

Impact Coatings AB (publ)

Interim Report July-September 2024

SEK million	2024 Q3	2023 Q3	2024 Jan-Sep	2023 Jan-Sep	2023 Jan-Dec
Net sales	31.7	14.8	67.5	60.0	98.4
Net sales, excluding metals for electrolysis ¹⁾	31.7	10.8	67.5	50.8	88.8
Total revenue	23.0	17.6	55.2	58.0	89.0
Operating profit	-6.7	-13.8 ²⁾	-27.2	-32.6 ²⁾	-33.9 ²⁾
Operating profit after financial items	-6.5	-13.8	-26.2	-32.6	-32.0
Cash flow	-20.5	-15.3	-54.6	77.6	60.5
Net cash, end of period	65.1	139.1	65.1	139.1	119.8
Liquidity ratio	131%	169%	131%	169%	200%
Order backlog coating systems at period end	2.0 ³⁾	36.5	2.0 ³⁾	36.5	4.7
Order backlog Coating Services, excl. metals for electrolysis ¹⁾	3.9 ³⁾	0.8	3.9 ³⁾	0.8	1.0
Order backlog Coating Services, incl. metals for electrolysis ¹⁾	3.9 ³⁾	0.8	3.9 ³⁾	0.8	1.0

Business highlights during the third quarter 2024

- Follow-on order for an INLINECOATER™ IC2000 for fuel cell coatings from Boyuan (China)
- Delivery within the same quarter as the order of INLINECOATER™ IC2000 to Boyuan (China)
- Lena Åberg appointed CFO and member of the Group Management Team, effective November 20

Business highlights after the period

- Internal delivery of an INLINECOATER™ IC2000 for fuel cell coatings for Coating Service Center China

1) Metals for electrolysis are invoiced in a cost-neutral manner and do not affect operating profit.

2) Includes severance pay for the former CEO of SEK 3.0 million.

3) Future agreed leasing revenue of SEK 10.7 million over 54 months for a production line in Coating Service Center China is not included in the backlog figures.

CEO's Commentary

Strong quarter across the business

During the third quarter, Impact Coatings continued to show growth across the business, primarily driven by consistency in system sales. Our efforts to improve production efficiency and refine our delivery strategy have contributed to shorter lead times and increased volumes, particularly to China. With continued strong demand and positive momentum in both system sales and Coating Services, we look forward to building on this success in the coming quarters.

Growth across business areas

Net sales for the third quarter amounted to SEK 31.7 million (14.8). No metals for electrolysis were invoiced separately during the quarter. Net sales on a rolling twelve-month basis reached SEK 100 million for the first time, indicating the endurance of our focused sales efforts and continuity in system sales.



Jonas Nilsson, CEO

The quarter's growth is attributed to the successful delivery of another INLINECOATER™ IC2000 to Boyuan in September. This system delivery significantly contributed to system sales, which amounted to SEK 21.5 million (0) during the quarter.

Coating Services continued its positive trend over the year, although revenues remain at lower levels compared to 12 months ago due to delayed orders in electrolysis, as previously communicated. Net sales from Coating Services amounted to SEK 6.6 million (8.4) for the quarter, excluding metals for electrolysis, primarily driven by Coating Service Center China, which remains in full operation.

Aftermarket sales were higher than in the corresponding period last year.

Successful delivery strategy

During the third quarter, we again demonstrated the results of our new delivery strategy with the successful delivery of another IC2000 system within the same quarter as the order was received. The delivery to Boyuan in China confirms that our focus on standardization and forecast-based system production increases efficiency.

The IC2000 has quickly become a flagship in our product line and is, due to its capacity, particularly attractive to customers with large-scale production needs. Repeat

orders from customers show that the IC2000 not only meets today's demands but also delivers long-term value through its reliability in rapidly growing markets.

Moving forward, we will work on refining software, coating processes, and other system functionalities. The modular design of the IC2000 allows us to update existing systems with new software and technical upgrades to certain hardware components. The combination of quick adaptability and a more streamlined production process gives our customers and us a strong position in the market. We are confident that faster deliveries will enhance our competitiveness and drive long-term sales growth.

Increased capacity at Coating Service Center China

Our Coating Service Center China has been operating at full production capacity in two-shifts since the second quarter 2024. With machine setup time and preparations for the next shift, this in practice means round-the-clock production at the factory. The planned IC2000 system for the Shanghai plant, which was communicated in the Q2 2024 report, has shipped during October. The addition of another system will more than double the facility's capacity, giving us a strong position to meet the high demand for fuel cell coatings in the Chinese market.

During my visit to China in early September, it became clear that the market is moving. Players in the fuel cell segment are gearing up for increasing demand. Our position as a strategic partner, to grow alongside them, is crucial to our establishment in this emerging landscape. It is still a market in development, but we see significant opportunities and look forward to being part of this growth.

