



JANUARY-DECEMBER

2019

YEAR-END REPORT



Summary of the period

"Best year ever for I-Tech"

- Net turnover for the period amounted to kSEK 14 584 (10 870), which corresponds to an increase in turnover of 34% (52%). Operating profit/loss amounted to kSEK -915 (-2 882).
- Net turnover for the full year 2019 amounted to kSEK 45 574 (28 947), which corresponds to an increase in turnover of 57% (62%). Operating profit/loss amounted to kSEK -7 019 (-13 625).

January to December 2019

- 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.
- I-Tech strengthened its organisation by recruiting Dr. Markus Hoffmann as Technical Director.
- Chugoku Marine Paints launched its eighth Selektope®-powered antifouling paint product.
- 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 an extensive trial, Team Tankers International signed up more ships to use Selektope®-powered hull coatings.

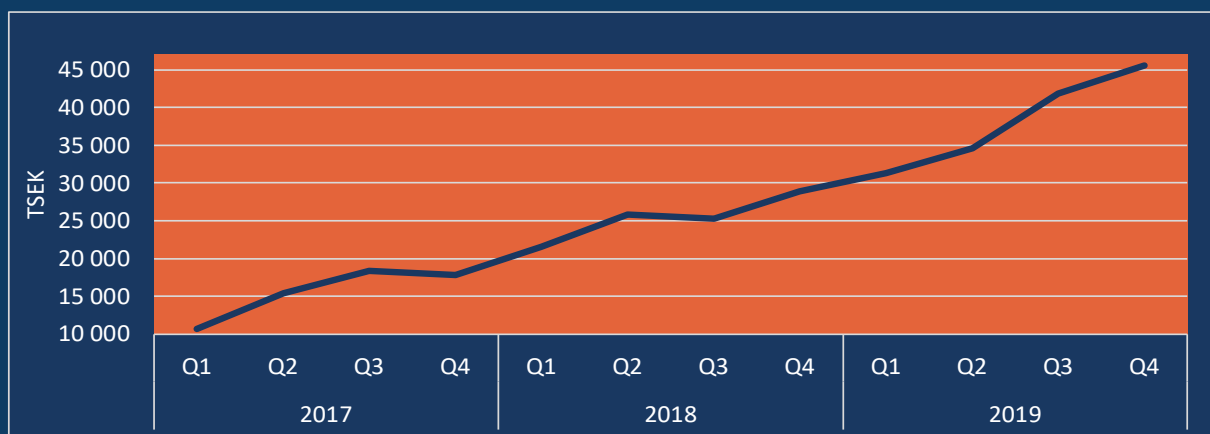
Important events after the period

- No important events have occurred after the period

Financial Summary

| | 2019 | 2018 | 2019 | 2018 |
|--|---------|---------|---------|---------|
| <i>All amounts in TSEK</i> | Oct-Dec | Oct-Dec | Jan-Dec | Jan-Dec |
| Net sales | 14 584 | 10 870 | 45 574 | 28 947 |
| Operating result | -915 | -2 882 | -7 019 | -13 625 |
| EBITDA | 1 145 | -824 | 1 220 | -6 392 |
| Net result | 14 353 | -2 994 | 8 427 | -13 737 |
| Operating cash flow | -663 | -764 | -4 763 | -11 945 |
| Equity at end of period | 111 408 | 102 981 | 111 408 | 102 981 |
| Cash and cash equivalents at end of period | 38 940 | 46 538 | 38 940 | 46 538 |

Rolling twelve-month turnover



CEO comments

I'm proud to highlight that during 2019 we generated a positive EBITDA during the last three quarters and, as such, also for the full year. We are also reporting an increase in sales for the fifth quarter in a row. Consequently, we are on track with, and even slightly ahead of, the profitability and growth commitments we made in connection with our IPO.

