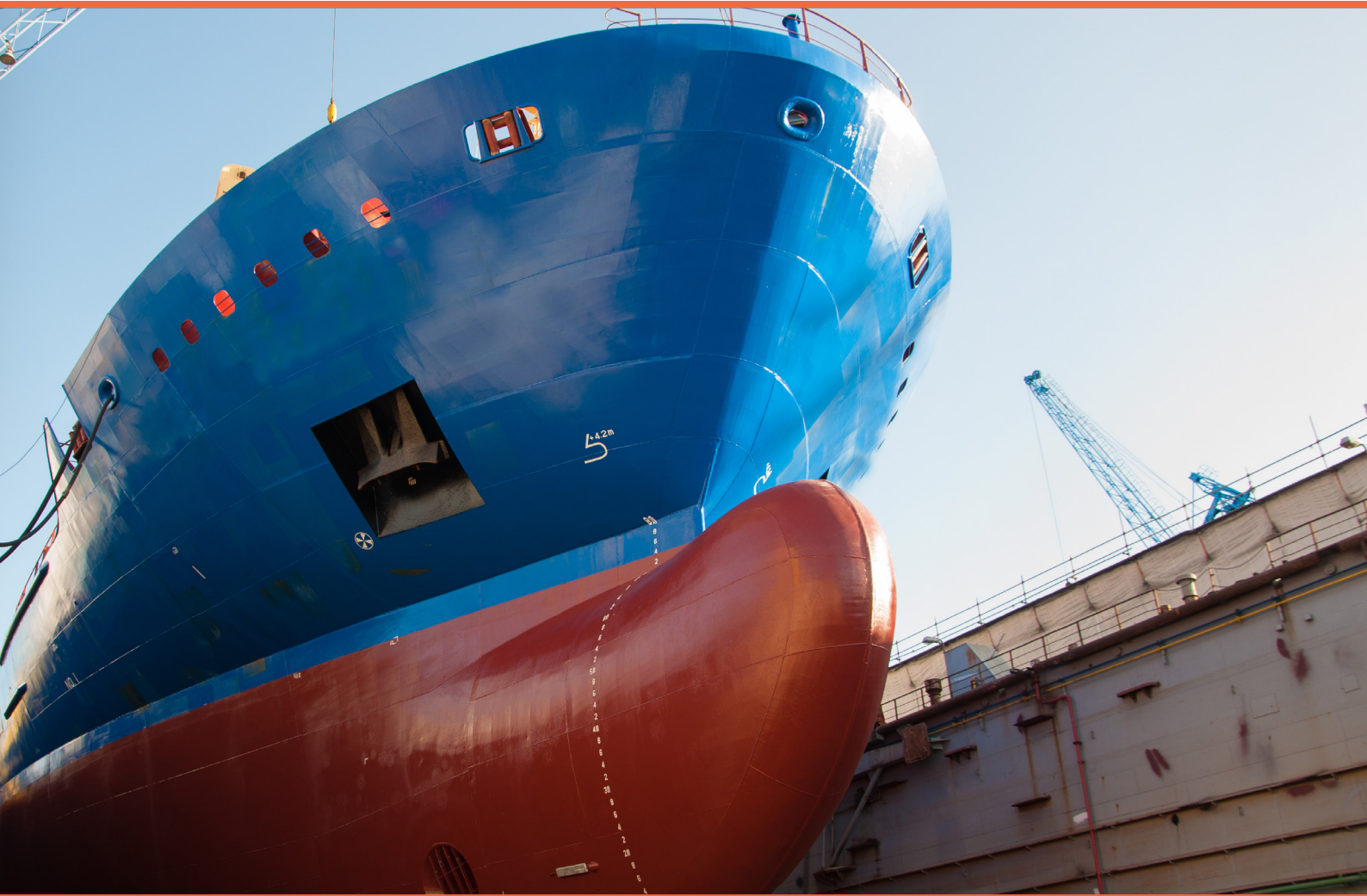


**JULY-SEPTEMBER**

***2018***

**INTERIM REPORT**



# Summary of the period

***"Sustained high demand along with planned implementation of a new production process"***

- Net turnover for the period amounted to 4 993 (5 569) kSEK, which corresponds to a decrease in turnover of -10 (111) %. Operating profit/loss amounted to -4 899 (-1 674) kSEK.
- Net turnover for the first nine months of the year amounted to 18 077 (10 693) kSEK, which corresponds to an increase in turnover of 69 (14) %. Operating profit/loss amounted to -10 743 (-5 387) kSEK