Strengthened collaboration

In September, we signed a Letter of Intent with FTXT in China, a subsidiary of Great Wall Motors and a leading player in fuel cell technology. The intention is to collaborate regarding coating development and allow them to test our coatings in their development cycle, opening up future growth opportunities and

technological innovation in fuel cell applications for vehicles.

The Letter of Intent is a direct result of a collaboration described in a press release on April 18, 2024, when we received official approval as a volume supplier of our Premium FC coatings. At that time, initial orders to us from the plate supplier of FTXT were estimated at a value of SEK 13 million.

Relocation of our headquarters

During the quarter we began the relocation of our Linköping headquarters including R&D, system manufacturing, and our European Coating Service Center to our new premises in the area called Mjärdevi. Mjärdevi is the home of Linköping Science Park, offering us a dynamic and innovative environment. With the new facility we get access to modern and larger production facilities, including a clean room that is particularly important for our coating processes within hydrogen applications. The new facility will allow us to scale production capacity, further streamline production, and continue ensuring our high-quality standards. The move is being carried out in stages, and we expect to be fully settled in the headquarters by the end of the year.

Towards profitability and continued growth

Net income has improved thanks in part to sales of IC2000 systems during the last few quarters – a trend we aim to continue and improve upon. With a strong sales pipeline, proven delivery capacity, and increased production capacity in our new premises, we see a path to reach profitability. We are focusing on optimizing our processes and strengthening our production capacity in order to increase volumes in our existing segments. We are also exploring new partnerships, development collaborations, and potential acquisitions that can complement our business.

We will continue to work closely with our customers to ensure that our solutions evolve in line with market needs and that we keep pace with the rapid developments in hydrogen applications such as fuel cells and electrolysis.

A sincere “Thank You” to our employees, customers, suppliers, partners, and shareholders for your continued trust and commitment.

Jonas Nilsson, CEO

Financial Result

THIRD QUARTER 2024

Net sales for the quarter amounted to SEK 31.7 million (14.8). This includes revenue from coating systems of SEK 21.5 million (0), Coating Services of SEK 6.6 million (12.4) and aftermarket sales of SEK 3.6 million (2.4).

Revenue from Coating Services includes SEK 0 million (4.0) for metals used in electrolysis coatings. When applicable, these metals are invoiced on a cost-neutral basis for Impact Coatings in agreement with relevant customers and are recognized as revenue and raw material costs, thereby not affecting profitability.

The subsidiary in China generated SEK 4.1 million (1.0) of Coating Services sales and SEK 2.8 million (0.7) of aftermarket sales.

Total revenue amounted to SEK 23.0 million (17.6). The difference between net sales and total revenue is mainly explained by capitalized work for own account of SEK 5.7 million (1.0) and changes in work in progress, amounting to SEK -14.6 million (1.3).

Operating costs excluding raw materials and supplies amounted to SEK -22.3 million (-20.2). The increase in 2024 relates to costs and depreciation in the Chinese production facility, which was completed in 2023, partly offset by lower costs due to reduced activity in Coating Services at the Swedish facility.

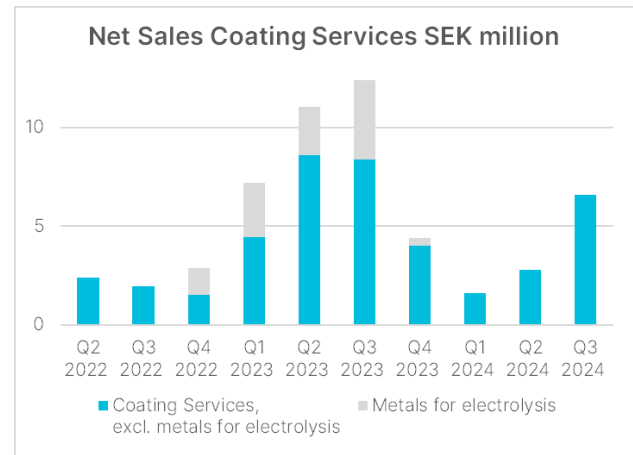
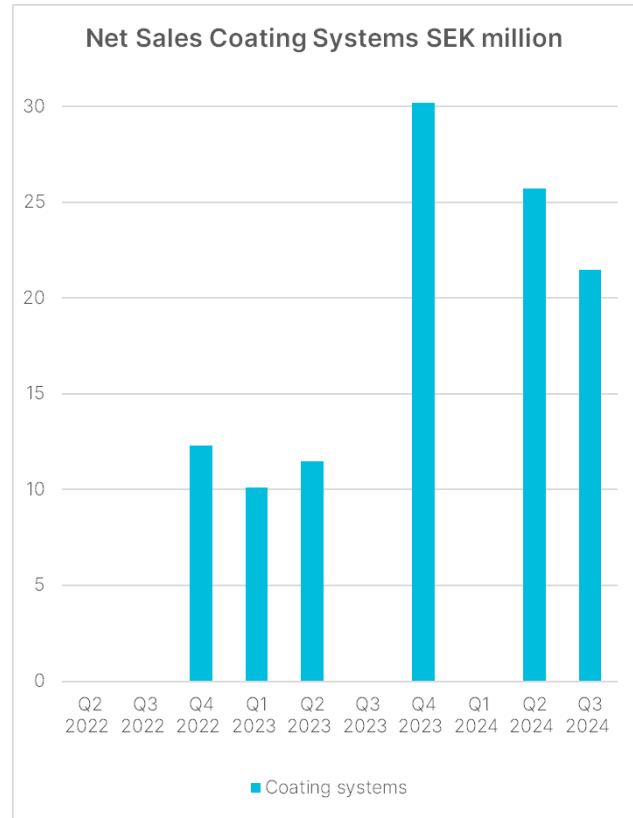
The foreign exchange loss was SEK -0.2 million (-3.0), a result of exchange rate changes in SEK against EUR and USD, as well as CNY against EUR and USD. The financial net was SEK 0.2 million (0).

