

JANUARY-MARCH
2021
INTERIM REPORT Q1



Summary of the period

"A strong quarter under difficult to assess market conditions"

- Net turnover for the period amounted to kSEK 14 458 (13 525), corresponding to an increase in turnover of 7% (119%). Operating profit/loss amounted to kSEK 58 (-984).

January to March 2021

- Chugoku Marine Paints expands their portfolio of Selektope®-containing antifouling coatings in Japan.
- I-Tech AB gives notice to Annual General Meeting.
- I-Tech AB publishes its Annual Report for 2020.

Important events after the period

- I-Tech AB receives a frame order worth 53 MSEK from Chugoku Marine Paints.

Financial Summary

All amounts in TSEK	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec	2019 Jan-Dec
Net sales	14 458	13 525	52 819	45 574
Operating result	58	-984	-5 167	-7 019
EBITDA	2 034	1 004	3 600	1 220
Net result	415	-532	-4 806	8 427
Operating cash flow	-302	296	5 388	-4 763
Equity at end of period	107 017	110 876	107 017	110 876
Cash and cash equivalents at end of period	40 500	38 993	40 500	38 993

Rolling twelve-month turnover



CEO comments

The first quarter 2021 was our strongest first quarter so far and was crowned with a positive operating result. I am pleased to report that long-term sales and development processes are now beginning to yield results with an increasing number of customers, as well as creating an increasingly strong impact on our sales numbers. Net turnover rose to SEK 14.5 (13.8) million and operating profit amounted to kSEK 58 (-984).

Earlier in the quarter, our largest customer, Chugoku Marine Paints (CMP), announced the launch of new antifouling products in the Japanese market, in both the shipping and leisure boat markets. As of this year, Selektope® will be present in six of nine premium products in CMP's portfolio in Japan. The continued expansion of the technology at CMP is still central to the continued development of I-Tech's business and these are important signals that the strategy holds firm.

Step-by-step, we are building a broader customer base that includes the majority of the world's leading marine coating manufacturers, albeit in early commercialisation stages and, thus, with significant quarterly volatility. The contribution to the company's sales in the first quarter comes from six of the world's nine leading marine coating manufacturers. Unnamed customers account for approximately 25% of sales during the quarter, while named customers account for 73%. The remaining part is derived from various development projects with commercial partners in both the leisure boat and shipping sectors.

Despite the positive broadening of our customer base, I see continued challenges in the industry during this year. I-Tech's relatively high exposure to new construction projects in Asia is burdened by COVID, and CMP has indicated continued high inventory levels while waiting for new product launches to pave the way for the next wave of growth. Launches are delayed and slowed down due to continued restrictions in Japan and several other places in Asia. In addition, raw material prices are significantly higher for several integral



components in our customers' products. This also creates challenges, especially in the products where Selektope® is used in combination with copper oxide.

Regarding COVID, new risks re-emerge as India reports exceptionally high infection rates. We are preparing for potential new "lockdowns" by transferring stock with capital tie-up effects as a result, while at the same time securing delivery capacity for some time to come.

While respecting the fact that the year looks challenging based on what we see now, there are also important positive signals to note for our journey back to steadily increasing growth. The number of new construction orders for larger vessels increased markedly compared to the same period last year from the historically low levels then. This, together with planned and ongoing preparations for new product launches in both the new construction market and the maintenance market, creates confidence.

We reiterate the strong statement from the industry that emissions must be reduced, and that is where the hull plays a crucial role. I-Tech is well positioned with a broad customer base and proven technology performance in numerous paint formulations.

Finally, I focus on a quarter where the customer base has grown and matured to new levels and where our largest customer continues to broaden its range of products with Selektope®. Step by step the pieces fall in place for long-term growth even if various external factors continues to have a slowing effect.

Philip Chaabane, CEO

Business and structure

I-Tech AB (publ) is a biotech company active in the materials and chemical sector. The company develops and sells the product Selektope®, an active ingredient to counteract marine growth used in coating systems for the commercial shipping industry. The company's business is primarily focused on antifouling coatings, although development is also taking place to potentially prevent marine growth in functional materials such as polyurethane. The company's customers are the leading global marine coating companies. Asia is the dominant market.

I-Tech owns the rights to Selektope® and has the necessary manufacturing expertise. The company was founded in 2000 as a spin-off company from the University of Gothenburg and Chalmers University of Technology, and is now located at AstraZeneca's BioVentureHub in Mölndal, just south of Gothenburg in Sweden.

During 2018, the company was listed on Nasdaq First North Growth Market and completed a share issue in conjunction with the listing. The company raised SEK 40 million after issue costs and now has the resources to implement strategic investments to achieve long-term objectives. These investments include process and method development within production, with the aim to increase efficiency, develop the supply chain, expand commercial capabilities and increase R&D activities to support existing business, as well as to develop potential new application areas. Lastly, investments will also be made to enter new markets where regulatory processes are expected to be initiated moving forward.



