

The background of the entire page is an underwater photograph. It shows the dark, curved hull of a ship, likely a submarine or a large cargo ship, moving through clear blue water. Numerous small, light-colored bubbles are visible around the hull, suggesting movement. The lighting is natural, coming from above, creating a gradient of blue from light at the top to darker at the bottom.

# ITECH

**Our vision is to establish Selektope® as the  
leading alternative to prevent marine fouling  
in an effective and sustainable way**

**ANNUAL REPORT 2018**



# This is I-Tech

## I-Tech

I-Tech is an innovative biotechnology company that was founded from long-standing academic research conducted at Chalmers University of Technology and the University of Gothenburg in cooperation with MISTRA. Through dedicated entrepreneurship, I-Tech has taken the results of this research and created a global commercial product, Selektope®. The product has shown remarkable results and is one of very few active substances approved on the market.

Today, I-Tech is active on the global market with key staff in possession of wide experience and holding competences in business development, marine biology, and chemistry and process technology.

## Selektope®

Selektope® is an active substance which is added to marine hull paint, commonly known as antifouling paint. This active substance has a repellent effect on hard fouling, predominantly barnacles. Biofouling is a global problem for the maritime industry, both from an economic and environmental perspective.

With Selektope®, I-Tech offers a product that can contribute to the achievement of great financial savings and a more sustainable transport industry.

Read more about  
Selektope® on page 10 →

I-Tech's vision is to establish Selektope® as the leading alternative to prevent marine fouling in an effective and sustainable way.

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3.0

billion USD

Turnover of the  
global antifouling  
paint industry.



500

million USD

The market for  
Selektope® is valued  
at 500 MUSD.



2g/l

2 grams of Selektope®  
is used per litre of paint  
compared to 500-700  
grams per litre of paint  
when copper oxide is  
used.



36%

If 10% of the hull is  
covered by barnacles,  
36% more power  
is needed from the  
engine for a ship to  
maintain the same  
speed.





# Events during the year


**CMP**


**I-Tech and CMP** sign a long-term cooperation agreement with guaranteed volumes with a minimum 50 MSEK value until first quarter 2020.



**I-Tech acquires** Cambrex Karlskoga AB's immaterial production assets for the production of medetomidine (Selektope®).

**Three-year trial ship results prove Selektope®'s power to protect good hull performance.** The chemical and products tanker *Team Calypso* was coated with a copper free Selektope® based antifouling paint marine fouling in 2015. This vessel reached the three-year milestone in its docking schedule with a barnacle-free hull thanks to Selektope®, confirmed by underwater inspections and third-party hull performance measurement data.

## TEAM CALYPSO



**I-Tech has developed a new, soluble packaging solution for Selektope®.** The package containing Selektope® is added directly into the paint production process and is dissolved instantly. This innovative packaging solution provides the industry with a simpler and more effective way to handle Selektope®.



### Strengthened organisation



**Developmental work** regarding new materials show excellent performance.

# 62%

**The net turnover** for the year 2018 amounted to 28,947 (17,849) TSEK, this equates to an increase of 62%.

**I-Tech initiated cooperation** with another potential manufacturer of Selektope® in Europe to create redundancy in the supply chain.



**I-Tech is listed on Nasdaq First North.** The listing has been well accepted by the market which has resulted in a positive development of the share price.

# SELEKT OPE®

# 36 MSEK

**I-Tech receives an order** of up to 36 MSEK from Chugoku Marine Paints (CMP) for the supply of Selektope® to be delivered during 2019. Based on executed and planned deliveries during 2018, the new order means that CMP will reach previous minimum commitments of 50 MSEK in order value already during 2019.



**Extended markets.** During the year I-Tech secured import possibilities to the Philippines and Indonesia.

# A flying start

The year has been good for I-Tech. Growth has been strong as an effect of Selektope® users seeing good results. At the same time, we have increased our gross margin and expanded our global capacity for deliveries further. But most of all, 2018 has given us yet more proof of the potential our product offers. Interest in Selektope® has never been greater.

With fair wind in our sails and a high execution level in production, we carved out a successful and eventful 2018 in our books. Demand for Selektope® increased significantly from both vessel newbuildings and existing vessels dry-dock maintenance and repair. Our biggest client, Chugoku Marine Paints (CMP) intensified marketing efforts for their Selektope®-based products and, as vessel owners and operators receive good results, demand increases further. Growth in sales increased by more than 60% compared to previous years, during which growth was modest while the products proved themselves on the market.

The acquisition of production assets from Cambrex, executed during the first quarter of 2018, has begun to yield results in the form of a gross margin level increase by almost 40% during that same year. Continuous improvements in Selektope® production processes will continue to play an important role in improving margins and securing efficient deliveries, both on a long-term and short-term basis to different parts of the world. There is also ample capacity to handle any increase in demand.

As result of deliveries made during 2018, the number of reference vessels using Selektope® will increase significantly. Positive results from these reference vessels will give our customers more confidence to sell their Selektope®-containing products, giving them priority ahead of other, more tested and verified, alternatives. I-Tech is actively working to build awareness and reputation for our product's brand to support the marketing efforts of our customers and to alleviate barriers to uptake in an industry which is considered to be conservative.

Further to I-Tech operating in a slow-moving market with long lead times to sales, development work with customers is complex and based on continuously shifting parameters. Biology is unpredictable and results cannot be hastened. It simply takes time. Relatively large develop-

ment programmes with our customers, where several have progressed so far, has given us great confidence in securing a customer base in the near future which controls close to 50% of the global market.

The marine paint industry has had a tough year with increasing pressure on prices and high raw material cost. Many in the industry think that the bottom has been reached and that improvement will happen during the next year. This will be supported by the proven potential to save fuel through the use of more advanced antifouling paints and demands for more sustainable operations. I-Tech's product Selektope® has proven to be a vital part of the puzzle to create yet further credibility to the fuel saving capacity that antifouling paints can offer. Further to fuel savings, a clean hull is synonymous with a low risk for the spread of invasive aquatic species (IAS) between marine ecosystems. IAS transfer via ship hulls is a problem high on the agenda of the International Maritime Organization (IMO).

During 2019, we aim to establish more structured development collaborations towards new potential areas. Our main focus remains in speeding up our current business that will, in the long run, establish Selektope®-based products within the portfolios of all leading paint manufacturers. Our product is relevant and timely, and I-Tech is well equipped to handle increased demand with an increasing gross margin.

**Philip Chaabane**  
CEO I-Tech



”  
**Our main focus remains in speeding up the current business to, in the long run, establish Selektope®-based products within the portfolios of all leading paint manufacturers.”**



# The time for I-Tech and Selektope® is now

Global trends in shipping support the need for I-Tech and Selektope®. After nearly 20 years spent on development, the time is now perfect for an alternative active substance to conquer the marine world, hull after hull.

## 6%

In coming years global sales of antifouling paint are expected to increase yearly by 6%.<sup>1</sup>

I-Tech has developed and commercialised Selektope®, an active substance added to hull paint that prevents hard marine fouling, predominantly barnacles, in all types of waters. Marine fouling is a big problem for cargo ships, but also for recreational vessels, fish farms and offshore rigs, for example. I-Tech's customers are large paint manufacturers with a global reach. To date, two of these paint manufacturers have launched products which contain Selektope®. Their end customers are mainly shipowners.

### A large market

In 2018, global sales of antifouling paint were estimated to be 3 billion USD<sup>1</sup>. This is a market that is expected to grow by 6% per year and where Selektope® is one of few new active substances.

One of the users of Selektope® is the Japanese paint manufacturer Chugoku Marine Paints (CMP), who are one of the top three largest marine paint companies in the world.

Most ships and boats use antifouling paint which is mainly copper based. Cargo ships account for 56% of the market and represent the largest field of application. Corresponding market share for passenger ships and recreational vessels amounts to 18% and 17% respectively. So far, I-Tech's customers have chosen to focus on the cargo ship by volume given the significance of the fuel consumption and cost. However, passenger ships have been addressed to a certain degree as well as coastal vessels including service vessels and tugboats.

### Shipping is the backbone of global trade

International shipping accounts for more than 80% of the world's trade movement by volume. It is an industry supported by approximately 50,000 merchant (100,000 including all IMO registered ships) ships over 1,000 GT – gross tonnage<sup>2</sup> that use more than 350 million tons of bunker fuel oil annually and are responsible for 2.6% of the world's total carbon dioxide emissions. So far, this business has been relatively unregulated in terms of CO<sub>2</sub>

emission reduction requirements but recently the IMO mandated an ambition to reduce shipping's carbon emissions by 50% by 2050 compared with 2008 levels. This, and other regulatory mechanisms to reduce the environmental impact of shipping, will affect the market for antifouling paint and the demand for Selektope® in the long-term. The spread of IAS via ship hulls has become an increasingly large threat against marine biodiversity and is under greater examination by the IMO. The risk of transporting IAS can be significantly reduced with the help of Selektope®.