Net income after financial items was SEK -6.5 million (-13.8).

JANUARY - SEPTEMBER 2024

Net sales for the period amounted to SEK 67.5 million (59.9), which includes revenue from coating systems of SEK 47.1 million (21.5), Coating Services for SEK 11.2 million (30.6) and aftermarket sales of SEK 9.2 million (7.8).

Revenue from Coating Services during the first nine months includes SEK 0 million (9.2) for metals used in electrolysis coatings. When applicable, these metals are invoiced on a cost-neutral basis for Impact Coatings in agreement with relevant customers and are recognized as revenue and raw material costs, thus having no impact on profitability.



The subsidiary in China generated SEK 5.7 million (1.1) of Coating Services sales and SEK 5.6 million (3.6) of aftermarket sales.

Total revenue amounted to SEK 55.2 million (58.0). The difference between net sales and total revenue is mainly explained by capitalized work for own account of SEK 11.8 million (7.8) and changes in work in progress, amounting to SEK -24,6 million (-10,1).

Operating costs excluding raw materials and supplies amounted to SEK -65.7 million (-64.0). Adjusted for severance pay for the former CEO, costs for period in 2023 amounted to SEK -61.0 million. The increase in 2024 relates to costs and depreciation in the Chinese production facility completed in 2023, partly offset by lower costs from reduced activities in Coating Services at the Swedish facility.

Currency gains amounted to SEK 1.3 million (0.6), a result of exchange rate changes between SEK and EUR, USD, and CNY against EUR and USD during the period. The financial net was SEK 1.0 million (0).

Net income after financial items was SEK -26.2 million (-32.6).

Financial position and liquidity

Cash and liquid assets at the end of the period amounted to SEK 65.1 million (139.1). The liquidity ratio was 131% (169%). The company has no interest-bearing liabilities.

Cash flow from operating activities during the period amounted to SEK -39.4 million (-42.1). Cash flow was negatively affected by the period result, increase in components inventory from the new strategy to manufacture systems based on forecasts, and increase in receivables from the shipment of a coating system at period end.

Cash flow from investing activities amounted to SEK -15.2 million (-15.7), mainly related to investments in one INLINECOATER™ IC500 system, one INLINECOATER™ IC2000 system, equipment for the new facility in Linköping, as well as capitalized costs for product development.

Cash flow from financing activities amounted to SEK 0 million (129.8). The total cash flow for the period was SEK -54.6 million (77.6).

The company estimates that it has sufficient liquidity for at least the next 12 months.

Order backlog for coating systems and coating services

The order backlog for coating systems was at the end of the period EUR 0.2 million (3.1), corresponding to SEK 2 million (36.5) based on the period-end exchange rate.

The order backlog for Coating Services was at the end of the period SEK 3.9 million (0.8), excluding metals for electrolysis, based on the period-end exchange rate.

The order backlog for aftermarket services is not reported.

In China, there is an agreement with a customer regarding the rental of a production line in the Coating Service Center China, which covers 60 months starting from April 2024. The remaining contract period amounts to 54 months and has a total value of SEK 10.7 million calculated with the exchange rate at the end of the period. This amount is not included in the above order backlog figures.

Personnel

The average number of employees during the period was 58 (55).

Transactions with related parties

Of the parent company's total purchases and sales, SEK 0 million (0) of the purchases and SEK 4.3 million (15.2) of the sales refer to the subsidiary in China for the period. There are no financial receivables or liabilities between the parent company and the subsidiary. Transactions with related parties are priced according to market terms.

During the period, a write-down of shares in the subsidiary was made corresponding to the running costs in China. The write-down is matched by contributions from the parent company to cover these costs.

Reclassification of costs

In the comparison figures for 2023 regarding operating costs, a reclassification has been made from "Other external costs" to "Personnel costs" for temporary staff.