The main reasons for the positive development are increased sales of kSEK 14,584 compared to kSEK 10,870 in the corresponding quarter of last year, and an improved 48% (44%) gross margin during the quarter. The increase in sales is related to increased sales to Chugoku Marine Paints (CMP) and customers in the verification phase.

During 2019, we have taken great strides towards becoming an established and trusted innovator in the marine coating industry. We can deliver something to the industry that no one else can and, at the same time, provide very significant environmental and cost benefits. The shipping sector accounts for 2.6% of global CO2 emissions. If the whole industry used the best available technology to prevent hull fouling, its total emissions could be reduced by 100 million tonnes of CO2 per year, while contributing to savings of approximately \$ 20 billion. In this light, us delivering growth of 57% (62%), in line with our communicated targets for 2019, is not surprising.

There is a strong driving force in the industry to ensure a higher and more reliable performance during the new construction phase. This force is driving the development of new products and, thereby, new customers for I-Tech. At the end of 2019, we noted that three major global coating manufacturers, not previously announced, were in the verification phase of Selektope®-based products with ongoing test programs on ships. At the same time, CMP has come so far that there is also significant business in the maintenance market. For example, CMP can offer a Selektope® product with more than 90% lower biocide leakage with reference vessels showing lower resistance through



the water than sister vessels using other premium technologies. According to the shipowner, the observed improvement in performance results in an annual saving of more than 1,100 tonnes of CO2 at a value of \$ 200,000. Interest in the product has increased significantly and CMP announced back in September that more than 200 vessels had been treated with that particular product, SeaFloNeo CF Premium. Even though it corresponds to a modest proportion of the more than 15,000 dockings done annually in the industry, it is nevertheless very good proof of the confidence the product has with the end users and the potential that exists for our product.

Now another exciting year awaits us. A year when fuel prices for a large part of the fleet will increase significantly, as new global limits on sulphur emissions are introduced. With new and higher fuel prices in place, customers will see an even greater potential in our product regarding the environmental impact and cost savings. The large order we received for delivery in 2020, and which we have already communicated, is clear evidence of this. I am also convinced that further regulations regarding, for example, the spread of invasive and alien species will help to significantly increase the market share for premium products such as Selektope®-based coatings. Our ingredient technology is very advanced in development and has attracted interest from all major players. It is no exaggeration to summarize the conditions for continued positive development in 2020 as good.

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.



Our Head of Regulatory Affairs Cecilia Ohlsson talked about I-Tech's experience with, and our view of the Biocidal Products Regulation, at the Chemical Watch Biocides Europe conference in Vienna on the 2th of December last year.

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 December 2019, the number of shareholders amounted to 2 378. With a closing price for the share on 30 December 2019 of SEK 66,60, the company's market capitalisation amounted to SEK 793 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 December 30, 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 | 766 485 | 6,44% |
| Handelsbanken Funds | 560 000 | 4,70% |
| Stefan Sedersten incl. companies | 451 330 | 3,79% |
| Unionen | 450 000 | 3,78% |
| Aquamarine | 371 390 | 3,12% |
| Daniel Sandberg incl. companies | 369 784 | 3,11% |
| Göran Wessman incl. companies | 352 335 | 2,96% |
| Avanza Pensions | 349 743 | 2,94% |
| Fourth Swedish National Pension Fund | 325 133 | 2,73% |
| David Bendz | 282 167 | 2,37% |
| Nordnet Pensions | 259 099 | 2,18% |
| Göran Källebo | 175 000 | 1,47% |
| Philip Chaabane | 153 899 | 1,29% |
| Others | 3 501 900 | 29,41% |
| Total shares | 11 908 457 | 100,00% |

* As of February 17th Almi Invest Companies divested 625 000 shares in block transactions. The buyers are not disclosed but include Swedish and international institutions.

Financial information

Turnover and profit/loss

Sales for the period amounted to kSEK 14 584 (10 870), which gives a net turnover of 34% (52%). Sales are mainly to the company's largest customer, Chugoko, as well as other customers in the development phase. The sales increase for the period is in line with the company's growth plans and for the full year amounted to a growth increase of 57% (62%).