### More marine fouling = more fuel

The more hard marine fouling there is on a hull, the more fuel is needed for a vessel to maintain the same speed through water due to resistance created by water turbulence. A great proportion of the maritime fleet sails in warm waters. Several ports in highly-trafficked areas suffer from congestion, which leads to vessels spending long periods at anchor which in turn increases the risk of marine fouling accumulating on the hull. In a worst-case scenario, barnacle growth on the hull after a few weeks' anchoring can result in increased resistance of 40% or more meaning much higher fuel bill for the ship owner or operator.

A global cap on the sulphur content of bunker fuels to 0.50% will be introduced from January 1, 2020. This international regulation will increase the demand for low-sulphur fuel or alternatives, resulting in increased fuel costs since low-sulphur fuel may be twice as expensive as standard bunker fuel. Therefore, for ships sailing post-2020 there will be a strong incentive for the owner to maintain a clean hull compared to standard bunker fuel. Using a high-performance antifouling paint which contains Selektope® is a strategy that ensures increased profitability and reduced emissions, as well as reduced risk of IAS transfer. The fuel saving potential of a good antifouling paint that offers required fouling prevention compared to a badly performing one is the difference between profit and loss for many shipping companies.

### Ambitious targets

With this as a background, future targets for I-Tech are ambitious. Turnover is expected to increase by 50% every year up to 2021, a plan that has so far been adhered to and surpassed. Given that the market grows at the expected pace, Selektope® will successively increase in market share. Since every litre of antifouling paint on the global market contains an active substance that combats the problem with barnacles, this converts into great growth potential.

### RECREATIONAL VESSELS

For recreational vessels marine fouling is a substantial problem. Selektope® is approved as one of only five substances to be included in paint formulations for recreational vessels. However, due to a lack of clarity regarding national interpretations and adaptations of the legislation in Europe, there is no current development within this area. There is, however, large long-term potential in the United States market which will be evaluated by I-Tech during 2019.

### OFFSHORE

Within the offshore sector, marine fouling on offshore structures leads to other problems outside of increased use of fuel. In this sector there is a need to consider weight increase of cables and buoys which requires frequent cleaning as well as other maintenance activities, causing interruptions.

Traditional antifouling paints might not be appropriate for the needs within the offshore sector. I-Tech is therefore researching, together with several other parties, functional materials containing Selektope® which can potentially be used in the offshore sector.

### FISH FARMING

Marine fouling on nets and other installations used in fish farming is a problem for the industry. Selektope® can potentially prevent marine fouling on structures used in fish farming, depending on what kind of organisms causing the problem. I-Tech has carried out some initial testing as well as started discussions with different parties related to fish farming. Overall, there is a future potential in the fish farming industry with tightened regulations against copper oxide as an example of a driving force.



## Future markets

Today, I-Tech is focussing on antifouling paint intended for ocean going ships, which represents the largest market for antifouling sales. However, the need for antifouling paint is substantial in a range of other marine areas.

1) Source: Markets and Markets report: Marine Coatings Market – Global forecast to 2022 (published in the beginning of 2018)

2) Source: UNCTAD 2018 e-handbook of statistics / merchant fleet



# Strategy

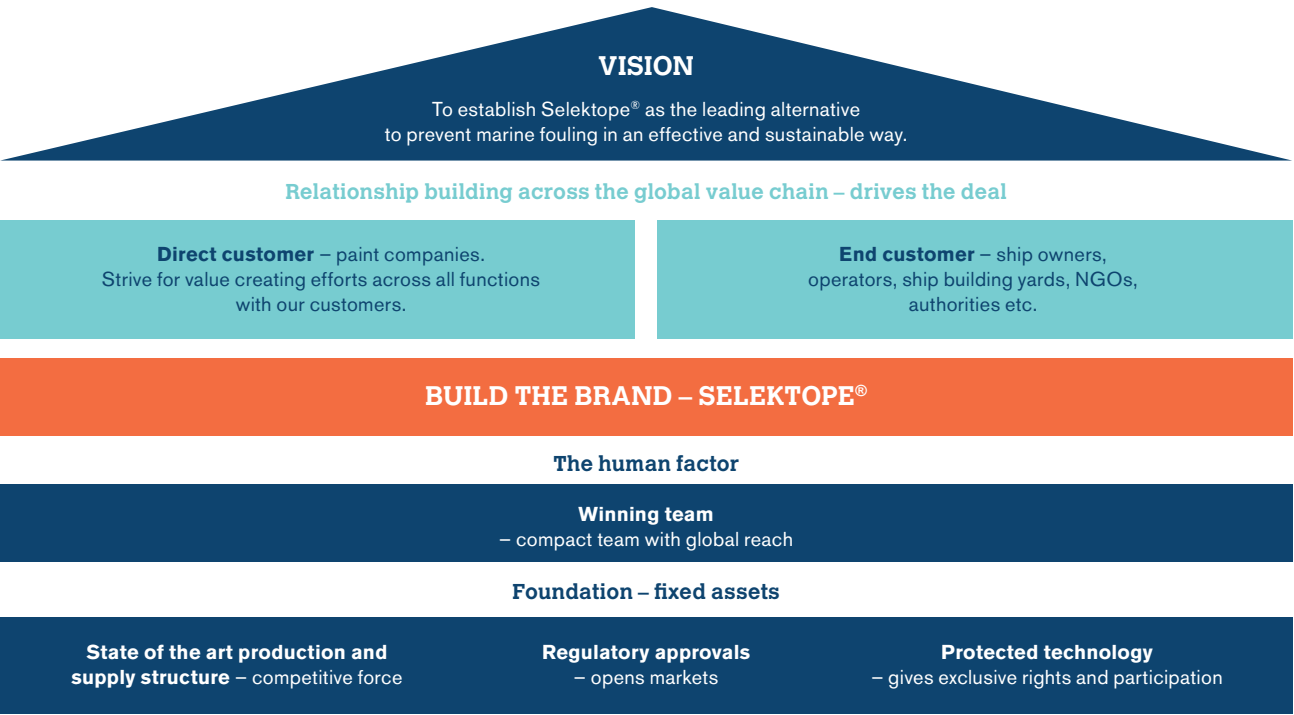
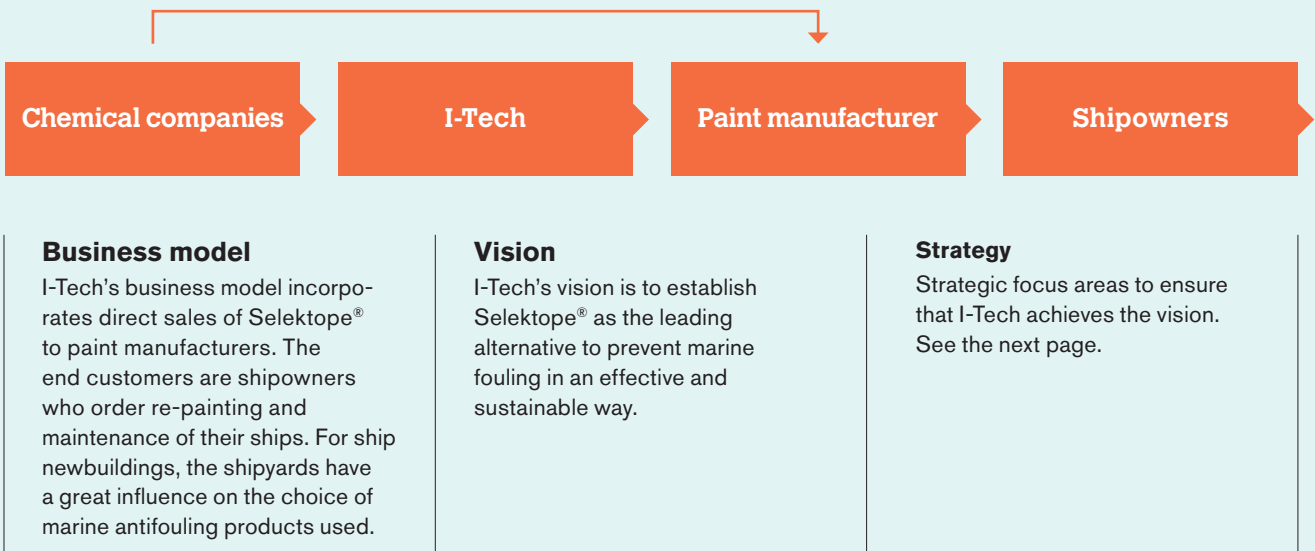
With a unique product, a proven strategy and several determining events to back it up, I-Tech has taken several important steps during 2018 to reach our vision: to establish Selektope® as the leading alternative to prevent marine fouling in an efficient and sustainable way.

2018 was the year when I-Tech and Selektope® took centre place on the stage. Not least by listing on Nasdaq First North and receiving a large order from one of the world's leading producers of marine paint, Chugoku Marine Paints (CMP). The success was further evidenced by the establishment of solid supply chain, launch of a revolutionary soluble packaging for Selektope® which reduces exposure to airborne particles, and confirmation of positive performance results in year three of a Selektope® ship trial.