## July to September 2018

- The first nine months of the year show that the growth trend is in line with expectations for the full year.
- Third quarter sales were limited partly due to the start of a major production transition to a more integrated, efficient and robust manufacturing process.
- From an operational perspective, I-Tech has completed the integration of acquired assets from Cambrex and is now managing the entire supply chain itself.
- The company has initiated a collaboration with a European manufacturer of active substances as part of a strategy to create a broader supplier base.
- The company's previous largest shareholder, Vicore Pharma Holding, resolved at an extraordinary general meeting on 13 August to distribute the majority of its shares in I-Tech to its shareholders. These shares are subject to a lock-up and can not be sold before 28 May 2019. This has resulted in I-Tech gaining more than 1 500 new shareholders.

## Important events after the period

- No important events have taken place after the period.

## Financial summary

| <i>All amounts in kSEK</i>              | <b>2018<br/>Jul-Sep</b> | <b>2017<br/>Jul-Sep</b> | <b>2018<br/>Jan-Sep</b> | <b>2017<br/>Jan-Sep</b> | <b>2017<br/>Jan-Dec</b> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Net sales                               | 4 993                   | 5 569                   | 18 077                  | 10 693                  | 17 849                  |
| Operating result                        | -4 899                  | -1 674                  | -10 743                 | -5 387                  | -7 448                  |
| Net result                              | -5 108                  | -1 981                  | -10 743                 | -6 250                  | -8 418                  |
| Operating cash flow                     | -2 068                  | 652                     | -11 181                 | -4 012                  | -6 238                  |
| Equity at end of period                 | 105 761                 | 28 633                  | 105 761                 | 28 633                  | 36 955                  |
| Cash and cash equivalents at end period | 48 102                  | 11 006                  | 48 102                  | 11 006                  | 20 535                  |

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## CEO comments

The third quarter has been characterized by the continued strong demand for our Selektope® product, whilst a change in production was initiated to achieve the company's long-term goals. The purpose of the development work is to implement a new, patented (patent pending) and more efficient production process, primarily to enable a lower production cost. Implementation is taking place at the same time as deliveries from the previously announced production order start in the fourth quarter. For the first nine months of the year, development of our business is in line with expectations and with a confirmed growth in relation to the previous year. Net turnover amounted to 5.0 (5.6) million Swedish crowns during the quarter and 18.1 (10.7) million Swedish crowns for the first nine months, which corresponds to a change of -10% and 69% respectively.

There is still a high pressure in the Korean market which is the second largest market in the world for newbuilding of ships. Korea has about 30% of the newbuilding market and focuses on larger and more advanced ship types. In 2018, the shipyard industry witnessed increasing problems with marine growth and it has been difficult to keep the hull clean during construction time (outfitting) before they are delivered. In the light of this, it is gratifying that Selektope and related paint products are increasingly requested in a market that now is showing positive momentum after many years of challenges with declining order books.

During the period, I-Tech has also fully integrated the assets acquired from Cambrex Karlskoga AB from an operational perspective and deliveries from the previously announced production order start in the fourth quarter. This more direct communication



channel creates operative and strategic advantages. Through I-Tech's ownership of processes, methods and expertise, the speed of development work can increase. For example, implementation of a new generation production process started during the second quarter and dialogue with more potential suppliers and sub-contractors has been established. The implementation of a new packaging model is included in a wide range of improvement projects. As such, we look forward to improved leverage when it comes to profitability and delivery capability when the groundwork in the ongoing transformation work have been completed.

We are now starting the fourth quarter with a significant focus on production and deliveries, as well as on sustaining the positive development from the first half of the year.

Philip Chaabane, CEO



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## 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®, a substance to prevent marine growth in antifouling 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.