Business Highlights During the Third Quarter

On July 27, the company announced via a press release that it had received a follow-on order for an INLINECOATER™ IC2000 from the Chinese customer Shangdong Boyuan New Energy Technology Development Co., Ltd. (“Boyuan”), a specialist in precise forming technology for fuel cell metal plates. Order value is in the EUR 2 million range. Boyuan ordered and took delivery of a first smaller PVD system for fuel cell plates from Impact Coatings in 2022. Like the previous system, the IC2000 system is being installed in Boyuan's factory in China. The follow-on order followed a Letter of Intent between the companies, which was described in a press release on June 22, 2024, as well as in the report for the second quarter. Boyuan is a majority-owned subsidiary of GEB – Shandong Golden Empire Precision Machinery Technology Co., Ltd., a supplier of ball bearing fittings and other components for automotive and other industries.

The IC2000 system, which was ordered by Boyuan on July 27, was delivered from Impact Coatings’ facility in

Linköping on September 18. The quick delivery, within the same quarter as the order, is further proof of the company's successful work to shorten delivery times through standardized system production and forecast-based manufacturing.

On August 19 the company announced that Lena Åberg has been appointed CFO and member of the Group Management Team, effective November 20, 2024. She succeeds Bengt Vernerson, who has been acting CFO since February 2023. Lena Åberg has extensive experience in financial management across large and small companies, as well as listed and unlisted companies. Lena is currently Senior Group Business Controller at Saab. She will be part of the Group Management Team, which, with this recruitment, will consist entirely of permanent personnel.

Business Highlights After the Period

In October, the company shipped an INLINECOATER™ IC2000 from Sweden to the Coating Service Center China, in accordance with the plan described in the CEO’s Commentary in the quarterly report for the second quarter of 2024. The coating system is to be used for expanded coating capacity in the coating center to meet demand from the Chinese fuel cell industry. The

Shanghai facility went into two-shift production in the second quarter to deliver ordered volumes and the high production volume has been maintained since then. Addition of the IC2000 system will more than double the production capacity.

Other Information

AUDIT AND ACCOUNTING POLICIES

The report has been prepared in accordance with the Annual Accounts Act and with the application of the Swedish Accounting Standards Board's general advice BFNAR 2012: 1 Annual Report and consolidated accounts (K3).

This interim report has not been subject to auditor review.

Principles for consolidated accounting

The accounting principles are unchanged from those mentioned in the annual report for 2023.

UPCOMING FINANCIAL EVENTS

Year-end report for 2024

February 14, 2025

FOR MORE INFORMATION CONTACT:

Jonas Nilsson, CEO
Tel: +46 70 731 09 04

Bengt Vernerson, Interim CFO
Tel: +46 70 365 00 45

E-mail: investors@impactcoatings.com

This and other Interim reports and Annual reports are available on the company's website at www.impactcoatings.com/finansiella-rapporter-arkiv/.

Consolidated Income Statement - Impact Coatings Group

<i>(All amounts in SEK million)</i>	Jul-Sep 2024	Jul-Sep 2023	Jan-Sep 2024	Jan-Sep 2023	Jan-Dec 2023
Net sales	31.7	14.8	67.5	59.9	98.4
Capitalized work for own account	5.7	1.0	11.8	7.8	18.9
Change of work in progress	-14.6	1.3	-24.6	-10.1	-29.0
Other operating income	0.1	0.5	0.6	0.3	0.7
Total revenue	23.0	17.6	55.2	58.0	89.0
Raw materials	-7.2	-8.1	-17.9	-27.1	-31.4
Gross profit	15.8	9.5	37.3	30.9	57.6
Gross margin %	69%	54%	68%	53%	65%
Other external costs	-6.5	-6.1	-18.0	-17.0	-35.2
Personnel costs	-14.2	-13.0	-43.0	-43.9	-48.4
Write off and depreciation of tangible and intangible assets	-1.6	-1.1	-4.7	-3.1	-4.8
Exchange rate gain / loss	-0.2	-3.0	1.3	0.6	-2.5
Other operating expenses	0.0	0.0	-0.1	0.0	-0.6
Operating profit	-6.7	-13.8	-27.2	-32.6	-33.9
Interest income and similar items	0.2	0.0	1.0	0.0	1.8
Operating profit after financial items	-6.5	-13.8	-26.2	-32.6	-32.0
Tax expenses on profit in the period	0.0	0.0	0.0	0.0	0.0
Net income for the period	-6.5	-13.8	-26.2	-32.6	-32.0
Earnings per share (kr)	-0.07	-0.16	-0.30	-0.43	-0.41
Average shares outstanding during the period	87 486 713	87 486 713	87 486 713	75 950 004 ¹⁾	78 857 887 ¹⁾
Shares outstanding at period end	87 486 713	87 486 713	87 486 713	87 486 713	87 486 713

¹⁾ Share issuance of 30,877,662 shares, subscribed March 23, 2023, and registered April 12, 2023.