The passing of these pivotal milestones forms a solid platform for I-Tech's operations in future years. They were made possible thanks to the strategic model that I-Tech introduced four years ago. A model (illustrated to the right) where the four focus areas are the same no matter the target

group but with shifting content to meet specific needs and thus successively move positions in a slow-moving industry.

To arouse interest and create awareness for the common good, support and trust building with customers as well as shipowners and suppliers has been prioritised. I-Tech has invested a lot of time and effort in getting our customers and shipowners to understand the value of Selektope®, from both a financial and environmental perspective and thereby prosper trust in the product. During 2018 the objective has been to establish I-Tech as a strong and reliable supplier with the help of a progressive launch plan and investments made in the right competences. We believe that this is a prerequisite to keep our business growing but to also look forward to new possibilities and business areas.





# Marine fouling – a costly environmental problem

Marine fouling is a fast-paced biological process which affects every surface submerged in sea water within only a few minutes. Microorganisms as well as algae, barnacles and other shell-building animals settle on any submerged hard substrate, including ship hulls. After a period of time, a thick layer of growth can form on the ship hull which significantly increases friction against the water when a ship is sailing. Marine fouling is not only a problem for ships but affects all types of marine installations.

Over 1,700 species pose a biofouling risk in all global waters. Biofouling is also a problem in freshwater, but to a lesser extent. Marine fouling can be divided over two main categories:

**Hard fouling** – usually shell building organisms and animals with a large effect on the surface structure, barnacle being the most difficult species.

**Soft fouling** – includes bacteria and algae, often slime and seaweeds which attach to exposed surfaces immediately.

How fast marine fouling organisms colonise a surface depends on the temperature of the water and availability of light and nutrition. Growth takes place significantly faster in warm, tropical waters. Ships exposed to longer periods at anchor whilst waiting for cargo or access to port face a larger risk of growth. It is an age-old problem where the number of prevention methods have become reduced due to tougher legislation. At the same time, this marine fouling problem increases the movement of invasive aquatic species.

## Increased fuel consumption

When a ship is affected by marine fouling on the hull, added resistance appears due to the water turbulence created.

For the ship to maintain the same speed as when the hull is clean, an increase in engine power is necessary. For an ocean-going ship, hard marine fouling can result in an increase of fuel consumption and emissions by up to 40%.

If all ships, in principal, had optimal hull performance, the fuel saving potential would amount to approximately 20 billion dollars per year. Marine fouling also means that ship hulls need regular cleaning by divers or underwater robots which, for the shipowner, requires significant ongoing maintenance costs. Ocean-going cargo ships normally dock for maintenance and repairs every three to five years. In many cases an early docking is needed due to high growth. If this can be avoided thru an adequate antifouling protection, significant saving potential can be realised.

# 40%

Hard marine fouling can result in an increase of fuel consumption and associated emissions by up to 40%.

“If all ships, in principal, had optimal hull performance, the fuel saving potential would amount to approximately 20 billion USD per year.”



# Selektope® – I-Tech's product

I-Tech has developed the active substance Selektope® which prevents the growth of barnacles on ships' hulls that contribute to increased resistance in water and therefore, higher fuel consumption. Selektope® has, after risk evaluation by the EU, been approved as being environmentally acceptable.

According to the Third IMO GHG Study published in 2014, CO<sub>2</sub> emissions from international shipping accounted for 2.6% of global emissions. This is almost twice as much compared to the airline industry's share of 1.4%. Emissions from the shipping industry continue to grow and could, according to the European Environment Agency, reach 17% of global emissions by 2050.

## Smart organic molecule

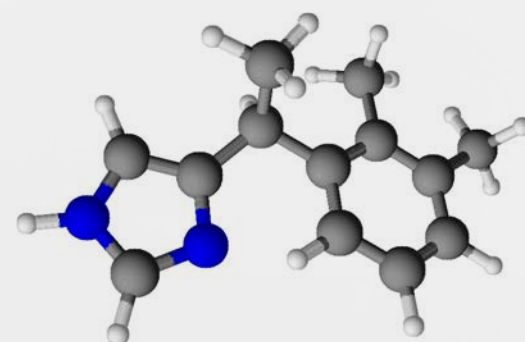
Selektope® enables a technological change where the marine paint industry can go from using a high concentration of heavy metals and copper oxides to using a smart, organic molecule to prevent hard fouling. Selektope® is a smart molecule that has the power to decrease the use of fossil fuels and at the same time solves an environmental problem by reducing the use of non-recyclable earth metals.

Selektope® is unique because it is effective at preventing marine fouling when used at an extremely low concentration and it has a repellent, but not lethal effect on barnacles. The specific mode of action allows for as low concentrations as 2g/l paint to be compared with 50 to 100s times higher loadings of other substances to fight barnacle settlement. This low concentration means that Selektope® can be used successfully with other available active substances and can, therefore, be added to, and enhance, existing

marine paints to increase hull performance. This is possible without the paint manufacturer needing to compromise on other aspects such as application methods or similar. Although most Selektope®-containing antifouling paint products on the market are combinations of copper oxides and Selektope®, Chugoku Marine Paints have launched a paint that is completely copper free. Therefore, the concentration of biocides in the paint has been reduced, while other qualities, such as prevention of soft fouling (e.g. slime and seaweed) have been notably improved.

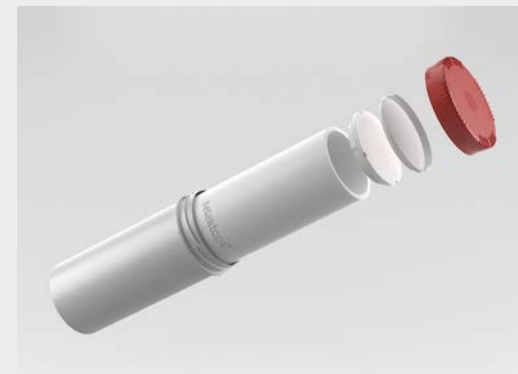
## This is how Selektope® works

With Selektope® included in antifouling paint barnacle larvae are temporarily affected as they approach the hull surface. The larvae become hyperactive and cannot attach to the surface of the hull, instead they are forced to swim away and find another place to settle. Selektope® has been risk evaluated and approved by the rigorous EU legislation (Biocide Products Regulation) for use in marine antifouling paint products. This means that Selektope® is a sustainable product that decreases the impact on the environment in several stages. Partly by contributing to the reduction of emissions and airborne pollutants but also by decreasing the emission of other substances to the marine environment. Selektope® can also contribute to an overall lower emission of active substances to the marine environment when the qualities of the product are fully used.



# 17%

Emissions from the shipping industry continue to grow and could, according to the European Environment Agency, reach 17% of global emissions by 2050.



## A new packaging solution

I-Tech has developed a new, soluble packaging solution for Selektope®. The packaging, which can contain between 300-800 grams Selektope®, can be added directly into the production system for antifouling paint and is, in principle, dissolved immediately. This innovative approach minimises the risk of exposure at the paint manufacturing facilities which contributes to a better work environment.

## Selektope® in paint

Selektope® binds to pigment and other particles in the paint system and is therefore continuously released in the same way as other active substances and components. This contributes to long-term performance as long as the paint remains on the hull. The paint formulation, which mainly comprises binding agents, biocides, pigment and filler material, is applied to the hull using a traditional spraying method. The amount of paint required to coat a hull can vary from a couple of thousand litres to over 20 thousand litres depending on the ship size and type.

# 2g/l

2 grams Selektope® is used per litre of paint, comparable to 500-700 grams of copper oxide used per litre of paint for barnacle prevention.

During the 1990's, a comprehensive research programme was initiated focussed on marine fouling where the mechanisms of a number of species were examined. How marine fouling could be prohibited was studied and a large number of substances with potential for preventing marine fouling were tested. During this research the substance medetomidine was identified as having good antifouling qualities.

I-Tech was subsequently founded in 2000 with the aim to further develop the test results around medetomidine and to develop a commercial product for the market. Medetomidine is the generic name of the substance that I-Tech has registered under the brand name Selektope® which is now used in all marine contexts.



I-Tech originated from research conducted at the University of Gothenburg and Chalmers University of Technology.