I-Tech's long-term partner CMP, has integrated Selektope® into two new antifouling paint products designed for coastal vessels and in one new antifouling paint product developed specifically for the leisure boat market, in order to meet the growing hard fouling prevention needs for vessels sailing and docking in biofouling hotspots off the coast of Japan.



CMP updates in this way their Sea Premier series as well as include Selektope® in a product for leisure boats.

Other information

Share information

At the start of 2021, I-Tech's share capital amounted to SEK 23 816 914 distributed across 11 908 457 shares. The ratio value of all the shares amounts to SEK 2 and they have equal rights in the company's assets and profit/loss. I-Tech's shares were listed on Nasdaq First North Growth Market at Nasdaq Stockholm as of 29 May 2018. As of 31 March 2021, the number of shareholders amounted to 3,561. With a closing price for the share on 31 March 2021 of SEK 73,00 the company's market capitalisation amounted to SEK 869 million.

Risk factors

The company's risks are primarily related to the market development of Selektope®, production risks related to partners' production and production capacity, as well as risks associated with intangible assets and product development. For a more detailed description of significant risks and uncertainty factors, please see I-Tech's prospectus, which was published in conjunction with the public offering and the company's annual report for 2020.

Certified Adviser

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

Long-term incentive programs

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

Audit review

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

List of stakeholders

The list of stakeholders shows the status in the company as of 31 March 2021.

Shareholders	No. of shares	%
Pomona-gruppen	1 357 528	11,40%
Swedbank Robur	932 500	7,83%
Handelsbanken Funds	860 000	7,22%
Länsförsäkringar Funds	612 638	5,14%
Futur pension	599 305	5,03%
Stefan Sedersten incl. companies	451 330	3,79%
Unionen	450 000	3,78%
Second Swedish National Pension Fund	390 837	3,28%
Aquamarine	371 390	3,12%
Alcur Funds	341 929	2,87%
Avanza Pension	341 706	2,87%
Fourth Swedish National Pension Fund	325 133	2,73%
Cliens Funds	263 889	2,22%
Öhman Funds	251 213	2,11%
Almi Invest Companies	240 466	2,02%
Others	4 118 593	34,59%
Total shares	11 908 457	100,00%

Financial information

Turnover and profit/loss

Sales for the period amounted to kSEK 14 458 (13 525), which gives a net sales increase of 7% (119%). The slower growth is primarily due to the effects of the COVID-19 pandemic and a strong Swedish crown currency. Adjusted for currency effects, it gives an organic growth of 21%.

The gross margin for the period has strengthened compared to the previous year, 52% (48%). This is an effect of the customer mix in completed deliveries.

Personnel and other external costs have increased slightly compared to the previous year. The company reports reduced external costs as a result of the ongoing pandemic, but this effect has been counterbalanced mainly by increased efforts in R&D and regulatory work. All in all, the increased net turnover, the strengthened gross margin and the effects on the cost side mean that the company once again shows a positive operating profit before depreciation, kSEK 2,034 (1,004).

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

Cash flow

The cash flow from operating activities for the period amounted to kSEK -302 (296) where the earnings amount to kSEK 2 390 (1 336) and the working capital amounts to kSEK -2 692 (-1 040). The change in working capital is mainly attributable to natural movements in receivables and liabilities.

During the period, I-Tech invested kSEK -29 (-93) in fixed assets. Investments mainly refer to capitalised costs in intangible assets. Net kSEK -150 (-150) has been deducted from the cash flow from financing activities. The negative effect is directly attributable to the repayment of long-term loans. This gives a total cash flow for the period of kSEK -481 (53).

Financial summary

Cash and cash equivalents in the company at the end of the period amounted to kSEK 40 500 (38 993) and equity amounted to kSEK 107 017 (110 876). The change in cash and cash equivalents and equity is directly related to the company's results and other operating changes.

Principles of preparation

The accounts in this interim report have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012:1 annual report and consolidated accounts (K3). The principles of preparation are described in more detail in the company's annual report for the financial year 2020.

Upcoming financial reports

25 August 2021	Interim report, quarter 2
22 October 2021	Interim report, quarter 3
23 February 2022	Year-end report 2021

Income statement

<i>Amounts in kSEK</i>	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec	2019 Jan-Dec
Operating income, etc.				
Net sales	14 458	13 525	52 819	45 574
Other operating income	9	245	841	1 219
	14 467	13 770	53 660	46 793
Cost of goods sold	-6 968	-7 473	-27 638	-24 383
Other external costs	-2 396	-2 842	-10 503	-11 192
Personnel expenses	-3 018	-2 408	-10 427	-9 094
Depreciations, amortizations and impairments	-1 976	-1 988	-8 767	-8 239
Other operating expenses	-51	-43	-1 492	-904
	-14 409	-14 754	-58 827	-53 812
Operating income	58	-984	-5 167	-7 019
Financial items				
Interest income and similar items	495	395	-	243
Interest expense and similar items	-45	-81	-876	-320
	450	314	-876	-77
Result after financial items	508	-670	-6 043	-7 096
Tax on result from the year	-93	138	1 237	15 523
NET RESULT	415	-532	-4 806	8 427

