

APRIL-JUNE

2019

INTERIM REPORT Q2



Summary of the period - Q2 2019

"Highest sales so far in a single quarter"

Net sales for the period amounted to kSEK 12 582 (9 270), which corresponds to an increase in sales of 36% (86%). Operating result amounted to kSEK -906 (-2 544).

Net sales for the first half of the year amounted to kSEK 18 752 (13 083), corresponding to an increase in sales of 43% (155%). Operating result amounted to kSEK -5 341 (-5 844).

April to June 2019

- 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.
- I-Tech strengthened its organisation by recruiting Dr. Markus Hoffmann as Technical Director.
- Chugoku Marine Paints launched its eighth Selektope®-powered product.

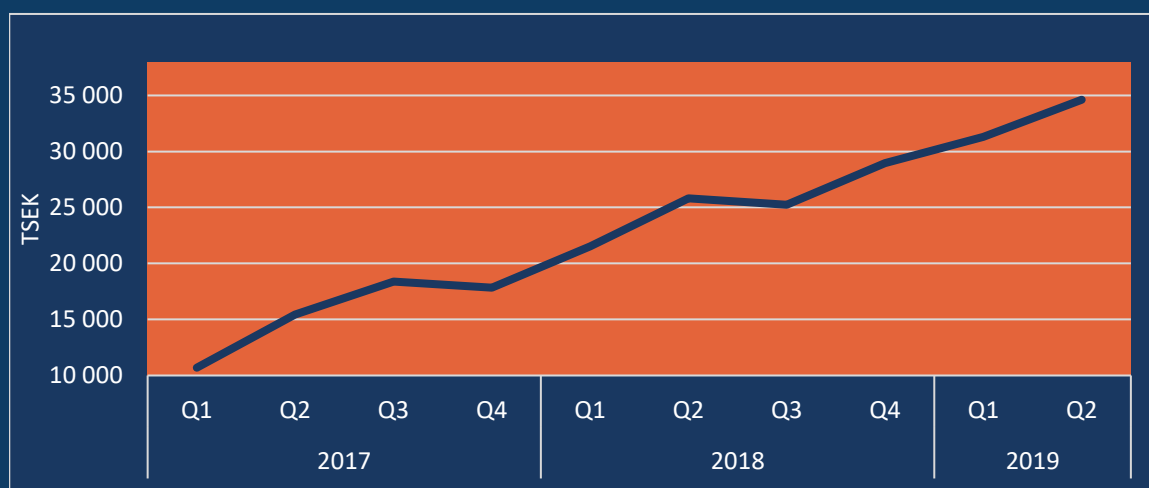
Important events after the period

- I-Tech received its largest supply order to date from Chugoku Marine Paints worth SEK 57 million.

Financial Summary

All amounts in TSEK	2019 apr-jun	2018 apr-jun	2019 jan-jun	2018 jan-jun	2018 jan-dec
Net sales	12 582	9 270	18 752	13 083	28 947
Operating result	-906	-2 544	-5 341	-5 844	-13 625
Net result	-1 046	-2 273	-5 515	-5 635	-13 737
Operating cash flow	-3 847	-2 218	-4 420	-9 114	-11 945
Equity at end of period	97 466	111 083	97 466	111 083	102 981
Cash and cash equivalents at end of period	41 195	50 657	41 195	50 657	46 538

Rolling twelve-month turnover



CEO comments

The second quarter demonstrated continued good development for I-Tech and all-time-high sales for a single quarter. Our operating result also improved significantly during the second quarter and amounted to SEK -0.9 million (SEK -2.5 million). We increased net sales by 36% to SEK 12.6 million (SEK 9.3 million). The growth was mainly due to increased deliveries to Chugoku Marine Paints (CMP), and I am particularly pleased to see continued strong growth in a historically strong quarter.

The improvement in operating result is attributed to the previously announced improvement measures in manufacturing and, above all, to the high level of sales. We are pleased to be able to combine sales growth with a maintained gross margin, which also resulted in a positive operating result (EBITDA) for the period, kSEK 1,155 (kSEK -486). This gives us increased confidence towards our goal of achieving a sustained positive operating result from the start of 2020. A goal which is promising with the new order announced after the end of the second quarter.

Taking into account the first half of the year, net sales amounted to SEK 18.8 million (SEK 13.1 million) and operating profit amounted to SEK -5.3 million (SEK -5.8 million). Sales growth is in line with our target and the development of our operating result is in accordance with our plans as it includes strategic initiatives supporting our long-term growth that were not included during the corresponding period last year.