# Decreased emissions – a global challenge

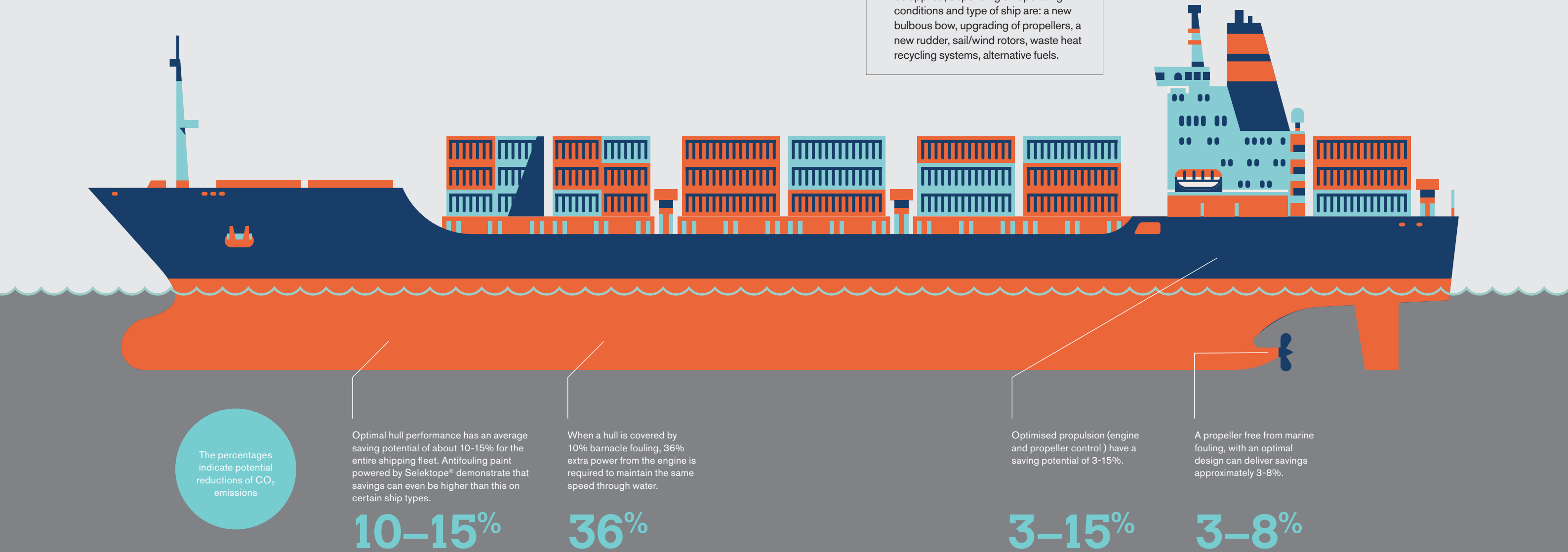
Increased fuel consumption and associated increased emissions is a growing problem in the global maritime industry. In addition to the negative impact on the environment, increased fuel consumption also brings financial stress for shipowners. International shipping is responsible for approximately 2.6% of total global CO<sub>2</sub> emissions.

The International Maritime Organisation (IMO) is the maritime organisation of the United Nation (UN). Within the IMO, member countries decide which common regulations should be enforced for the global maritime industry.

- The shipping industry must, through a decision by IMO, decrease their emissions of greenhouse gases (GHGs) by 50 per cent by 2050 compared to 2008 levels. This provides a strong incentive for ship owners to invest in measures which have a positive effect on the environment as well as economically.
- The commercial maritime fleet has several possible options for improvements, suitable for any type of ship, with a low investment barrier and short repayment period (see illustration).
- Increased efficiency measures that can be applied, depending on operating conditions and type of ship are: a new bulbous bow, upgrading of propellers, a new rudder, sail/wind rotors, waste heat recycling systems, alternative fuels.

5–10%

Route and autopilot optimisations have a saving potential of 5-10%.





# Successful cooperation between I-Tech and Chugoku Marine Paints

Chugoku Marine Paints (CMP) is one of the world's leading manufacturers of marine antifouling paint and are commercially active in a market worth approximately 3 billion USD. CMP realised the potential of the substance which in time became Selektope® very early on. The cooperation between CMP and I-Tech was initiated over ten years ago and has since led to CMP launching seven paints powered by Selektope®.

In this interview, CMP's sales director, Kenshi Date-San, explains why CMP has chosen to invest in I-Tech and Selektope®, and in developing a pioneering antifouling collaboration.

## **I-Tech and CMP have been collaborating for a number of years. How did the collaboration start and how has it developed over the years?**

– As one of the world's leading companies in marine coatings and, particularly in antifouling, we began to collaborate with I-Tech in 2008 when we started testing together. The results were a success and in 2014 we were first in the world to use Selektope® in antifouling products. As marine environments are changing more rapidly, and water temperatures are rising, the issue of fouling is increasing. Consequently, the need for antifouling ingredients in marine coatings is also increasing. This is where Selektope® has demonstrated an excellent performance.

We want to provide the market for freight vessels, leisure boats and the offshore market, with the world's best antifouling. Thanks to the unique combination of CMP's technology and Selektope®, we are leading the way. The collaboration with I-Tech has not only worked very smoothly, it has also been fruitful. We look forward to our continued collaboration.

## **Does Selektope® satisfy a market need or has the product worked as an eye-opener and thereby created a need?**

– The shipping industry is currently struggling with reduced vessel performance caused by fouling. This is a gigantic problem to which we can offer a solution thanks to the combination of CMP's technology and Selektope®, irrespective if it is a copper-based coating or a copper-free coating. It's a unique environmentally-acceptable combination that means that ships can retain their performance even after long stationary periods.

## **How many of your products contain Selektope® today and will there be more in the future?**

– Today, seven of our products, both copper-free and copper-based combinations contain Selektope®. For example, two of our antifouling products: Sea Premier and Seaflo Neo CF Premium. For the time being, we see this as a portfolio that meets the market's demand and needs. But there could definitely be more products in the future in line with increased demand. Not least in light of the new regulations that will come into effect in the next few years. These regulations will place higher environmental requirements on the shipping industry in terms of carbon dioxide emissions and more.

## **What do your customers think of Selektope®? What feedback have you received?**

– So far, those who have tested products with Selektope® are very satisfied and can testify to vessels being barnacle-free, despite many months in warm waters and, in some cases, stationary periods.

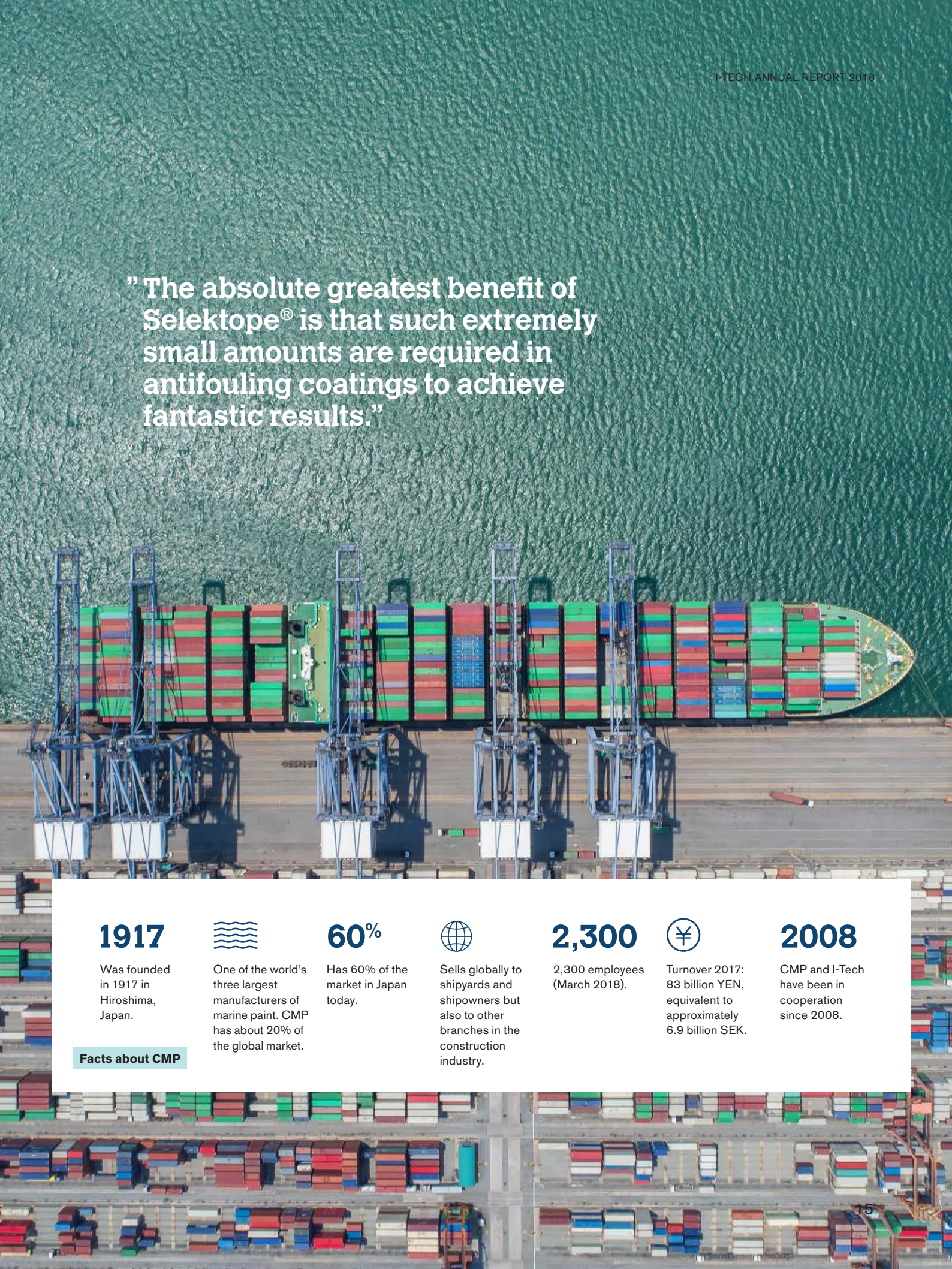
## **How big has the interest been so far?**

– Demand is successively increasing. The market is increasingly focused on reducing fuel consumption, not least for economic reasons. In turn, this increases the interest in efficient antifouling. The shipping industry is feeling some pressure. So far, there is only a limited number of customers who have the means to invest in premium products. But with stricter fuel requirements, the demand will increase. Interest is growing as coating manufacturers and shipowners get to see clear results of how effective Selektope®-based coatings are.