Consolidated Balance Sheet - Impact Coatings Group

<i>(All amounts in SEK million)</i>	2024-09-30	2023-09-30	2023-12-31
Assets			
Long term assets			
Intangible assets	1.9	0.4	2.1
Machines and technical equipment	39.8	41.5	43.2
Assets under construction	25.2	4.6	11.1
Total fixed assets	66.8	46.5	56.4
Short term assets			
Raw materials	86.3	94.4	80.5
Work in progress	3.9	2.6	0
Other short term receivables	38.3	25.8	25.8
Cash and liquid assets			
Unrestricted cash	62.4	139.1	119.8
Restricted cash	2.7	0.0	0.0
Total short term assets	193.6	262.0	226.0
Total assets	260.4	308.4	282.4
Shareholder equity and liabilities			
Shareholder equity	183.3	211.1	209.5
Pre-payment from customers			
Paid	52.7	74.0	52.4
Short-term liabilities	24.5	23.2	20.5
Total shareholder equity and liabilities	260.4	308.4	282.4

Consolidated Changes in Shareholder Equity - Impact Coatings Group

<i>(All amounts in SEK million)</i>	2024-09-30	2023-09-30	2023-12-31
Opening balance	209.5	113.9	113.9
Share issuance / warrants (after emission costs)	0.0	129.8	129.8
Period result	-26.2	-32.6	-32.0
Translation difference	0.1	0.0	-2.1
Closing balance	183.3	211.1	209.5

Consolidated Statement of Cash Flows - Impact Coatings Group

<i>(All amounts in SEK million)</i>	Jul-Sep 2024	Jul-Sep 2023	Jan-Sep 2024	Jan-Sep 2023	Jan-Dec 2023
Operating profit after depreciation	-6.7	-13.8	-27.2	-32.6	-33.9
Financial items (net)	0.2	0.0	1.0	0.0	1.8
Adjustments for non cash items	1.6	1.1	5.1	3.1	5.6
Cash flow operations before change in working flow	-4.9	-12.6	-21.1	-29.5	-26.4
Change in working capital	-8.7	4.1	-18.3	-7.0	-15.7
Cash flow from operations	-13.6	-8.6	-39.4	-36.5	-42.1
Cash flow from investments	-7.0	-6.7	-15.2	-15.7	-27.2
Rights issue	0.0	0.0	0.0	148.2	148.2
Rights issue costs paid	0.0	0.0	0.0	-18.4	-18.4
Cash flow from financing activities	0.0	0.0	0.0	129.8	129.8
Cash flow for the period	-20.5	-15.3	-54.6	77.6	60.5
Liquid assets, opening balance	85.7	154.3	119.8	61.4	61.4
Translations differences	0.0	0.0	-0.1	0.0	-2.1
Liquid assets, ending balance	65.1	139.1	65.1	139.1	119.8
Liquidity ratio, %	131	169	131	169	200

Income Statement - Parent Company

<i>(All amounts in SEK million)</i>	Jul-Sep 2024	Jul-Sep 2023	Jan-Sep 2024	Jan-Sep 2023	Jan-Dec 2023
Net sales	25.0	16.2	60.5	70.9	106.5
Capitalized work for own account	2.9	0.0	9.1	0.1	0.1
Change of work in progress	-11.5	1.3	-21.7	-10.1	-17.9
Other operating income	0.1	0.6	0.4	0.2	0.4
Total revenue	16.4	18.1	48.3	61.1	89.1
Raw materials	-5.0	-8.6	-15.4	-27.9	-32.2
Gross profit	11.5	9.5	32.8	33.2	56.9
Gross margin %	46%	53%	68%	54%	64%
Other external costs	-5.3	-4.9	-14.7	-14.7	-19.2
Personnel costs	-11.8	-11.3	-36.4	-37.8	-52.2
Write off and depreciation of tangible and intangible assets	-1.0	-1.1	-3.0	-3.1	-4.2
Exchange rate gain / loss	-0.3	-3.1	1.2	0.5	-2.6
Other operating expenses	0.0	0.0	-0.1	0.0	-0.6
Operating profit	-7.0	-10.9	-20.1	-21.8	-22.0
Impairment of shares in group companies	0.0	-1.4	-5.0	-4.7	-6.1
Interest income and similar items	0.2	0.0	1.0	0.0	1.8
Operating profit after financial items	-6.7	-12.3	-24.1	-26.6	-26.3
Tax expenses on profit in the period	0.0	0.0	0.0	0.0	0.0
Net income for the period	-6.7	-12.3	-24.1	-26.6	-26.3