Expanding business with Chugoku Marine Paints

I-Tech's largest customer, Chugoku Marine Paints, which is one of the three largest suppliers in the industry, launched a new antifouling coating. SEA PREMIER 3000 PLUS is the eighth product developed by CMP that contains Selektope® as a differentiating technological ingredient. The product, which is aimed at several different segments, is also being introduced as a candidate to manage niche areas with the aim to counteract the spread of invasive species. Niche areas include areas on the ship that are more susceptible to fouling for various reasons, for example sea chests, which are an increasingly discussed problem and for which there is currently no well-functioning solution. During August, I-Tech also received an SEK 57 million order for delivery in 2020, which in itself is an increase of more than 50% given the framework order from 2018.

I am delighted with our record quarter where we have expanded our product portfolio and, at the same time, gained increased confidence for the future from our Japanese customer, CMP. Even though our development is going well, we have full focus on attracting more customers and increasing our business further with existing customers.

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 May 22, I-Tech AB was named as the winner of the "SvD Börsplus IPO-guide IPO of the Year 2018 Award" in the Share Price Development category for the small company class. I-Tech also took fourth place, out of a total of twenty companies, in the IPO of the Year Award in the Quality category for the small company class.

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 on 29 May 2018. As of 28 June 2019, the number of shareholders amounted to 1,711. With a closing price for the share on 28 June 2019 of SEK 41.70, the company's market capitalisation amounted to SEK 500 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 28 June 2019.

Shareholder	No. of shares	%
Cambrex Karlskoga	1 945 660	16,34%
Pomona-gruppen	1 357 528	11,40%
ALMI Invest Group	1 050 164	8,82%
Swedbank Robur	912 500	7,66%
Göran Wessman incl. co.	452 335	3,80%
Stefan Sederstan incl. co.	451 330	3,79%
Unionen	450 000	3,78%
Daniel Sandberg	401 136	3,37%
Aquamarine	371 390	3,12%
Avanza pension	323 988	2,72%
David Bendz	282 167	2,37%
Nordnet pensionsförsäkring	223 571	1,88%
Göran Källebo	175 000	1,47%
Philip Chaabane	153 899	1,29%
Others	3 357 789	28,20%
Total number of shares	11 908 457	100,00%

Financial information

Turnover and profit/loss

Sales for the period amounted to kSEK 12 582 (kSEK 9 270), which gives a net sales growth of 36% (86%). Sales are mainly related to the company's largest customer, Chugoku Marine Paints, and the increase for the period is attributable to upcoming dockings and paintings of ships.

The gross margin for the period at 45% (30%) has, in line with the company's plans, improved significantly compared to previous periods. The increase is the result of the significant efforts the company has made to improve production processes. Although the fixed cost structure within the company is sharply elevated in line with planned investments, the increased gross profit means the company's operating result improved significantly compared with the same period last year: kSEK -906 (kSEK-2 544).

Cash flow

The cashflow from operating activities for the period amounted to kSEK -3 847 (kSEK -2 218) where the earnings amount to kSEK 1 041 (kSEK -217) and the working capital amounts to kSEK -4 888 (kSEK -2 001). Besides natural variations in operating receivables and liabilities, mainly due to deliveries, the company has paid advance payments to its contractors as part of the company's aim to take responsibility for stock build up. Working capital thereby increased by kSEK 5 247.

During the period, I-Tech has invested kSEK -610 (kSEK -152) in fixed assets. Investments relate primarily to capitalised costs in intangible assets. From the cash flow from financing operations there is a net reduction of kSEK -150 (kSEK 39 760). The negative effect is directly related to the amortisation of long-term loans. This gives a cash flow for the period of kSEK -4 607 (kSEK 37 240).

Financial summary

Cash and cash equivalents in the company at the end of the period amounted to kSEK 41 195 (kSEK 50 657) and equity amounted to kSEK 97 466 (kSEK 111 083). 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 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