On 28 May, the company was listed on Nasdaq First North and completed a share issue in conjunction with the listing. The company received 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 new potential application areas. Lastly, investments will also be made to enter new markets where regulatory processes are expected to be initiated moving forward.



*I-Tech has attended a major maritime fair (SMM) in Hamburg where our customers, CMP and Hempel emphasize their Selektope products. Dialogues with other potential customers is proceeding according to plan and the brand Selektope® is becoming increasingly established.*

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# Other information

## Share information

At the start of 2018, I-Tech's share capital amounted to 15 663 049.50 SEK kronor distributed across 156 630 495 shares. In April, the new shares were registered from the directed share issue carried out in conjunction with the acquisition of manufacturing assets from Cambrex Karlskoga AB. In April, the reverse 1:20 split resolved at the annual general meeting on 17 April was also registered. In May, a public offering was carried out comprising a total of 2 131 727 shares, of which 1 875 000 shares were registered in June and 256 727 shares were registered in July. After the registration of all share issues, I-Tech's share capital amounts to 23 816 914 SEK distributed across 11 908 457 shares. The ratio value of all the shares amounts to 2 SEK and they have equal rights in the company's assets and profit/loss.

I-Tech's shares were listed on the Nasdaq First North on 29 May. As of 29 September 2018, the number of shareholders amounted to 2 073. With a closing price for the share on 28 September 2018 amounting to 56.95 SEK the company's market capitalisation amounted to 678 million SEK.

## 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 intellectual property and product development. For a more detailed description of risks, please see I-Tech's prospectus which was published in connection with public offering.

## Certified Adviser

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

## Long-term incentive program

The company has no long-term incentive program for senior leaders or personnel.

## Audit review

The interim report has not been subject to audit.

## List of shareholders

The list of shareholders shows the status in the company as of 29 September 2018.

| Shareholder                   | No. of shares     | %              |
|-------------------------------|-------------------|----------------|
| Cambrex Karlskoga AB          | 1 945 660         | 16,34%         |
| Almi companies                | 1 900 164         | 15,96%         |
| Pomona-gruppen Aktiebolag     | 1 357 528         | 11,40%         |
| Göran Wessman incl. Co.       | 452 335           | 3,80%          |
| Stefan Sedersten incl. Co.    | 451 330           | 3,79%          |
| Unionen                       | 450 000           | 3,78%          |
| Aquamarine Ltd                | 371 390           | 3,12%          |
| Bendz, David                  | 282 167           | 2,37%          |
| Swedbank Robur                | 280 615           | 2,36%          |
| Avanza pension                | 264 027           | 2,22%          |
| Nordnet pensionsförsäkring    | 227 942           | 1,91%          |
| Daniel Sandberg               | 192 000           | 1,61%          |
| Göran Källebo                 | 175 000           | 1,47%          |
| Wigren Chaabane, Philip       | 152 499           | 1,28%          |
| Övriga                        | 3 405 800         | 28,60%         |
| <b>Total number of shares</b> | <b>11 908 457</b> | <b>100.00%</b> |

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# Financial information

## Turnover and profit/loss

Sales for the period amounted to 4 993 (5 569) kSEK, which gives a net turnover of -10 (69) %. Sales are mainly to the company's largest customer, Chugoko Marine Paints, with the decrease due to the production process processes which are ongoing according to plan.

The gross margin for the period is in line with the company's plan, at approximately the same level as previous periods, at 32 (28) %. In line with the company's investments in production, the gross margin is expected to increase during upcoming periods.

In line with planned efforts to strengthen the company's development, as well as significantly increased depreciations due to the acquisition of production assets, the fixed cost structure within the company is higher compared to previous years with an operating loss of -4 899 (-1 674) kSEK.

## Cash flow

The cash flow from operating activities for the third quarter amounted to -2 068 (652) kSEK where the negative earnings amount to -3 041 (-2 026) kSEK and the operating capital amounts to -973 (-2 678) kSEK. The positive change in the operating capital comes mainly from low stock levels, of which the mainly part is work in process, as an effect of the ongoing production process changes.