Kenshi Date-San, sales director of Chugoku Marine Paints has been with CMP since 1995 in multiple functions.

**”The absolute greatest benefit of Selektope® is that such extremely small amounts are required in antifouling coatings to achieve fantastic results.”**



**1917**

Was founded in 1917 in Hiroshima, Japan.



One of the world's three largest manufacturers of marine paint. CMP has about 20% of the global market.

**60%**

Has 60% of the market in Japan today.



Sells globally to shipyards and shipowners but also to other branches in the construction industry.

**2,300**

2,300 employees (March 2018).



Turnover 2017: 83 billion YEN, equivalent to approximately 6.9 billion SEK.

**2008**

CMP and I-Tech have been in cooperation since 2008.

### **Facts about CMP**



# The I-Tech share

I-Tech's shares were listed on First North at Nasdaq Stockholm on 28 May 2018. The total number of shares in I-Tech is 11,908,457. On 31 December 2017 the number of shareholders was 1,657.

### Development of the share

At the end of the year the I-Tech share stood at 66.00 SEK, which means a rise since the listing of about 222%t. The highest price 2018 was 70.00 SEK which occurred last on 30 November, and the lowest price was 19.75 SEK on 28 May. At the end of the year the market capitalisation was 786 MSEK, to compare with 244 MSEK on the day of the listing, 28 May. The number of traded shares during the year was 2.7 million shares.

### Share capital and ownership

The share capital in I-Tech was at the end of 2018 23,816,914 SEK divided over 11,908,457 shares. All shares carry equal voting rights as well as right to dividend. The main shareholder is Cambrex Karlskoga AB who at the end of 2018 held 16.3 per cent of the capital and votes. Cambrex Karlskoga AB became the main owner of the company in April 2018 in connection with I-Tech's acquisition of Cambrex' production assets.

### Dividend policy

I-Tech is a growth company and has so far not distributed any dividends. Neither is any share distribution planned for the coming years as any earnings are planned to be reinvested in the company. In the future when the company's result and financial position so allow, share dividends may be likely. When the time comes, the Board of Directors will consider factors such as the growth and profitability of the business, working capital and investment needs, financial position and other factors, when determining a possible suggestion for share dividends.

### Shareholder information

Financial information about I-Tech can be found on [www.i-tech.se](http://www.i-tech.se). Questions can be put directly to I-Tech's function for investment relations. Annual report, interim reports and other information from the company's head office may be ordered by phone, via the website or by e-mail.

### Largest owners

Owner	number of shares	share capital, %
Cambrex Karlskoga	1,945,660	16.34%
Almi Invest	1,900,164	15.96%
Pomona Group	1,357,528	11.40%
Göran Wessman incl. shares in companies	452,335	3.80%
Stefan Sedersten incl. shares in companies	451,330	3.79%
Unionen	450,000	3.78%
Aquamarine	371,390	3.12%
Daniel Sandberg	357,649	3.00%
Avanza Bank	329,111	2.76%
Swedbank Robur	291,348	2.45%
David Bendz	282,167	2.37%
Nordnet pensionsförsäkring	244,223	2.05%
Göran Källebo	175,000	1.47%
Philip Chaabane	153,899	1.29%
Others	3,146,653	26.42%
<b>Total number of shares</b>	<b>11,908,457</b>	<b>100%</b>



The reception on the market and the trust in our operation feels fantastic.”





# Board of Directors



## Stefan Sedersten

**Chairman of the board**  
since 2014.

**Member of the board**  
since 2014.

Stefan Sedersten has a background in radar electronics and marine propulsion industry, and has had different leading positions in purchasing, production and research and development. Stefan was the COO and vice president of Berg Propulsion Group, a leading supplier of variable pitch propellers for the maritime industry until 2013 when the company was acquired by Caterpillar Inc.

**Education:** Master of Science in Mechanical Engineering, Chalmers University of Technology.

**Other assignments:** Chairman of the Board of Directors in Lean Marine Sweden AB and Ariel Investment AB. Member of the Board of Directors in Blå Skrinet AB, Gula Skrinet AB, Röda Skrinet AB and Stefan Sedersten Development AB.

**Shareholding in I-Tech:**  
451,330\*

Independent in relation to the company and management but not independent to major shareholders.



## Bertil Arvidsson

**Member of the board**  
since 2008.

Bertil Arvidsson is the owner of Bertil Arvidsson Consulting AB (BACAB), a consultancy firm focused on shipping and environmental issues. His previous positions include: Technical director of Swedish Maritime Administration, Senior Advisor Swedish Shipowners' Association, member of the Environment Committee in ICS and ECSA. Assignments in the IMO committee in technical and environmental matters.

**Education:** Master of Science in Naval Architecture and Engineering, Chalmers University of Technology.

**Other assignments:** Member of the board in Bertil Arvidsson Consulting AB

**Shareholding in I-Tech:**  
90,432\*

Independent in relation to the company and management but not independent to major shareholders.



## Tomas Tedgren

**Member of the board**  
since 2017.

Tomas Tedgren works as the management consultant and on the board in, amongst other, Pomona Group AB and several of its subsidiaries as well as a number of other companies. Before that he was the CEO of Pomona Group AB for 17 years.

**Education:** Economics at Stockholm University.

**Other assignments:** Chairman of the board in G. Krantz AB, EHL Prolist AB, Rhodin & Eklund El & Tele AB, Forneby Fastighets AB, Consido AB and Tedgren Consult AB. Member of the board in Pomona-gruppen AB, Modulpac AB, Primekey Solutions AB, Primekey Intressenter AB, Maxidoor AB, Prolist Nordic AB, Estinvest AB and SCIPG AB. Alternate member of the board in Modulpac Montering AB and CIPCheckport AB.

**Shareholding in I-Tech:**  
-

Independent in relation to the company and management but not independent to major shareholders.



## Leif Darner

**Member of the board**  
since 2014.

Leif Darner has a substantial experience from the paint and chemistry industry. He was previously member of the board of AkzoNobel, The Netherlands, with global responsibility for chemicals and coatings between 2004 and 2008. Prior to this he was the CEO of BU Marine & Protective Coatings in Courtaulds plc, Great Britain and before that the CEO for International Färg AB, Sweden.

**Education:** Master of Science in Business and Economics as well as MBA at the School of Business, Economics and Law, University of Gothenburg.

**Other assignments:** Chairman of the board in Vicore Pharma Holding AB. Member of the board in Flowserve Corporation and Darner Asset Management AB.

**Shareholding in I-Tech:**  
134,919\*

Independent in relation to the company and management but not independent to major shareholders.



## Mats Enegren

**Member of the board**  
since 2014.

Mats Enegren represents the major shareholders ALMI Invest Västsverige AB and Almi Invest AB. Mats works as fund manager and deputy CEO at Almi Invest Västsverige AB. Earlier he held a position as CEO at Start Invest AB.

**Education:** Master of Science in Business, University of Gothenburg.

**Other assignments:** Chairman of the Board in Ytterbygg Aktiebolag, BlueTest AB and Exsens AB. Member of the board in ALMI Invest Fond SI AB, Göteborgs Nya Bryggeri AB, Gefle TestTeknik AB, Baricol Bariatrics AB, Gnoscio AB and Pegital Investment AB. Alternate member of the board in PressCise AB.

**Shareholding in I-Tech:**  
-

Independent in relation to the company and management but not independent to major shareholders.



## Mikael Laurin

**Member of the board**  
since 2011.

Mikael Laurin has wide experience from many industries, countries and disciplines. He has worked for several consultancy firms with focus on supply chain management, business strategy and management. Worked for 11 years as the CEO for Laurin Maritime who ran a modern tank fleet for oil products and chemicals in a worldwide traffic. He is today the CEO for Lean Marine who offers innovative solutions for fuel saving and streamlining of vessel operation.