At 48% (44%), the gross margin for the period has, in line with the company's plans, been stable with a small increase compared to previous periods. As production process improvements have been operational from the fourth quarter last year, there is a clear increase in the gross margin for the full year amounting to 46% (36%). Although the fixed cost structure within the company is significantly increased in line with planned investments, the increased gross profit has resulted in a significant improvement of the company's operating profit/loss compared to the same period last year, kSEK -915 (-2 882).

The strong finish to the year has also resulted in operating profit/loss before depreciations being positive both for the period, kSEK 1 145 (-824), and for the full year, kSEK 1 220 (-6 392), which is better than planned.

As the company now finds itself in a position where it is likely that it will make future use of accumulated loss relief. However, the deferred tax assets related to these losses will be accounted for in the income statement and on the balance sheet (in accordance with The Swedish Accounting Standards Board's K3 financial reporting rules).

The transaction has no cash impact but makes it possible to see the positive cash flow effect when the company shows fiscal gains.

Cash flow

The cash flow from operating activities for the fourth quarter amounted to kSEK -663 (-764), where earnings amount to kSEK 921 (-912) and the operating capital amounts to kSEK -1 584 (148). 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 building stock during earlier periods in 2019. Working capital thereby increased by kSEK 5 247.

During the period, I-Tech has invested kSEK -213 (-118) 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 -149 (-896). The negative effect is directly related to the amortisation of long-term loans. This gives a cash flow for the period of kSEK -1 025 (-1 564).

Financial summary

At the end of the period, cash and cash equivalents in the company amounted to kSEK 38 940 (46 538) and equity amounted to kSEK 111 408 (102 981). The changes in cash and cash equivalents and equity are directly related to the company's earnings and other changes 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

| | |
|------------------------|----------------------------------|
| 6 April 2020 | Annual 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 Oct-Dec | 2018 Oct-Dec | 2019 Jan-Dec | 2018 Jan-Dec |
|---|-----------------|-----------------|-----------------|-----------------|
| Operating income, etc. | | | | |
| Net sales | 14 584 | 10 870 | 45 574 | 28 947 |
| Other operating income | 324 | 779 | 1 219 | 1 093 |
| | 14 908 | 11 649 | 46 793 | 30 040 |
| Cost of goods sold | -7 604 | -6 113 | -24 383 | -18 665 |
| Other external costs | -2 743 | -4 311 | -11 192 | -11 165 |
| Personnel expenses | -2 717 | -1 923 | -9 094 | -5 835 |
| Depreciations, amortizations and impairments | -2 060 | -2 058 | -8 239 | -7 233 |
| Other operating expenses | -699 | -126 | -904 | -767 |
| | -15 823 | -14 531 | -53 812 | -43 665 |
| Operating income | -915 | -2 882 | -7 019 | -13 625 |
| Financial items | | | | |
| Interest income and similar items | -168 | 72 | 243 | 439 |
| Interest expense and similar items | -87 | -184 | -320 | -551 |
| | -255 | -112 | -77 | -112 |
| Result after financial items | -1 170 | -2 994 | -7 096 | -13 737 |
| Tax on result from the year | 15 523 | - | 15 523 | - |
| NET RESULT | 14 353 | -2 994 | 8 427 | -13 737 |

Balance sheet

| <i>Amounts in kSEK</i> | 2019 | 2018 |
|-------------------------------------|----------------|----------------|
| | Dec-31 | Dec-31 |
| ASSETS | | |
| Intangible assets | 60 891 | 68 364 |
| Tangible assets | 119 | 21 |
| Deferred tax assets | 15 523 | - |
| Total fixed assets | 76 533 | 68 385 |
| Inventory | 1 265 | 303 |
| Short-term receivables | 14 585 | 8 300 |
| Cash and bank balances | 38 940 | 46 538 |
| Total current assets | 54 790 | 55 141 |
| Total assets | 131 323 | 123 526 |
| EQUITY AND LIABILITIES | | |
| Share capital | 23 817 | 23 817 |
| Restricted equity | 1 411 | 1 337 |
| Unrestricted equity | 77 753 | 91 564 |
| Result | 8 427 | -13 737 |
| Total equity | 111 408 | 102 981 |
| Long-term liabilities | 8 619 | 11 408 |
| Short-term liabilities | 11 296 | 9 137 |
| Total liabilities | 19 915 | 20 545 |
| Total equity and liabilities | 131 323 | 123 526 |