During the period, I-Tech has invested -123 (-203) kSEK in intellectual property rights. This is in line with ongoing development programs.

From the cash flow from financing activities, a net -364 (-508) kSEK has been spent on listing costs and amortisations. In total, this gives a cash flow for the period of -2 555 (-360) kSEK.

## Financial summary

Cash and cash equivalents in the company at the end of the period amounted to 48 102 (11 006) kSEK and equity amounted to 105 761 (28 633) kSEK. The increase in cash and cash equivalents, as well as equity, is related to the recent public offering with a reduction of the company's negative earnings and a change in the operating capital. The remaining increase in equity is due to the issue for non-cash consideration when production assets were acquired by Cambrex Karlskoga AB.

## 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 2017.

# Upcoming financial reports

|                  |                               |
|------------------|-------------------------------|
| 20 February 2019 | Year-end report 2018          |
| 8 April 2019     | Annual report 2018            |
| 10 May 2019      | Interim report, first quarter |

# Income statement

| Amounts in kSEK                              | 2018<br>jul-sep | 2017<br>jul-sep | 2018<br>jan-sep | 2017<br>jan-sep | 2017<br>jan-dec |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales                                    | 4 993           | 5 569           | 18 077          | 10 693          | 17 849          |
| Capitalized work for own account             | -               | -               | -               | 21              | 38              |
| Other operating income                       | 44              | 214             | 314             | 433             | 1 077           |
|  | <b>5 037</b>    | <b>5 783</b>    | <b>18 391</b>   | <b>11 147</b>   | <b>18 964</b>   |
| Cost of goods sold                           | -3 417          | -3 988          | -12 552         | -7 266          | -12 150         |
| Other external costs                         | -2 829          | -2 201          | -7 315          | -4 759          | -7 915          |
| Personnel expenses                           | -1 231          | -866            | -3 451          | -3 185          | -4 671          |
| Depreciations, amortizations and impairments | -2 058          | -315            | -5 175          | -944            | -1 258          |
| Other operating expenses                     | -401            | -87             | -641            | -380            | -418            |
|  | <b>-9 936</b>   | <b>-7 457</b>   | <b>-29 134</b>  | <b>-16 534</b>  | <b>-26 412</b>  |
| <b>Operating income</b>                      | <b>-4 899</b>   | <b>-1 674</b>   | <b>-10 743</b>  | <b>-5 387</b>   | <b>-7 448</b>   |
| <b>Financial items</b>                       |                 |                 |                 |                 |                 |
| Interest income and similar items            | -88             | -               | 367             | -               | -               |
| Interest expense and similar items           | -121            | -307            | -367            | -863            | -970            |
|  | <b>-209</b>     | <b>-307</b>     | <b>-</b>        | <b>-863</b>     | <b>-970</b>     |
| <b>Result after financial items</b>          | <b>-5 108</b>   | <b>-1 981</b>   | <b>-10 743</b>  | <b>-6 250</b>   | <b>-8 418</b>   |
| Tax on result from the year                  | -               | -               | -               | -               | -               |
| <b>NET RESULT</b>                            | <b>-5 108</b>   | <b>-1 981</b>   | <b>-10 743</b>  | <b>-6 250</b>   | <b>-8 418</b>   |