**Education:** Master of Science in Industrial Engineering and Management, Chalmers University of Technology.

**Other assignments:** CEO and member of the board in Team Tankers International and Lean Marine Holdings AB.

**Shareholding in I-Tech:**  
-

Independent in relation to the company and management but not independent to major shareholders.



## Bjarne Sandberg

**Member of the board**  
since 2018.

Bjarne Sandberg has a long experience of working in the pharmaceutical industry and has expertise in manufacturing, business development, improvement of business processes, cross-functional team leadership and change management. Has worked for Cambrex since 1997 and is now the CEO for Cambrex' Swedish operations.

**Education:** Master of Science in Industrial Engineering and Management, Luleå University of Technology.

**Other assignments:** CEO and member of the board for Cambrex AB and Cambrex Karlskoga AB. Member of the board for Cambrex Tallinn, Cambrex IEP and IKEM.

**Shareholding in I-Tech:**  
10,000\*

Independent in relation to the company and management but not independent to major shareholders.



## Göran Wessman

**Alternate member of the board** since 2017. (Chairman of the Board 2004–2014, member of the board 2014–2017).

Göran Wessman has over twenty years' experience in leading positions in companies in the pharmaceutical and medical technology industry, as well as CRO in clinical research. Göran has held leading positions with Nobel Biocare, Boule Group and Carmel Pharma.

**Education:** Chemistry, mathematics and biomedicine at Gothenburg and Uppsala University.

**Other assignments:** CEO and member of the board in Göran Wessman Kapital AB. Chairman of the board in Proteom Wessman Aktiebolag. Member of the board in BRF Kanten, Proteom Företagsförvaltning AB and ITIN Holding AB.

**Shareholding in I-Tech:**  
452,335\*

Independent in relation to the company and management but not independent to major shareholders.

\* Including holdings in associated enterprises

\* Including holdings in associated enterprises



# Management



**Philip Chaabane**

**CEO** since 2014.

Philip Chaabane has a unique combination of experiences in leading positions from global tech companies, large and small. Most recently Philip comes from the fuel cell company PowerCell Sweden AB, where he among other things was responsible for business and customer development. Philip has also held various operative positions in Volvo Aero Corporation (today GKN Aerospace).

**Education:** Master of Science in International Material Technology at Luleå University of Technology and EEIGM in France.

**Shareholding in I-Tech:** 153,899\*



**Magnus Henell**

**CFO** since 2017.

Magnus Henell has considerable experience in finance and corporate management in several small and medium enterprises, as well as a great experience of mergers and acquisitions work within the Volvo Group. When Magnus was the CEO of PowerCell Sweden AB he re-financed the company successfully and listed it on First North at Nasdaq, Stockholm.

**Education:** Master of Science in Business and Economics at Karlstad University and School of business, economics and law at University of Gothenburg.

**Shareholding in I-Tech:** 24,291\*



**Oliver Weigenand**

**COO** since 2015.

Oliver Weigenand has an impressive resumé from his eight years at Lanxess AG and Lanxess Corp. Oliver was the CEO for Verichem in the US, one of Lanxess wholly owned companies, and was further to this vice president for Northern and Central America. Earlier Oliver held the position as Global Product Manager (which included marine biocides).

**Education:** Ph.D. from the University in Göttingen, Germany and an engineering degree from HNE University Germany.

**Shareholding in I-Tech:** -



**Cecilia Ohlauson**

**Head of Regulatory Affairs** since 2013.

Cecilia Ohlauson's academical background is within eco-toxicology concerning biocides and she has a Ph.D in environmental science. Cecilia Ohlauson has worked for I-Tech with responsibility for regulatory work since 2008 and has similar experience from the pharmaceutical industry.

**Education:** Ph.D from Gothenburg University as well as a Master in Biology from the Linnaeus University and micro-biology studies at Stockholm University.

**Shareholding in I-Tech:** 21,020\*



**Dan Isaksson**

**Research & Application Development Manager**

Dan Isaksson has a Ph.D. in organic chemistry and started at I-Tech after a post-doc position at the Marine Paint project at Chalmers University of Technology.

**Education:** Bachelor's Degree (Mid Sweden University). Ph.D. in organic chemistry (KTH Royal Institute of Technology). Post Doc (Chalmers University of Technology) 2007–2009.

**Shareholding in I-Tech:** 1,196\*



**Catherine Austin**

**Director Marketing & Communications** since 2017.

Catherine has a Master of Research in Environmental Management. She has worked in the international maritime industry for eight years. Before Catherine started at I-Tech she was the CEO for Fathom Maritime Intelligence, a publishing and events company concerned with clean technology information provision for the marine industry. She is a well renowned technical author and journalist both in marine and environmental sectors.

**Education:** Master of Research in Environmental Management from Swansea University.

**Shareholding in I-Tech:** 1,500\*



**Ba-Vu Nguyen**

**Supply Chain och Logistics Manager**

Ba-Vu Nguyen has a long experience in synthesis and process development, as well as in the production of small pharmaceutical molecules from his 16 years as lead chemist and project leader at Cambrex. Ba-Vu was responsible for synthesis and process development of Medetomidine (Selektope®).

**Education:** Master in organic chemistry (Mid Sweden University). Ph.D. in organic chemistry (KTH Royal Institute of Technology). Post Doc (Japan National Food Research Institute) 2000–2002.

**Shareholding in I-Tech:** -

\* Including holdings in associated enterprises

\* Including holdings in associated enterprises



# Annual report

I-Tech AB corporate identity no. 556585-9682

The annual report is in TSEK.

### Operations

The company's business is to commercialise their patented active substance to reduce marine fouling on hulls, gears and other submerged structures.

The global maritime industry consumes fuel at a cost of more than 150 billion USD annually which represents the most dominating cost factor for shipping companies. Fuel efficiency is partly dependent on the hull and its smoothness. Marine fouling, large or small, significantly affects vessel performance and maintenance costs and is therefore important to eliminate. This is mainly achieved by introducing active substances in marine paint formulations.

I-Tech's product Selektope® is a result of academic research around the behaviour of different marine species, in particular the barnacle. The product is selective and temporarily alters behaviour therefore, it is exceedingly powerful and effective. Selektope® is a couple of hundred times more efficient at preventing barnacle fouling than the leading technology. Selektope® has passed various environmental and health evaluations in the world and is part of a group of only three available candidates to prevent shell-building organisms from adhering to hulls and surfaces.

The company is registered in Mölndal, Sweden.

### Multi-year overview

	2018	2017	2016	2015	2014
Revenues	28,947	17,849	17,027	5,124	1,503
Profit after financial items	-13,737	-8,418	-7,145	-8,598	-4,900
Balance sheet total	123,526	59,927	60,765	49,340	56,204
Solidity (%)	83.36	61.67	57.40	75.26	81.37
Total equity	102,981	36,955	34,883	37,138	45,737

### Ownership

Shareholders with more than 10% ownership are Cambrex Karlskoga AB, 16.34%, Almi Invest Västsverige AB, 15.96% and Pomona Group AB 11.40%.

### Significant events during the financial year

- I-Tech signed a long-term cooperation agreement with Chugoku Marine Paints with minimum commitments up to and including the first quarter of 2020 of about 50 MSEK.
- I-Tech invested approximately 40 MSEK in production assets which were acquired from Cambrex Karlskoga AB. The transaction was carried out through an issue in kind which meant that Cambrex Karlskoga AB became I-Techs largest owner. In connection with subsequent annual general meeting I-Tech strengthened its board of directors with Bjarne Sandberg, CEO of Cambrex Karlskoga AB. Bjarne brings great competence both in the business and the industrial structure.

- I-Tech was listed on First North Nasdaq, Stockholm on 28 May. The company's new share issue in connection with the listing with a subscription rate of 138% contributed about 40 MSEK to the company after issuing costs.
- The company started a cooperation with a European manufacturer of active substances as a step in creating a broader base of suppliers.
- I-Tech completed, from an operational perspective, the integration of acquired assets from Cambrex and is now acting on its own through the entire supply chain.
- The company's prior largest owner, Vicore Pharma Holding, decided during an extra ordinary general meeting to distribute the majority of its holdings in I-Tech to its shareholders. Through lock-up no trading in these shares may take place before 28 May 2019. The transaction means that I-Tech acquired about 1,500 new owners.
- I-Tech received an order of 35 MSEK from Chugoku Marine Paints. The order is a commitment for deliveries during 2019 in the frame of an earlier communicated supply contract.
- Three years' data from *Calypso* was presented. The ship shows an unusually low increased resistance due to marine fouling compared to reference ships. Physical hull inspection also verifies results as it shows a clean hull, free from both hard and soft fouling.
- The next generation production process was fully implemented which contributed to a significant improvement of the gross margin.