25 October 2019	Interim report, quarter 3
19 February 2020	Year-end report 2019
8 May 2020	Interim report, quarter 1

Income statement

<i>Amounts in kSEK</i>	2019 apr-jun	2018 apr-jun	2019 jan-jun	2018 jan-jun	2018 jan-dec
Operating income, etc.					
Net sales	12 582	9 270	18 752	13 083	28 947
Capitalized work for own account	-	-	-	-	-
Other operating income	500	39	671	270	1 093
	13 082	9 309	19 423	13 353	30 040
Cost of goods sold	-6 920	-6 466	-10 385	-9 135	-18 665
Other external costs	-2 742	-2 111	-5 866	-4 485	-11 165
Personnel expenses	-2 194	-1 170	-4 273	-2 219	-5 835
Depreciations, amortizations and impairments	-2 061	-2 058	-4 118	-3 117	-7 233
Other operating expenses	-71	-48	-122	-241	-767
	-13 988	-11 853	-24 764	-19 197	-43 665
Operating income	-906	-2 544	-5 341	-5 844	-13 625
Financial items					
Interest income and similar items	5	393	9	455	439
Interest expense and similar items	-145	-122	-183	-246	-551
	-140	271	-174	209	-112
Result after financial items	-1 046	-2 273	-5 515	-5 635	-13 737
Tax on result from the year	-	-	-	-	-
NET RESULT	-1 046	-2 273	-5 515	-5 635	-13 737

Balance sheet

<i>Amounts in kSEK</i>	2019 jun-30	2018 jun-30	2018 dec-31
ASSETS			
Intangible assets	64 749	72 228	68 364
Tangible assets	141	31	21
Total fixed assets	64 890	72 259	68 385
Inventory	1 013	2 718	303
Short-term receivables	7 237	8 315	8 300
Cash and bank balances	41 195	50 657	46 538
Total current assets	49 445	61 690	55 141
Total assets	114 335	133 949	123 526
EQUITY AND LIABILITIES			
Share capital	23 817	23 304	23 817
Restricted equity	1 337	1 337	1 337
Unrestricted equity	77 827	91 564	91 564
Result	-5 515	-5 635	-13 737
Total equity	97 466	111 083	102 981
Long-term liabilities	11 108	12 964	11 408
Short-term liabilities	5 761	9 902	9 137
Total liabilities	16 869	22 866	20 545
Total equity and liabilities	114 335	133 949	123 526

Cash-flow analysis

<i>Amounts in kSEK</i>	2019 apr-jun	2018 apr-jun	2019 jan-jun	2018 jan-jun	2018 jan-dec
Operating activities					
Operating result	-906	-2 544	-5 341	-5 844	-13 625
Adjustments for non-cash items	2 061	2 058	4 118	3 117	7 233
Interest received	5	393	9	455	439
Interest paid	-145	-122	-183	-246	-551
Income tax paid/received	26	-2	66	-9	24
Changes in working capital					
Change in inventories	69	-2 558	-710	-2 105	310
Change in operating receivables	-470	-4 715	1 063	-4 677	-4 680
Change in operating liabilities	-4 487	5 272	-3 442	195	-1 095
Cash flow from operating activities	-3 847	-2 218	-4 420	-9 114	-11 945
Investment activities					
Investments in non-current assets	-610	-152	-623	-224	-466
Cash flow from investment activities	-610	-152	-623	-224	-466
Financing activities					
Amortization/issue loan	-150	-150	-300	-300	-1 346
New share issue	-	39 760	-	39 760	39 760
Cash flow from financing activities	-150	39 610	-300	39 460	38 414
The period's cash flow	-4 607	37 240	-5 343	30 122	26 003
Cash and cash equivalents at beginning of period	45 802	13 417	46 538	20 535	20 535
Cash and cash equivalents at end of period	41 195	50 657	41 195	50 657	46 538
<i>Adjustments for non-cash items</i>					
Depreciation	2 061	2 058	4 118	3 117	7 233
Other items not affecting cash flow	-	-	-	-	-
	2 061	2 058	4 118	3 117	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	-	-	-	-	-5 515	-5 515
2019-06-30	23 817	753	584	143 276	-70 964	97 466

Financial ratios

Amounts in kSEK	2019	apr- jun	2018	2019	2018	2018
			apr-jun	jan-jun	jan-jun	jan-dec
Turnover growth %		36%	86%	43%	155%	70%
Gross margin %		45%	30%	45%	30%	36%
Operating margin %		-7%	-27%	-28%	-45%	-47%
Profit margin %		-8%	-25%	-29%	-43%	-47%
Solidity		85%	83%	85%	83%	83%
Cash liquidity		841%	596%	841%	596%	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		8 700 376	11 908 457	8 268 351	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		-0,1	-0,2	-0,5	-0,5	-1,2
Result per share fully diluted		-0,1	-0,2	-0,5	-0,5	-1,2
Equity per share		8,2	9,3	8,2	9,3	8,6
Equity per share fully diluted		8,2	9,3	8,2	9,3	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

Mölndal, 28 August 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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