



IMPACT COATINGS AB (PUBL), INTERIM REPORT JULY-SEPTEMBER 2021

FINANCIAL RESULTS THIRD QUARTER 2021

- Net sales amounted to SEK 4,043 thousand (9,432)
- Change of work in progress amounted to SEK 8,433 thousand (-687)
- Total revenue amounted to SEK 12,554 thousand (8,976)
- Operating profit amounted to SEK -9,202 thousand (-5,539)
- Operating profit after financial items amounted to SEK -9,206 thousand (-5,539)
- Cash flow amounted to SEK -18,444 thousand (-15,450)
- Liquidity ratio amounted to 577% (301)
- Order backlog at period end amounted to EUR 2,570 thousand (3,025)

FINANCIAL RESULTS JANUARY-SEPTEMBER 2021

- Net sales amounted to SEK 28,556 thousand (19,471)
- Change of work in progress amounted to SEK -10 thousand (5,246)
- Total revenue amounted to SEK 29,494 thousand (25,277)
- Operating profit amounted to SEK -31,896 thousand (-17,727)
- Operating profit after financial items amounted to SEK -31,903 thousand (-17,730)
- Cash flow amounted to SEK 88,437 thousand (-22,600)
- Liquidity ratio amounted to 577% (301)

SIGNIFICANT EVENTS SECOND QUARTER 2021

- Coating system order for fuel cells from Symbio (France)

SIGNIFICANT EVENTS AFTER THE PERIOD

- No significant events have occurred after the end of the period

Impact Coatings develops and delivers world-leading solutions for industrial PVD-coatings with a focus on hydrogen and fuel cells, automotive safety components and high-end consumer products. PVD is a method of, under vacuum, producing thin layers of metals and ceramics – surface coatings that maximize performance and durability. Impact Coatings markets coating equipment under the trade name INLINECOATER™ and coatings under MAXPHASE™. The company's shares trade on Nasdaq First North Growth Market. The company's Certified Adviser is Redeye AB, reachable via Certifiedadviser@redeye.se or +46 8 121 576 90.

For more information visit www.impactcoatings.com.

CEO's COMMENTARY

The highlight of the period was a system order from Symbio, the first European system order and a sign of strength in the fuel cell segment. Symbio is, since 2019, a joint venture owned equally by the French automotive industry giants Faurecia and Michelin, with the stated goal of together becoming a global leader in hydrogen-powered mobility.

Michelin had already initiated development work with Impact Coatings when they in 2014 first invested in Symbio. The fuel cell manufacturer has since then been a key customer of our Coating Services business and we have seen significantly increasing volumes over the past year. Their decision to invest now in their first own coating system and in-house production is in line with our own strategy for helping customers grow and validates the technical performance and cost advantages of our solution.

Three system deliveries are planned for the fourth quarter: to Symbio in France, to HELLA in Slovenia, and to HELLA MINTH in China. The latter machine is now planned to be shipped from Linköping during October-November, a few weeks later than initially planned.

During the year, we have expanded our customer base within Coating Services in line with our strategy, which has contributed to continuously improving sales. Despite the summer holiday period for both our own team and our customers, during the third quarter Coating Services generated nearly the same revenue as in the previous quarter. Revenues for the year-to-date period already exceed full year 2020 revenues, and sales appear strong for the remainder of the year. As mentioned in the previous quarterly report, we will install an industrial robot in Coating Services to achieve higher production efficiency and increased competence in automation. The automated production cell for fuel cell coatings is expected to be complete at the start of next year.

During the period, we participated in two exhibitions related to hydrogen and fuel cells, in South Korea and Germany – two countries with fast-growing industrial hydrogen ecosystems and where Impact Coatings is located and is strengthening our presence. The recruiting process is complete for the President – EMEA role with a base in Germany and sales to the European hydrogen industry as the primary focus. Our new colleague will join the company January 1 and will be further introduced at that time.

I attended the conference and industry exhibition “f-cell” in Stuttgart during September, and in conjunction also met with customers and development partners in Central Europe. Our ability to now visit customers and welcome them to Linköping is a significant and welcome change. The activity level at our facilities and in industry generally is at an entirely different level now compared to during the pandemic.

The ongoing global wave of national hydrogen strategies and the enormous, planned investments in green hydrogen production, storage, and transport, are impressive dynamics of our market. There is an emerging global consensus that electrification using hydrogen is a necessary complement to electrical grids and battery technologies.

At the same time, the market for producers of fuel cell plates and fuel cell systems is, with periods of both acceleration and delays. Application development with evolving requirements is ongoing in parallel with the expansion of production capacity. System manufacturers, above all, are willing to work closely with suppliers during the buildup of this new industry. Impact Coatings' strength is that today and in line with our core strategy for the future, we can supply production solutions for the hydrogen and fuel cell industries that are both cost-effective and flexible.