### Future development and significant risks and insecurities

The company sees a continued good development of existing customers as well as one or more new customers on the market in the near future. A key factor in this development is that the brand is gaining further awareness and that the list of references becomes even longer, giving a valuable ripple effect with our customers. During the coming periods the company will also actively work to further refine the production processes introduced during 2018, for the purpose of gaining the best possible production cost and high-quality deliveries.

### Suppliers

I-Tech's product Selektope® is manufactured by subcontractors, which means that the company is dependent on these to be able to deliver its prod-

uct. If the company's subcontractors would not be willing to continue the cooperation with the company or to continue an agreed functioning cooperation according to favourable terms for the company, there is a risk that I-Tech in such a situation would not be able to replace such a supplier in a timely, qualitative or economically adequate manner. There is thereby a risk that changed supplier relations can have negative effects on the company's operation, result and financial position.

### Competition

I-Tech's product Selektope® is one of two non-metal-based antifouling biocides which have received regulatory approval in the EU and some other regions in the world. There is a risk that further competitive biocides receive regulatory approval resulting in an increase in competition on the market, which may have a negative effect on the company's operation, result and financial position.

### Key staff

The company is dependent on board members, directors and other key staff in different positions. The ability to keep current staff as well as the possibility to recruit new staff is determining for the company's future development. If key staff leaves the company or if I-Tech cannot hire or keep qualified and experienced directors it may have a significant negative effect on the company's operation, result and financial position.

### Market approval

I-Tech has received market approval for the company's product Selektope® in the EU, China, Japan, South Korea and the Philippines, which is a prerequisite to continue to be able to market the product. There is a risk that current regulations will change in the future. If the company is unable to fulfil new regulations or if the company would have an already received market approval withdrawn, there is a risk that it would have a negative effect on the company's operation, result and financial position.

### Customers

If I-Tech could not live up to the demands of the company's customers, or if the company's customers could not fulfil their payment obligations, or if existing customers would choose not to renew current agreements with the company or if the agreement with different customers would be renewed on less



advantageous terms for the company, there is a risk that I-Tech's revenue would decrease, which may lead to a negative effect on the company's operation, result and financial position.

Product quality

Insufficient quality in I-Tech's supplied products could infer a liability claim on the company from the company's customers, which could have negative effects on the company's financial position. Further there is a risk that failing product quality could result in a decreased demand for the company's product which could have a significant negative effect on the company's operation, result and financial position.

Political risk

The company is active in different ways in and via several countries and can thereby be affected by political and economic uncertainties in these countries. There is a risk that I-Tech is affected

negatively through changes in legislation, taxes, customs, exchange rates and other terms for foreign companies. I-Tech may also be affected by political and economic factors of uncertainties in these countries. The company may also be affected negatively by possible domestic policy decisions.

Currency risk

Currency risk is understood to mean the risk of changes in currency having a significant negative impact on I-Tech's income statement, balance sheet or cash-flow analysis. Exposure to currency risk is present at purchase or sales of products and services in another currency than the Swedish Krona. I-Tech's international operation gives rise to a significant cash flow in foreign currency. The company is mainly exposed to fluctuations in USD in relation to SEK. There is a risk that changes in currencies can have a negative effect on I-Tech's operation, result and financial position.

Changes in equity

	Share capital	Other restricted equity	Other non-restricted equity	Annual result	Total non-restricted equity <sup>1</sup>
Amount at the start of the year	15,663	1,337	28,373	-8,418	19,955
New share issue	8,154	-	71,609	-	71,609
Surplus according to decision at annual general meeting			-8,418	8,418	-
Loss for the year				-13,737	-13,737
Amount at the end of the year	23,817	1,337	91,564	-13,737	77,827

Allocation of surplus (SEK)

SUGGESTION FOR ALLOCATION OF THE COMPANY PROFIT

At the disposal of the annual general meeting is	
Loss brought forward	-51,711,762
Share premium account	143,275,995
Loss for the year	-13,737,175
	77,827,058
The board of directors suggest to be carried forward	
	77,827,058

Income statement

	Note	2018	2017
<b>Operating income etc.</b>			
Net turnover		28,947	17,849
Capitalised work for own account		-	38
Other operating income	2	1,093	1,077
		30,040	18,964
<b>Operating expenses</b>			
Costs of goods sold		-18,665	-12,150
Other external costs		-11,165	-7,915
Personnel costs	3	-5,835	-4,671
Depreciations, amortisations and impairments		-7,233	-1,258
Other operating costs		-767	-418
		-43,665	-26,412
<b>Operating income</b>			
		-13,625	-7,498
<b>Result of financial items</b>			
Other interest income and similar items	4	439	-
Interest expense and similar items	5	-551	-970
		-112	-970
<b>Result after financial items</b>			
		-13,737	-8,418
<b>Annual result</b>			
		-13,737	-8,418



Balance Sheet

	Note	2018-12-31	2017-12-31
ASSETS			
Fixed assets			
Intangible assets			
Expenditures on development brought forward	6	27,238	30,290
Patents	7	41,126	4,817
		68,364	35,107
Tangible assets			
Inventories, tools and installations	8	21	42
		21	42
Total fixed assets		68,385	35,149
Current assets			
Inventory			
Finished goods and commodities		303	613
		303	613
Short-term receivables			
Accounts receivables		7,537	2,910
Current tax asset		-	10
Other receivables		463	363
Prepayments and accrued income		300	347
		8,300	3,630
Cash and bank balances			
Cash and bank balances		46,538	20,535
Total Cash and bank balances		46,538	20,535
Total current assets		55,141	24,778
Total assets		123,526	59,927

	Note	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		23,817	15,663
Legal reserve		753	753
Reserve for development expenditure		584	584
		25,154	17,000
Unrestricted equity			
Share premium reserve		143,276	71,667
Result brought forward		-51,712	-43,294
Loss for the year		-13,737	-8,418
		77,827	19,955
Total equity		102,981	36,955
Long-term liabilities			
Liabilities to credit institutions	9	11,408	13,264
Total long-term liabilities		11,408	13,264
Short-term liabilities			
Liabilities to credit institutions	9	1,971	1,461
Accounts payables		4,666	6,304
Current tax liabilities		14	-
Other liabilities		195	145
Accruals and deferred income		2,291	1,798
Total short-term liabilities		9,137	9,708
TOTAL EQUITY AND LIABILITIES		123,526	59,927



Cash flow analysis

	Note	2018-12-31	2017-12-31
<b>Operating activities</b>			
Operating result		-13,625	-7,448
Adjustments for non-cash items		7,233	1,258
Interest received		439	0
Interest paid		-551	-970
Income tax paid		24	-3
<b>Cash flow from operating activities before changes in working capital</b>		<b>-6,480</b>	<b>-7,163</b>
<b>Cash flow from changes in working capital</b>			
Decrease of inventories current activities		310	3 024
Increase of accounts receivables		-4,627	-236
Increase/decrease of other receivables		-53	909
Decrease of accounts payables		-1,638	-1,015
Increase/decrease of short-term liabilities		543	-1,757
<b>Cash flow from operating activities</b>		<b>-11,945</b>	<b>-6,238</b>
<b>Financing activities</b>			
Acquisition of expenditures brought forward for development and similar work.	6	-64	-180
Acquisition of concessions, patents, licenses etc..	7	-402	-528
Acquisition of inventories, tools and installations	8	-	-
<b>Cash flow from investing activities</b>		<b>-466</b>	<b>-708</b>
<b>Financial activities</b>			
New share issue of the year		39,760	10,490
Long-term borrowings		115	1,329
Amortisation of long-term borrowings		-1,461	-1,467
<b>Cash flow from financial activities</b>		<b>38,414</b>	<b>10,352</b>
Change in liquid assets		26,003	3,406
Liquid assets at the start of the year		20,535	17,129
<b>Liquid assets at the end of the year</b>		<b>46,538</b>	<b>20,535</b>

Notes

NOTE 1. ACCOUNTING PRINCIPLES

The annual report is prepared in accordance with the accounting law and BFNAR 2012:1 Annual report and consolidated financial statements. The principles are unchanged compared to previous years.

Receivables

Receivables have been recognized at the amounts at which they are expected to be received.

Other assets, provisions and liabilities

Other assets, provisions and liabilities have been valued at acquisition value unless otherwise stated below.

Revenue report

The revenues are reported at the actual value of what has been received or will be received. The company therefore reports the revenue at nominal value (invoiced amounts) if the compensation is received in liquid funds directly on delivery. Deductions are made for discounts provided.

Sales of goods

Sale of goods is recognized when the company has transferred to the buyer the significant risks and benefits associated with the ownership, normally when the customer has the goods in his possession.

Revenues from the sale of goods that have no significant service obligations are reported on delivery.

Services

Revenue from consultancy services are reported when the services are provided.