Balance Sheet - Parent Company

<i>(All amounts in SEK million)</i>	2024-09-30	2023-09-30	2023-12-31
Assets			
Long term assets			
Intangible assets	1.2	0.4	1.3
Machines and technical equipment	21.7	25.8	25.1
Assets under construction	11.4	0.0	0.0
Financial assets			
Shares in subsidiary	32.2	21.9	34.0
Total long term assets	66.5	48.0	60.4
Short term assets			
Raw materials	80.7	90.2	76.1
Work in progress	17.2	2.6	11.1
Other short term receivables	38.4	38.7	23.3
Cash and liquid assets			
Unrestricted cash	60.4	135.4	116.5
Restricted cash	2.7	0.0	0.0
Total short term assets	199.5	315.0	227.0
Total assets	266.0	363.0	287.4
Shareholder equity and liabilities			
Shareholder equity	193.1	216.9	217.2
Pre-payment from customers			
Paid	52.7	74.1	52.4
Short-term liabilities	20.2	24.0	17.8
Total shareholder equity and liabilities	266.0	315.0	287.4

Summary of Financial Development

The financial development of Impact Coatings AB (publ) for the full years 2020-2023 and the group's consolidated financial development for the period January-September 2024 are summarized below.

All figures related to the operating years 2020-2023 are based on material from previously published annual reports.

<i>(All amounts in SEK million)</i>		2024	2023	2022	2021	2020
		Jan-Sep	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Net sales		67.5	98.4	32.0	57.2	39.5
Revenue		55.2	89.0	57.0	54.5	54.4
Operating profit		-27.2	-33.9	-47.0	-32.1	-23.0
Result after financial items (net)		-26.2	-32.0	-47.0	-32.1	-23.0
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		1.9	2.1	0.4	1.4	2.2
Tangible assets		64.9	54.3	33.5	9.5	8.8
Inventory		86.3	80.5	41.0	18.5	27.4
Pre payment from customers		52.7	52.4	20.1	0.0	5.6
Short term assets		38.3	25.8	15.8	14.6	7.8
Cash and liquid assets		62.4	119.8	61.4	129.5	49.6
Shareholder equity		183.3	209.5	113.9	160.6	79.0
Long term liabilities		0.0	0.0	0.0	0.0	0.0
Short term liabilities		24.5	20.6	18.7	12.8	11.1
Total assets		260.4	282.5	152.6	173.4	95.8
Return on assets	%	Neg	Neg	Neg	Neg	Neg
Return on equity		Neg	Neg	Neg	Neg	Neg
Equity/asset ratio	%	70	74	75	93	83
Debt ratio	times	0	0	0	0	0
Interest coverage ratio		Neg	Neg	Neg	Neg	Neg
Liquidity ratio	%	131	200	201	1 124	343
Employees		58	56	45	37	30
Investments						
Intangible assets		0.0	1.8	0.0	0.4 ¹⁾	0.0
Tangible assets		15.2	14.3	25.9	1.7	-0.1
Earnings per share	SEK	-0.30	-0.41	-0.83	-0.58	-0.44
Average shares outstanding during the period		87 486 713.0	78 857 887 ²⁾	56 609 051	55 809 051 ³⁾	51 809 051
Shares outstanding at period end		87 486 713.0	87 486 713	56 609 051	56 609 051	51 809 051

¹⁾ Investment of SEK 424 thousand represents a re-classification from development expenses to intangible assets.

²⁾ Share issuance of 30,877,662 shares, subscribed March 23, 2023, and registered April 12, 2023.

³⁾ Share issuance of 4,800,000 shares, subscribed February 24, 2021, and registered February 26, 2021.

Definition of terms:

Operating margin	Operating profit after financial items divided by revenue
Shareholder equity	Sum total of shareholder equity, restricted reserves and non-restricted equity
Return on assets	Operating profit before interest divided by average capital employed
Return on equity	Net income after tax divided by average shareholder equity
Equity / assets ratio	Shareholder equity divided by balance sheet total
Debt ratio	Interest bearing debts divided by shareholder equity
Interest coverage ratio	Operating profit before interest expenses divided by interest expenses
Earnings per share	Net income after tax divided by average number of shares
Liquidity ratio	Cash and short-term assets excl. inventory divided by short term liabilities

Impact Coatings in brief

At the forefront globally in PVD coating for hydrogen and metallization on plastic

With more than 25 years of experience in general PVD technology for thin film coating, and many years of strategic focus, Impact Coatings is today at the forefront globally in two growing market segments. The company supplies coating solutions for critical components to the hydrogen industry - both for fuel cells and electrolyzers - and for the metallization of advanced plastic parts, especially in automotive applications.

Impact Coatings is a high-tech industrial company that manufactures and sells machines for PVD coating (physical vapor deposition), offers coating as a service ("Coating Services"), and provides aftermarket services and other customer services.

Headquarters are located in Linköping, Sweden, including development, production of PVD machines and the company's European Coating Service Center. The group has a subsidiary in China, where a second Coating Service Center was put into operation in 2023, as well as a subsidiary in the USA, where another Coating Service Center is planned. The company also has sales personnel in Germany and South Korea.