By offering clean coating technology, coating systems and services that support innovation and the transformation to a safe and sustainable society, Impact Coatings is a company that makes a difference.

Torbjörn Sandberg, CEO

FINANCIAL RESULTS

Third quarter 2021

Net sales for the third quarter 2021 amounted to SEK 4,043 thousand (9,432). Net sales include Coating Services revenue of SEK 3,300 thousand, as well as aftermarket sales and rental revenue of SEK 743 thousand.

Total revenue amounted to SEK 12,554 thousand (8,976). The difference between net sales and total revenue is mainly due to the change of work in progress in the amount of SEK 8,433 thousand (-687) related to the work in progress for the coating systems to be delivered in the fourth quarter.

Capitalized work refers to the capitalization of development costs in the amount of SEK 35 thousand (0) related to the development of a new generation coating system for fuel cells.

Operating expenses amounted to SEK -22,255 thousand (-14,454), reflecting a higher consumption of components and higher personnel costs.

Currency translation profit amounted to SEK 500 thousand (-61), the result of EUR currency fluctuations during the quarter.

Financial items amounted to SEK -4 thousand (-1). Operating profit after financial items amounted to SEK -9,206 thousand (-5,539).

During the third quarter, a balance sheet adjustment in the amount of SEK 500 thousand was booked where a ReelCoater coating system used for Coating Services was moved from Finished goods inventory to Machines and technical equipment. The adjustment did not affect earnings or cash flow during the third quarter but will affect earnings in the future, since the asset will be depreciated over ten years. The company is now using the ReelCoater within a limited scope in Coating Services.

January-September 2021

Net sales for the period January-September 2021 amounted to SEK 28,556 thousand (19,471). Net sales include the delivery of coating systems to HELLA Saturnus Slovenija and to Hyundai Motor Company in the amount of SEK 16,413 thousand, Coating Services revenue of SEK 8,611 thousand, as well as aftermarket sales and rental revenue of SEK 3,531 thousand.

Total revenue amounted to SEK 29,494 thousand (25,277). The difference between net sales and total revenue is mainly due to the change of work in progress in the amount of SEK -10 thousand (5,246) related to the two coating systems delivered and to the work in progress for the coating systems to be delivered in the fourth quarter.

Capitalized work refers to the capitalization of development costs in the amount of SEK 424 thousand (0) related to the development of a new generation coating system for fuel cells.

Operating expenses amounted to SEK -61,858 thousand (-43,019), reflecting a higher consumption of components and higher personnel costs. Raw materials and consumables are negatively affected by SEK -1,270 thousand due to a revaluation of precious metals used in operations.

Currency translation profit amounted to SEK 468 thousand (15), the result of EUR currency fluctuations during the period. Other operating expenses amounted to SEK -722 thousand (0), a

result of the write-down of the residual value of the previously leased coating system that was sold at the end of 2020.

Financial items amounted to SEK -7 thousand (-3). Operating profit after financial items amounted to SEK -31,903 thousand (-17,730).

Financial position and liquidity

Cash and liquid assets at period end amounted to SEK 138,069 thousand (56,185). The liquidity ratio amounted to 577% (301).

There was no restricted cash at period end.

Cash flow from operations for the period January-September 2021 amounted to SEK 24,493 thousand (-22,639).

Of the amount in accounts receivable, SEK 5,030 thousand reflects overdue invoices at the end of the third quarter, which has a negative effect on cash flow from operating activities. Upon publication of this report, the company has received payment for the majority of the outstanding amount.

Cash flow from investments amounted to SEK -770 thousand (39) and includes capitalized development in the amount of SEK 424 thousand, as well as investments in the Coatings Services operations.

Cash flow from financing activities amounted to SEK 113,700 thousand (0) from the directed share issuance in February in the amount of SEK 113,474 thousand as well as from payments related to the warrant program approved at the AGM in May, in the amount of SEK 226 thousand. The warrant program was closed on August 27, 2021.

Total cash flow for the period was SEK 88,437 thousand (-22,600).

The company deems that it has the liquidity needed to continue operations for at least the next 12 months.

Order backlog and revenue recognition

The value of the order backlog for coating machines was at the end of the period EUR 2,570 thousand (3,025).

The order backlog for coating machines excludes recurring activities from aftermarket sales and Coating Services but includes agreed rental income for coating machines.

EVENTS DURING THE SECOND QUARTER

On July 13 the Company received an order for an INLINECOATER™FC system from the fuel cell system manufacturer Symbio (France). The value of the system order is approximately EUR 1 million. Final delivery of the system is planned for the fourth quarter of 2021.

The company exhibited at two industry trade fairs in September. At the H2 Mobility+Energy Show in Seoul, South Korea, Impact Coatings was part of a Swedish pavilion organized by Business Sweden. In conjunction with the f-cell conference in Stuttgart, Germany, the company had its own stand. The fairs were the first live events relevant to the business to be held in one year due to the pandemic.