# Balance sheet

| <i>Amounts in kSEK</i>              | <b>2018<br/>sep-30</b> | <b>2017<br/>sep-30</b> | <b>2017<br/>dec-31</b> |
|-------------------------------------|------------------------|------------------------|------------------------|
| <b>ASSETS</b>                       |                        |                        |                        |
| Intangible assets                   | 70 298                 | 35 502                 | 35 107                 |
| Tangible assets                     | 26                     | 47                     | 41                     |
| <b>Total fixed assets</b>           | <b>70 324</b>          | <b>35 549</b>          | <b>35 148</b>          |
| Inventory                           | 776                    | 714                    | 613                    |
| Short-term receivables              | 3 897                  | 2 104                  | 3 631                  |
| Cash and bank balances              | 48 102                 | 11 006                 | 20 535                 |
| <b>Total current assets</b>         | <b>52 775</b>          | <b>13 824</b>          | <b>24 779</b>          |
| <b>Total assets</b>                 | <b>123 099</b>         | <b>49 373</b>          | <b>59 927</b>          |
| <b>EQUITY AND LIABILITIES</b>       |                        |                        |                        |
| Share capital                       | 23 817                 | 6 126                  | 15 663                 |
| Restricted equity                   | 1 337                  | 1 157                  | 1 337                  |
| Unrestricted equity                 | 91 350                 | 27 600                 | 28 373                 |
| Result                              | -10 743                | -6 250                 | -8 418                 |
| <b>Total equity</b>                 | <b>105 761</b>         | <b>28 633</b>          | <b>36 955</b>          |
| Long-term liabilities               | 12 814                 | 11 915                 | 13 264                 |
| Short-term liabilities              | 4 524                  | 8 825                  | 9 708                  |
| <b>Total liabilities</b>            | <b>17 338</b>          | <b>20 740</b>          | <b>22 972</b>          |
| <b>Total equity and liabilities</b> | <b>123 099</b>         | <b>49 373</b>          | <b>59 927</b>          |



# Cash-flow analysis

| <i>Amounts in kSEK</i>                                  | 2018<br>jul-sep | 2017<br>jul-sep | 2018<br>jan-sep | 2017<br>jan-sep | 2017<br>jan-dec |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Operating activities</b>                             |                 |                 |                 |                 |                 |
| Operating result  | -4 899          | -1 674          | -10 743         | -5 387          | -7 448          |
| Adjustments for non-cash items                          | 2 058           | 315             | 5 175           | 944             | 1 258           |
| Interest received                                       | -88             | -               | 367             | -               | -               |
| Interest paid   | -121            | -307            | -367            | -863            | -970            |
| Income tax paid/received                                | 9               | -               | -               | -18             | -3              |
| <b>Changes in working capital</b>                       |                 |                 |                 |                 |                 |
| Change in inventories                                   | 1 942           | -408            | -163            | 2 923           | 3 024           |
| Change in operating receivables                         | 4 410           | -1 325          | -266            | 2 214           | 673             |
| Change in operating liabilities                         | -5 379          | 4 051           | -5 184          | -3 825          | -2 772          |
| <b>Cash flow from operating activities</b>              | <b>-2 068</b>   | <b>652</b>      | <b>-11 181</b>  | <b>-4 012</b>   | <b>-6 238</b>   |
| <b>Investment activities</b>                            |                 |                 |                 |                 |                 |
| Investments in non-current assets                       | -123            | -203            | -40 351         | -794            | -708            |
| <b>Cash flow from investment activities</b>             | <b>-123</b>     | <b>-203</b>     | <b>-40 351</b>  | <b>-794</b>     | <b>-708</b>     |
| <b>Financing activities</b>                             |                 |                 |                 |                 |                 |
| Amortization/issue loan                                 | -150            | -809            | -450            | -1 317          | -138            |
| New share issue   | -214            | -               | 79 549          | -               | 10 490          |
| <b>Cash flow from financing activities</b>              | <b>-364</b>     | <b>-809</b>     | <b>79 099</b>   | <b>-1 317</b>   | <b>10 352</b>   |
| <b>The period's cash flow</b>                           | <b>-2 555</b>   | <b>-360</b>     | <b>27 567</b>   | <b>-6 123</b>   | <b>3 406</b>    |
| <b>Cash and cash equivalents at beginning of period</b> | <b>50 657</b>   | <b>11 366</b>   | <b>20 535</b>   | <b>17 129</b>   | <b>17 129</b>   |
| <b>Cash and cash equivalents at end of period</b>       | <b>48 102</b>   | <b>11 006</b>   | <b>48 102</b>   | <b>11 006</b>   | <b>20 535</b>   |
| <i>Adjustments for non-cash items</i>                   |                 |                 |                 |                 |                 |
| Depreciation  | 2 058           | 315             | 5 175           | 944             | 1 258           |
| Other items not affecting cash flow                     | -               | -               | -               | -               | -               |
|   | <b>2 058</b>    | <b>315</b>      | <b>5 175</b>    | <b>944</b>      | <b>1 258</b>    |