EFFICIENT PVD TECHNOLOGY FOR INDUSTRIAL APPLICATIONS

Impact Coatings' PVD system INLINECOATER™ is based on a modular machine platform that can be equipped for many applications. It features a unique circular architecture with object loading hatch and multiple coating chambers positioned around a common vacuum pump. It is a design that provides short cycle times, while multiple coating chambers enable advanced multi-layer coatings.

One INLINECOATER system provides, given price and floor space, a significant production capacity that is easily scaled up through multiple systems. It gives customers the opportunity to develop and scale up their production without changing technology solution.



Competing PVD suppliers usually offer so-called batch systems with only one chamber for development and trial series and large multi-chamber PVD lines with accompanying large capital investments for volume production.

The PVD systems are equipped for different types of coatings, especially metals, metal alloys and ceramic coatings. Depending on the application and customer needs, both standard materials and coatings developed by Impact Coatings are used. Examples of the latter are cost-effective ceramic coatings used for metal plates for fuel cells.

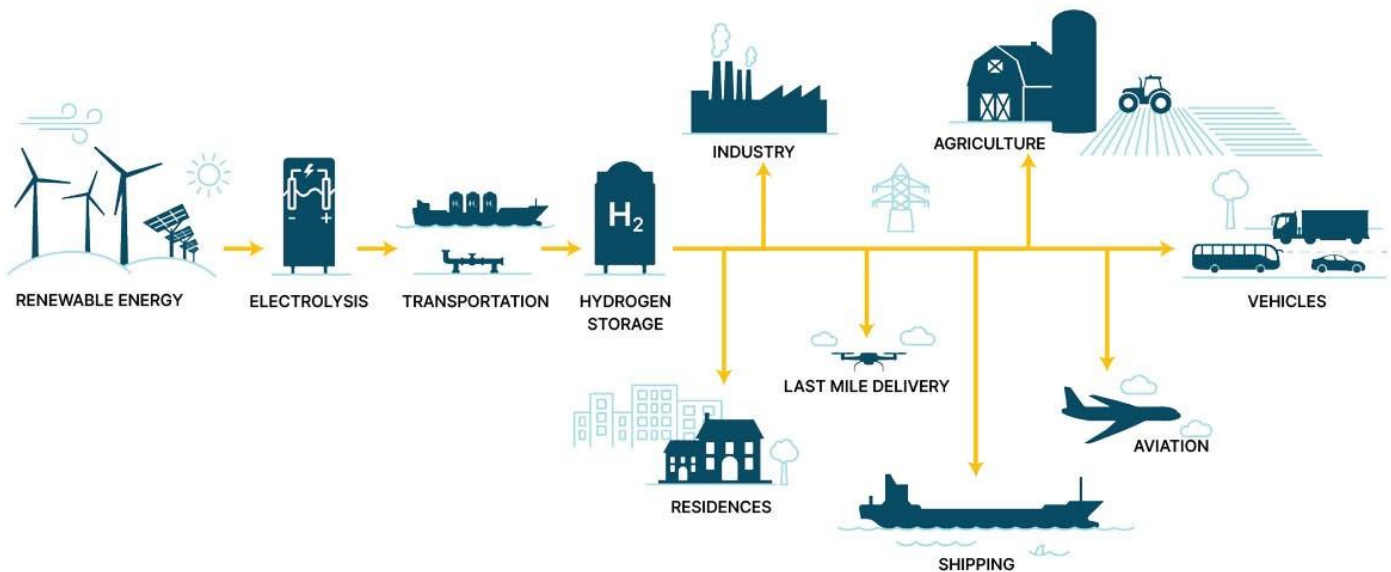
For metal electrolyzer plates, today's industry demands noble metal coatings. The INLINECOATER design with relatively small coating chambers and coating sources close to the objects provides more efficient utilization of noble metals than with other PVD systems.

Short cycle times and compact size allow the systems to be integrated with other production steps, for example with plastic injection molding and industrial robots in efficient automated production cells for metallized plastic components.

FLEXIBLE BUSINESS MODEL WITH THE CUSTOMER AT THE CENTER

The starting point in Impact Coatings' business is the customer. Placing the customer at the center gives Impact Coatings competitive advantages – especially in developing markets. The company's offerings enable a close interaction already in the development stage. Impact Coatings meets customers with high flexibility, which means they can choose freely between using Coating Services, buying or renting PVD systems, and using an Impact Coatings team on site to manage initial production.

The expansion of Coating Service Centers generates several advantages for customers and for the company. Coating Services offers a low entry barrier, shortens time-to-market, and reduces technical and financial risk. The same technical solution can be used for testing, verification, and volume production, first in Coating Services and later at the customers' facilities, when they choose to invest in their own production. In addition,



Coating Service Centers can act as a second source for future volume peaks.

Through Coating Services, the company's coating solutions are also qualified in the early stages, which gives a favorable position in the sale of PVD systems.