Cash-flow analysis

| <i>Amounts in kSEK</i> | 2019 Oct-Dec | 2018 Oct-Dec | 2019 Jan-Dec | 2018 Jan-Dec |
|---|-----------------|-----------------|-----------------|-----------------|
| Operating activities | | | | |
| Operating result | -915 | -2 882 | -7 019 | -13 625 |
| Adjustments for non-cash items | 2 060 | 2 058 | 8 239 | 7 233 |
| Interest received | -168 | 72 | 243 | 439 |
| Interest paid | -87 | -184 | -320 | -551 |
| Income tax paid/received | 31 | 24 | 121 | 24 |
| Changes in working capital | | | | |
| Change in inventories | -262 | 473 | -962 | 310 |
| Change in operating receivables | -1 073 | -4 414 | -6 285 | -4 680 |
| Change in operating liabilities | -249 | 4 089 | 1 220 | -1 095 |
| Cash flow from operating activities | -663 | -764 | -4 763 | -11 945 |
| Investment activities | | | | |
| Investments in non-current assets | -213 | -118 | -864 | -466 |
| Cash flow from investment activities | -213 | -118 | -864 | -466 |
| Financing activities | | | | |
| Amortization/issue loan | -149 | -896 | -1 971 | -1 346 |
| New share issue | - | 214 | - | 39 760 |
| Cash flow from financing activities | -149 | -682 | -1 971 | 38 414 |
| The period's cash flow | -1 025 | -1 564 | -7 598 | 26 003 |
| Cash and cash equivalents at beginning of period | 39 965 | 48 102 | 46 538 | 20 535 |
| Cash and cash equivalents at end of period | 38 940 | 46 538 | 38 940 | 46 538 |
| <i>Adjustments for non-cash items</i> | | | | |
| Depreciation | 2 060 | 2 058 | 8 239 | 7 233 |
| Other items not affecting cash flow | - | - | - | - |
| | 2 060 | 2 058 | 8 239 | 7 233 |

Equity changes

| All amounts in kSEK | 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 |
| Capitalization of development expenses | - | - | 74 | - | -74 | - |
| Net result for the period | - | - | - | - | 8 427 | 8 427 |
| 2019-12-31 | 23 817 | 753 | 658 | 143 276 | -57 096 | 111 408 |

Financial ratios

| Amounts in kSEK | 2019 Oct-Dec | 2018 Oct-Dec | 2019 Jan-Dec | 2018 Jan-Dec |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Turnover growth % | 34% | 52% | 57% | 62% |
| Gross margin % | 48% | 44% | 46% | 36% |
| Operating margin % | -6% | -27% | -15% | -47% |
| Profit margin % | 98% | -28% | 18% | -47% |
| Solidity | 85% | 83% | 85% | 83% |
| Cash liquidity | 474% | 600% | 474% | 600% |
| 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 | 11 908 457 | 11 908 457 | 10 097 044 |
| Outstanding shares end of period | 11 908 457 | 11 908 457 | 11 908 457 | 11 908 457 |
| Result per share | 1,2 | -0,3 | 0,7 | -1,2 |
| Result per share fully diluted | 1,2 | -0,3 | 0,7 | -1,2 |
| Equity per share | 9,4 | 8,6 | 9,4 | 8,6 |
| Equity per share fully diluted | 9,4 | 8,6 | 9,4 | 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, 19 February 2020

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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