Balance sheet

<i>Amounts in kSEK</i>	2021 Mar-31	2020 Mar-31	2020 Dec-31	2019 Dec-31
ASSETS				
Intangible assets	50 674	59 001	52 609	60 891
Tangible assets	180	114	192	119
Deferred tax assets	16 667	15 661	16 760	15 523
Total fixed assets	67 521	74 776	69 561	76 533
Inventory	3 014	2 149	4 278	1 265
Short-term receivables	12 667	13 241	5 358	14 585
Cash and bank balances	40 500	38 993	40 981	38 940
Total current assets	56 181	54 383	50 617	54 790
Total assets	123 702	129 159	120 178	131 323
EQUITY AND LIABILITIES				
Share capital	23 817	23 817	23 817	23 817
Restricted equity	1 286	1 411	1 286	1 411
Unrestricted equity	81 499	86 180	86 305	77 753
Result	415	-532	-4 806	8 427
Total equity	107 017	110 876	106 602	111 408
Long-term liabilities	4 211	8 469	4 361	8 618
Short-term liabilities	12 474	9 814	9 215	11 297
Total liabilities	16 685	18 283	13 576	19 915
Total equity and liabilities	123 702	129 159	120 178	131 323

Cash-flow analysis

<i>Amounts in kSEK</i>	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec	2019 Jan-Dec
Operating activities				
Operating result	58	-984	-5 167	-7 019
Adjustments for non-cash items	1 976	1 988	8 767	8 239
Interest received	495	395	-	243
Interest paid	-45	-81	-876	-320
Income tax paid/received	-94	18	139	121
Changes in working capital				
Change in inventories	1 264	-884	-3 013	-962
Change in operating receivables	-7 309	1 344	9 227	-6 285
Change in operating liabilities	3 353	-1 500	-3 689	1 220
Cash flow from operating activities	-302	296	5 388	-4 763
Investment activities				
Investments in non-current assets	-29	-93	-558	-864
Cash flow from investment activities	-29	-93	-558	-864
Financing activities				
Amortization/issue loan	-150	-150	-2 789	-1 971
Cash flow from financing activities	-150	-150	-2 789	-1 971
The period's cash flow	-481	53	2 041	-7 598
Cash and cash equivalents at beginning of period	40 981	38 940	38 940	46 538
Cash and cash equivalents at end of period	40 500	38 993	40 981	38 940
<i>Adjustments for non-cash items</i>				
Depreciation	1 976	1 988	8 767	8 239
Other items not affecting cash flow	-	-	-	-
	1 976	1 988	8 767	8 239

Equity changes

All amounts in kSEK	Restricted equity			Unrestricted equity		Total equity
	Share capital	Statutory reserve	Development expense fund	Share premium reserve	Other unrestricted equity	
2020-01-01	23 817	753	658	143 276	-57 096	111 408
Change in development expenses	-	-	-125	-	125	-
Net result for the year	-	-	-	-	-4 806	-4 806
2020-12-31	23 817	753	533	143 276	-61 777	106 602
2021-01-01	23 817	753	533	143 276	-61 777	106 602
Net result for the period	-	-	-	-	415	415
2021-03-31	23 817	753	533	143 276	-61 362	107 017

Financial ratios

<i>Amounts in kSEK</i>	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec	2019 Jan-Dec
Turnover growth %	7%	119%	16%	57%
Gross margin %	52%	45%	48%	46%
Operating margin %	0%	-7%	-10%	-15%
Profit margin %	3%	-4%	-9%	18%
Solidity	87%	86%	87%	86%
Cash liquidity	426%	532%	426%	532%
Return on average total capital	neg.	neg.	neg.	neg.
Return on average total equity	neg.	neg.	neg.	neg.
Average of outstanding shares	11 908 457	11 908 457	11 908 457	11 908 457
Outstanding shares end of period	11 908 457	11 908 457	11 908 457	11 908 457
Result per share	0,0	0,0	-0,4	0,7
Result per share fully diluted	0,0	0,0	-0,4	0,7
Equity per share	9,0	9,3	9,0	9,3
Equity per share fully diluted	9,0	9,3	9,0	9,3
Dividend per share	-	-	-	-

DEFINITIONS OF KEY FIGURES

Turnover growth

The percentage increase in sales for the past period compared with the corresponding previous period.

Gross margin

Gross profit for the period in relation to the period's net sales.

Gross profit

Net sales of the period decreased by raw materials and supplies.

Operating margin

Operating profit for the period in relation to the period's net sales.

Profit margin

Profit for the period in relation to the period's net sales.

Solidity

Shareholders' equity as a percentage of total assets.

Cash liquidity

Current assets, excluding inventories, in relation to current liabilities, without adjustment for proposed dividend.

Return on average total capital

Net profit for the period, as a percentage of average total capital

Return on average total equity

Net profit for the period, as a percentage of average shareholders' equity

Result per share

Profit for the period divided by the average number of outstanding shares during the year.

Equity per share

Total equity divided by the number of shares at the end of the period.

The Board of Directors and the CEO certify that
the interim report gives a true and fair view of the
company's operations

Möln dal, 21 May 2021

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

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