# Equity changes

|  | Restricted equity |                   |                          | Unrestricted equity   |                           | Total equity |
|--|-------------------|-------------------|--------------------------|-----------------------|---------------------------|--------------|
| All amounts in kSEK                    |                   |                   |                          |                       |                           |              |
|  | Share capital     | Statutory reserve | Development expense fund | Share premium reserve | Other unrestricted equity |              |
| 2017-01-01                             | 6 126             | 753               | 404                      | 70 714                | -43 114                   | 34 883       |
| Capitalization of development expenses | -                 | -                 | 180                      | -                     | -180                      | -            |
| New share issue                        | 9 537             | -                 | -                        | 953                   | -                         | 10 490       |
| Net result for the year                | -                 | -                 | -                        | -                     | -8 418                    | -8 418       |
| 2017-12-31                             | 15 663            | 753               | 584                      | 71 667                | -51 712                   | 36 955       |
| 2018-01-01                             | 15 663            | 753               | 584                      | 71 667                | -51 712                   | 36 955       |
| New share issue                        | 8 154             | -                 | -                        | 71 395                | -                         | 79 549       |
| Net result for the period              | -                 | -                 | -                        | -                     | -10 743                   | -10 743      |
| 2018-09-30                             | 23 817            | 753               | 584                      | 143 062               | -62 455                   | 105 761      |

# Financial ratios

| Amounts in kSEK                  | 2018<br>jul-sep | 2017<br>jul-sep | 2018<br>jan-sep | 2017<br>jan-sep | 2017<br>jan-dec |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover growth %                | -10%            | 111%            | 69%             | 14%             | 5%              |
| Gross margin %                   | 32%             | 28%             | 31%             | 32%             | 32%             |
| Operating margin %               | -98%            | -30%            | -59%            | -50%            | -42%            |
| Profit margin %                  | -102%           | -36%            | -59%            | -58%            | -47%            |
| Solidity                         | 86%             | 58%             | 86%             | 58%             | 62%             |
| Cash liquidity                   | 1149%           | 149%            | 1149%           | 149%            | 249%            |
| Return on average total capital  | neg.            | neg.            | neg.            | neg.            | neg.            |
| Return on average total equity   | neg.            | neg.            | neg.            | neg.            | neg.            |
| Average of outstanding shares*   | 11 883 387      | 3 062 775       | 9 486 605       | 3 062 775       | 3 480 857       |
| Outstanding shares end of period | 11 908 457      | 3 062 775       | 11 908 457      | 3 062 775       | 7 831 525       |
| Result per share                 | -0,4            | -0,6            | -1,1            | -2,0            | -2,4            |
| Result per share fully diluted   | -0,4            | -0,6            | -1,1            | -1,9            | -2,4            |
| Equity per share                 | 8,9             | 9,3             | 8,9             | 9,3             | 10,6            |
| Equity per share fully diluted   | 8,9             | 8,9             | 8,9             | 8,9             | 10,4            |
| 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

Mölnadal, 24 October 2018

Stefan Sedersten, Chairman of the Board  
Leif Darner, Board Member  
Mats Enegren, Board Member  
Bertil Arvidsson, Board Member  
Mikael Laurin, Board Member  
Bjarne Sandberg, Board Member  
Tomas Tedgren, Board Member  
Philip Chaabane, Chief Executive Officer

## **Address**

I-Tech AB  
c/o Bioventurehub  
Pepparedsleden 1  
431 83 Mölnadal  
SWEDEN  
Tel: +46 (0)31-788 05 60  
org.nr: 556585-9682

[www.i-tech.se](http://www.i-tech.se)

## **Contact**

Magnus Henell, CFO  
Tel: +46 (0)73 910 37 03  
[magnus.henell@i-tech.se](mailto:magnus.henell@i-tech.se)

Philip Chaabane, CEO  
Tel: +46 (0)73 910 37 08  
[philip.chaabane@i-tech.se](mailto:philip.chaabane@i-tech.se)