Tangible assets

Tangible assets are reported at acquisition value, deducting the accumulated depreciations and any impairment losses. The assets are depreciated linearly over the assets’ estimated useful life except for land that is not amortised. The useful life is reviewed at each balance sheet date. The following useful lives are applied:

	Number of years
Inventories, tools and machinery	5

Intangible assets

Intangible assets are reported at acquisition value, deducting the accumulated depreciations and any impairment losses. The assets are depreciated linearly over the assets’ estimated

useful life. The useful life is reviewed at each balance sheet date. Ongoing projects are not amortised but are tested annually for impairment. The following useful lives are applied:

	Number of years
Expenditures brought forward for development and similar work	10
Patents	5

Activation of internally generated intangible fixed assets

Activation model

All expenses incurred during the research phase are recognised as an expense as they arise. All expenses incurred during the development phase are activated when the following conditions are met; the company's intention is to complete the intangible asset and to use or sell it and the company has the potential to use or sell the asset, it is technically possible for the company to complete the intangible asset so that it can be used or sold and there are adequate technical, economic and other resources to complete the development and to use or sell the asset, it is likely that the intangible fixed asset will generate future economic benefits and the company can reliably calculate the expenses attributable to the asset during its development.

In the acquisition value, personnel costs incurred in the work on development work are included.

Leasing

A finance leasing agreement is a leasing agreement according to which the financial risks and advantages associated with owning an asset are transferred in all material respects from the lessor to the lessee. An operating leasing agreement is a leasing agreement that is not a financial leasing agreement.

Lessee

Operational leasing agreements are recognised as an expense linearly over the lease term.

Rights and obligations under financial leasing agreements are reported as assets and liabilities in the balance sheet. The asset and liability are reported at the lower of the asset's actual value and the present value of the minimum lease payments, determined at the conclusion of the leasing agreement. The lease payments are divided between interest and amortisation of the debt according to the effective interest method. Variable fees are reported as expenses in the financial year that the expenses arise. All leasing agreements are expensed on linearly over the lease term.



**Inventories**

Inventories are valued at the lowest of the acquisition value, calculated according to first-in-first-out, and net sales value. The net realisable value has been calculated at the sales value after deduction of estimated sales cost, whereby obsolescence has been taken into consideration.

**Income tax**

Current tax is income tax for the current fiscal year, which refers to the year's taxable profit and the part of previous fiscal year's income tax that has not yet been reported. Current tax is valued at the probable amount according to the tax rates and tax rules that apply on the balance sheet date.

Deferred tax is income tax for taxable earnings relating to future fiscal years as a result of past transactions or events.

Deferred tax is calculated on temporary differences. A temporary difference exists when the reported value of an asset or liability differs from the taxable value. Temporary differences are not considered in differences attributable to investments in subsidiaries, branches, associated companies or joint ventures if the company can control the timing of reversal of the temporary differences and it is not obvious that the temporary difference will be reversed in the foreseeable future.

Differences arising from the initial recognition of goodwill or at the first recognition of an asset or liability, unless the related transaction is a business combination or affects tax or recognised result, do not constitute temporary differences either.

**Receivables and liabilities in foreign currency**

Monetary receivables and liabilities in foreign currency have been recalculated at the closing day rate.

Exchange rate differences arising from the regulation or recalculation of monetary items are recognised in the income statement in the fiscal year in which they arise, either as an operating item or as a financial item based on the underlying business event.

**Public contributions**

Public contributions are valued at the actual value of the asset that the company has received or will receive.

Public contributions that are not linked to demands on future performance, so-called unconditional contributions, are recognised as revenue when the conditions for obtaining the contributions are met, that is, usually in connection with the receiving of contributions. Public contributions that are linked to demands for future performance, so-called conditional contributions, are recognised as liabilities when the contribution is received and subsequently recognised as income when the performance is carried out.

Public contributions relating to the acquisition of a fixed asset reduce the asset's acquisition value.

## INDIVIDUAL NOTES TO FINANCIAL STATEMENTS

### NOTE 2. OTHER OPERATING REVENUE

	2018	2017
<b>Other operating revenue divided over category of revenue</b>		
Foreign exchange gains	735	689
Received contributions	358	387
Insurance reimbursements	-	1
	1,093	1,077

### NOTE 3. PERSONNEL

**Average number of employees**

The average number of employees is based on the number of by the company paid working hours related to normal working hours.

	2018	2017
<b>Average number of employees have been</b>	4.00	4.00
Of which were women	1.00	1.00
Of which were men	3.00	3.00

**Salaries, remuneration etc.**

Salaries, remuneration, social security expenses and pension costs amount has been as follows:

	2018	2017
<b>Board of Directors and CEO</b>		
Saleries and remuneration	1,777	1,017
Pension costs	231	175
	2,008	1,192
<b>Other employees</b>		
Saleries and remuneration	2,283	2,344
Pension costs	216	121
	2,499	2,465
Social security expenses	1,203	955
<b>Total Board of Directors and other</b>	5,710	4,612

### NOTE 4. OTHER REVENUE AND SIMILAR LINE ITEMS

	2018	2017
Exchange difference	439	-
	439	-

### NOTE 5. INTEREST COST AND SIMILAR LINE ITEMS

	2018	2017
Other interest cost	551	551
Exchange difference	-	419
	551	970

### NOTE 6. EXPENDITURES BROUGHT FORWARD FOR DEVELOPMENT AND SIMILAR WORK

	2018-12-31	2017-12-31
Opening acquisition value	31,758	31,578
Purchases	64	180
<b>Outgoing accumulated acquisition value</b>	<b>31,822</b>	<b>31,758</b>
Opening depreciations	-1,468	-881
Depreciations during the year	-3,116	-587
<b>Outgoing accumulated depreciations</b>	<b>-4,584</b>	<b>-1,468</b>
<b>Outgoing reported value</b>	<b>27,238</b>	<b>30,290</b>
<b>Assets acquired through public contributions are included at reported acquisition value.</b>	<b>8,908</b>	<b>8,972</b>

### NOTE 7. PATENTS

	2018-12-31	2017-12-31
Opening acquisition value	6,344	5,816
Purchases	40,405	528
<b>Outgoing accumulated acquisition value</b>	<b>46,749</b>	<b>6,344</b>
Opening depreciations	-1,527	-876
Depreciations during the year	-4,096	-651
<b>Outgoing accumulated depreciations</b>	<b>-5,623</b>	<b>-1,527</b>
<b>Outgoing reported value</b>	<b>41,126</b>	<b>4,817</b>

### NOTE 8. INVENTORIES, TOOLS AND INSTALLATIONS

	2018-12-31	2017-12-31
Opening acquisition value	284	284
<b>Outgoing accumulated acquisition value</b>	<b>284</b>	<b>284</b>
Opening depreciations	-242	-222
Depreciations during the year	-21	-20
<b>Outgoing accumulated depreciations</b>	<b>-263</b>	<b>-242</b>
<b>Outgoing reported value</b>	<b>21</b>	<b>42</b>

### NOTE 9. LONG-TERM LIABILITIES

	2018	2017
Almi Företagspartner		
Amortisation within 1 year	600	600
Amortisation within 2-5 years	1,650	2,250
	2,250	2,850
Energy Agency no. 1	5,705	6,566
	5,705	6,566
Energy Agency no. 2	5,423	5,309
	5,423	5,309
Total long-term liabilities	13,378	14,725

**Energy Agency No. 1**

Amortisation of the loan amounts to 5% of the company's reported net sales in the previous year, which means that in 2019 approximately 1,371 TSEK will be amortised. Amortisation during coming periods depends on the company's turnover during the coming years.

**Energy Agency no. 2**

Amortisation of the loan will take place with the start of year 3 from the decision year, which means 2020. Amortisation takes place with 3% of the company's reported net sales and is limited to a 10-year period unless full repayment has been made earlier.



NOTE 10. COLLATERAL

	2018-12-31	2017-12-31
Business mortgages	3,000	3,000

NOTE 11. SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

No significant events have taken place after the financial year.

NOTE 12. DEFINITION OF KEY FINANCIAL FIGURES

Solidity

Adjusted equity as a percentage of balance sheet total.

Auditor’s report

To the general meeting of the shareholders of I-Tech AB, corporate identity number 556585 - 9682

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts of I-Tech AB for the year 2018. The annual accounts of the company are included on pages x-y in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the I-Tech AB as of December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the I-Tech AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company’s ability to continue as a going concern.

They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

Mölnadal, April 4, 2019

Bertil Arvidsson

Leif Darner

Philip Chaabane  
CEO

Tomas Tedgren

Mats Enegren

Mikael Laurin

Bjarne Sandberg

Stefan Sedersten  
Chairman of the Board

Our audit report has been delivered on April 4, 2019

Ernst & Young AB

Markus Hellsten  
Authorised accountant



- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of I-Tech AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the I-Tech AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Gothenburg, April 4, 2019

Ernst & Young AB

Markus Hellsten  
Authorized Public Accountant



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Financial Calendar	
Annual General Meeting	May 9, 2019
Interim report, Q1	May 10, 2019
Interim report, Q2	August 28, 2019
Interim report, Q2	October 25, 2019
Year-end report, 2019	February 19, 2020

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