VERSATILE COATING TECHNOLOGY – FOCUS ON TWO GROWTH MARKETS

PVD is widely used in large industrial segments and the pursuit of a more sustainable industry means that the technology is constantly finding new areas of use. Unlike traditional wet chemical plating, PVD is a dry and clean surface coating technology, without hazardous chemicals and emissions.

During its more than 25 years, Impact Coatings has been active in general PVD technology and various application areas, such as consumer products, electrical contacts and medical technology, and the company continues to sell Coating Services and PVD systems in these areas. The many years of experience are also the basis for the strategic focus that Impact Coatings has adopted in two growth markets: Hydrogen and Metallization on plastic.

Hydrogen

Hydrogen is a cornerstone in the development of a fossil-free energy system and society. Major investments are being made in all the world's leading regions to scale up the production and use of hydrogen, above all so-called green hydrogen from renewable energy sources.

Impact Coatings' technology is directly involved in the manufacture of critical components for both production

and use of hydrogen. The company provides solutions for electrically conductive and protective PVD coatings on metal plates that are found in both fuel cells and electrolyzers.

Fuel cells

In a fuel cell, hydrogen and oxygen (from the air) are converted into electricity, with water vapor as the only emission. There are different types, with PEM (proton-exchange membrane) fuel cells being the most suitable for applications with many starts and stops, for example for vehicle applications.

Impact Coatings started developing coating solutions for PEM fuel cells in 2007 and has since supplied both Coating Services and coating machines to the fuel cell industry. Much of the development today focuses on fuel cells for heavy vehicles and Impact Coatings therefore, in 2023, launched a newly developed coating for PEM fuel cells for heavy vehicle applications – Premium FC. The company also has a coating for PEM fuel cells for mid-end applications – Ceramic MAXPHASE™.

Electrolyzers

In an electrolyzer, hydrogen is produced by splitting water using electricity. PEM electrolyzers are particularly effective for small and medium-sized installations and where the electrical power varies, for example from solar and wind farms. Other techniques, such as alkaline and solid oxide electrolysis, are mainly used for industrial applications.

Put simply, a PEM electrolyzer is a PEM fuel cell that runs backwards and contains corresponding components. The electrolyzer is normally larger, which means larger metal plates to be coated. Unlike most fuel cells, noble metals are required for electrolysis plates to achieve the expected high performance and lifetime.

Much of Impact Coatings' machine technology and fuel cell application know-how can be applied to PEM electrolyzers, which has given the company a technology and market edge for the new application. This applies to the ability to cost-effectively handle noble metal coatings.

The company has been producing electrolysis coatings within Coating Services since the end of 2022 and the type of system used, INLINECOATER™ IC2000, is available for electrolysis and fuel cell customers.

The hydrogen market and customers

The hydrogen market is growing through political incentives and an expansion of commercial players in North America, Europe and Asia. In Asia, Japan and South Korea were early adopters and are still at the forefront of hydrogen development, but today they are partly overtaken by China, which is investing heavily in hydrogen in its energy transition.

Simplified, there are three levels in the value chain within the hydrogen industries. At the top are end users, such as vehicle manufacturers for fuel cells and energy companies for electrolyzers. Below these are manufacturers of stacks and systems, sometimes with their own component manufacturing, and at the bottom pure component manufacturers.

Impact Coatings' sales at this early market stage are mainly to the stack and system manufacturers, who own the design, and who dare to make larger investments. However, the Chinese market is one step ahead, where component manufacturers are increasingly ready to build their own production capacity, which is also reflected in Impact Coatings' system sales for fuel cell applications to China.

Metallization on plastic

The most common method of giving plastic components a metal layer is through chrome plating, a highly problematic technique that usually involves health-hazardous hexavalent chromium. Where it is possible to replace plating, or where materials other than chrome are required, other coating methods are used, including PVD technology from Impact Coatings.

Automated production cells with plastic injection molding and INLINECOATER metallization enable quality control of finished metallized plastic parts only minutes

after injection molding, hence the possibility of rapid process adjustments that maximize the customer's production yields. An example where this is used is the manufacture of radomes for vehicle radars, where Impact Coatings' technology is used by leading manufacturers in the European automotive industry. Metallized plastic waveguide antennas are another critical component under development for automotive radar, where the company's technology has the potential to become a solution for volume production.

Radar is used for autonomous vehicle and traffic solutions, a market that is expected to grow as more functions are integrated into vehicle and the more connected traffic becomes. Thus, the need for metallization solutions in applications where the company currently has a strong position is expected to increase. PVD metallization in other areas is also expected to grow when health-hazardous chrome plating on plastics is to be phased out of the industry.

Metallization is a competitive market with many suppliers of PVD equipment. Impact Coating's strength lies primarily in specific applications and for customers who need integrated production solutions.

IMPACT COATINGS AB

Westmansgatan 29G

SE-582 16 Linköping, Sweden

E-mail: info@impactcoatings.com

www.impactcoatings.com

www.linkedin.com/company/impact-coatings

