582	29 675	18 752	45 574
Other operating income	385	500	630	671	1 219
	<b>16 535</b>	<b>13 082</b>	<b>30 305</b>	<b>19 423</b>	<b>46 793</b>
Cost of goods sold	-8 539	-6 920	-16 012	-10 385	-24 383
Other external costs	-2 741	-2 742	-5 583	-5 866	-11 192
Personnel expenses	-2 824	-2 194	-5 232	-4 273	-9 094
Depreciations, amortizations and impairments	-1 998	-2 061	-3 986	-4 118	-8 239
Other operating expenses	-386	-71	-429	-122	-904
	<b>-16 488</b>	<b>-13 988</b>	<b>-31 242</b>	<b>-24 764</b>	<b>-53 812</b>
<b>Operating income</b>	<b>47</b>	<b>-906</b>	<b>-937</b>	<b>-5 341</b>	<b>-7 019</b>
<b>Financial items</b>					
Interest income and similar items	-395	5	-	9	243
Interest expense and similar items	-123	-145	-204	-183	-320
	<b>-518</b>	<b>-140</b>	<b>-204</b>	<b>-174</b>	<b>-77</b>
<b>Result after financial items</b>	<b>-471</b>	<b>-1 046</b>	<b>-1 141</b>	<b>-5 515</b>	<b>-7 096</b>
Tax on result from the year	107	-	245	-	15 523
<b>NET RESULT</b>	<b>-364</b>	<b>-1 046</b>	<b>-896</b>	<b>-5 515</b>	<b>8 427</b>

# Balance sheet

<i>Amounts in kSEK</i>	<b>2020</b> Jun 30	<b>2019</b> Jun 30	<b>2019</b> Dec-31
<b>ASSETS</b>			
Intangible assets	57 020	64 749	60 891
Tangible assets	109	141	119
Deferred tax assets	15 767	-	
<b>Total fixed assets</b>	<b>72 896</b>	<b>64 890</b>	<b>76 533</b>
Inventory	3 596	1 013	1 265
Short-term receivables	10 265	7 237	14 585
Cash and bank balances	39 886	41 195	38 940
<b>Total current assets</b>	<b>53 747</b>	<b>49 445</b>	<b>54 790</b>
<b>Total assets</b>	<b>126 643</b>	<b>114 335</b>	<b>131 323</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	23 817	23 817	23 817
Restricted equity	1 411	1 337	1 411
Unrestricted equity	86 180	77 827	77 753
Result	-896	-5 515	8 427
<b>Total equity</b>	<b>110 512</b>	<b>97 466</b>	<b>111 408</b>
Long-term liabilities	8 319	11 108	8 618
Short-term liabilities	7 812	5 761	11 297
<b>Total liabilities</b>	<b>16 131</b>	<b>16 869</b>	<b>19 915</b>
<b>Total equity and liabilities</b>	<b>126 643</b>	<b>114 335</b>	<b>131 323</b>



# Cash-flow analysis

<i>Amounts in kSEK</i>	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>Operating activities</b>					
Operating result	47	-906	-937	-5 341	-7 019
Adjustments for non-cash items	1 998	2 061	3 986	4 118	8 239
Interest received	-395	5	-	9	243
Interest paid	-123	-145	-204	-183	-320
Income tax paid/received	50	26	68	66	121
<b>Changes in working capital</b>					
Change in inventories	-1 447	69	-2 331	-710	-962
Change in operating receivables	2 976	-470	4 320	1 063	-6 285
Change in operating liabilities	-2 051	-4 487	-3 551	-3 442	1 220
<b>Cash flow from operating activities</b>	<b>1 055</b>	<b>-3 847</b>	<b>1 351</b>	<b>-4 420</b>	<b>-4 763</b>
<b>Investment activities</b>					
Investments in non-current assets	-12	-610	-105	-623	-864
<b>Cash flow from investment activities</b>	<b>-12</b>	<b>-610</b>	<b>-105</b>	<b>-623</b>	<b>-864</b>
<b>Financing activities</b>					
Amortization/issue loan	-150	-150	-300	-300	-1 971
<b>Cash flow from financing activities</b>	<b>-150</b>	<b>-150</b>	<b>-300</b>	<b>-300</b>	<b>-1 971</b>
<b>The period's cash flow</b>	<b>893</b>	<b>-4 607</b>	<b>946</b>	<b>-5 343</b>	<b>-7 598</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>38 993</b>	<b>45 802</b>	<b>38 940</b>	<b>46 538</b>	<b>46 538</b>
<b>Cash and cash equivalents at end of period</b>	<b>39 886</b>	<b>41 195</b>	<b>39 886</b>	<b>41 195</b>	<b>38 940</b>
<i>Adjustments for non-cash items</i>					
Depreciation	1 998	2 061	3 986	4 118	8 239
Other items not affecting cash flow	-	-	-	-	-
	<b>1 998</b>	<b>2 061</b>	<b>3 986</b>	<b>4 118</b>	<b>8 239</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	
2019-01-01	23 817	753	584	143 276	-65 449	102 981
Capitalization of development expenses	-	-	74	-	-74	-
Net result for the year	-	-	-	-	8 427	8 427
<b>2019-12-31</b>	<b>23 817</b>	<b>753</b>	<b>658</b>	<b>143 276</b>	<b>-57 096</b>	<b>111 408</b>
2020-01-01	23 817	753	658	143 276	-57 096	111 408
Net result for the period	-	-	-	-	-896	-896
<b>2020-06-30</b>	<b>23 817</b>	<b>753</b>	<b>658</b>	<b>143 276</b>	<b>-57 992</b>	<b>110 512</b>

# Financial ratios

<i>Amounts in kSEK</i>	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Turnover growth %	28%	36%	58%	43%	57%
Gross margin %	47%	45%	46%	45%	46%
Operating margin %	0%	-7%	-3%	-28%	-15%
Profit margin %	-2%	-8%	-3%	-29%	18%
Solidity	87%	85%	87%	85%	85%
Cash liquidity	642%	841%	642%	841%	474%
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	11 908 457	11 908 457	11 908 457	11 908 457
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	-0,1	-0,1	-0,5	0,7
Result per share fully diluted	0,0	-0,1	-0,1	-0,5	0,7
Equity per share	9,3	8,2	9,3	8,2	9,4
Equity per share fully diluted	9,3	8,2	9,3	8,2	9,4
Dividend per share	-	-	-	-	-

## 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

Mölndal, 26 August 2020

Stefan Sedersten, Chairman of the Board  
Mikael Laurin, Board Member  
Bjarne Sandberg, Board Member  
Tomas Tedgren, Board Member  
Chatarina Schneider, Board Member  
Tomas Bergdahl, Board Member  
Philip Chaabane, Chief Executive Officer

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