EVENTS AFTER PERIOD END

No significant events have occurred after the end of the period.

COMMENTS ON COVID-19

Impact Coatings continues to follow the recommendations of the Swedish Public Health Authority and the Ministry of Foreign Affairs regarding COVID-19, which largely means a return to normal for operations in Sweden and in the rest of Europe after September 29. So far, the company has been affected to a limited extent by component shortages. The company is following developments closely. What happens to national travel and COVID restrictions in other parts of the world where the company operates continues to some extent to influence how the company can act.

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). The principles are unchanged from previous periods unless otherwise stated.

This interim report has not been subject to auditor review.

UPCOMING FINANCIAL EVENTS

Year-end report for 2021	February 11, 2022
Release of Annual Report for 2021	April 15, 2022
Interim report for the first quarter 2022	April 22, 2022
Annual General Meeting 2022	May 18, 2022

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

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INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	4,043	9,432	28,556	19,471	39,515
Capitalized work for own account	35	0	424	0	0
Change of work in progress	8,433	-687	-10	5,246	14,175
Other operating income	42	231	525	560	665
Total revenue	12,554	8,976	29,494	25,277	54,355
Raw materials	-8,759	-4,390	-19,424	-11,176	-30,985
Other external costs	-4,189	-3,341	-13,069	-10,286	-14,775
Personnel costs	-8,637	-5,852	-26,664	-18,935	-26,873
Write off and depreciation of tangible and intangible assets	-670	-871	-1,980	-2,614	-3,484
Profit / Loss on Exchange rate	500	-61	468	15	-1,181
Other operating expenses	0	0	-722	-9	-26
Operating profit	-9,202	-5,539	-31,896	-17,727	-22,970
Interest income and similar items	0	0	0	0	0
Interest expenses and similar items	-4	-1	-7	-3	-6
Operating profit after financial items	-9,206	-5,539	-31,903	-17,730	-22,975
Tax expenses on profit in the period	0	0	0	0	0
Net income for the period	-9,206	-5,539	-31,903	-17,730	-22,975
Earnings per share (kr)	-0.16	-0.11	-1	0	0
Average shares outstanding during the period	56,609,051	51,809,051	55,542,384 ¹	51,809,051	51,809,051
Shares outstanding at period end	56,609,051	51,809,051	56,609,051 ¹	51,809,051	51,809,051

¹ Share issuance of 4,800,000 shares, subscribed February 24, 2021, and registered February 26, 2021.

BALANCE SHEET

<i>(All amounts in SEK 000)</i>	2021-09-30	2020-09-30	2020-12-31
ASSETS			
Long term assets			
Capitalized development expenditures	1,685	2,506	2,195
Machines and technical equipment	7,857	9,300	8,779
Assets under construction	0	0	0
Financial assets			
Shares in subsidiary	0	100	0
Total long term assets	9,542	11,907	10,974
Short term assets			
Raw materials	14,031	19,153	12,528
Work in progress	14,325	5,407	14,335
Finished goods	0	6,515	500
Other short term receivables	10,610	5,610	7,785
Cash and liquid assets			
Unrestricted cash	138,069	48,530	49,632
Restricted cash	0	7,655	0
Total short term assets	177,035	92,869	84,780
TOTAL ASSETS	186,577	104,776	95,754
SHAREHOLDER EQUITY AND LIABILITIES			
Shareholder equity	160,827	84,276	79,030
Pre-payment from customers			
Paid	11,640	9,293	5,621
Short term liabilities	14,110	11,207	11,102
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	186,577	104,776	95,754

CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	2021-09-30	2020-09-30	2020-12-31
Opening balance	79,030	102,006	102,006
Share issuance / warrants (after emission costs)	113,700	0	0
Period result	-31,903	-17,730	-22,975
Closing Balance	160,827	84,276	79,030
Average shares outstanding during the period	55,542,384 ¹	51,809,051	51,809,051
Shares outstanding at period end	56,609,051 ¹	51,809,051	51,809,051

¹ Share issuance of 4,800,000 shares, subscribed February 24, 2021, and registered February 26, 2021.

STATEMENT OF CASH FLOWS

<i>(All amounts in SEK 000)</i>	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Operating profit after depreciation	-9,202	-5,539	-31,896	-17,727	-22,970
Financial items (net)	-4	-1	-7	-3	-6
Adjustments for non cash items	670	871	2,702	2,614	8,627
Cash flow from operations before change in working capital	-8,536	-4,669	-29,202	-15,116	-14,349
Change in working capital	-9,981	-10,781	4,709	-7,523	-14,905
Cash flow from operations	-18,517	-15,450	-24,493	-22,639	-29,254
Cash flow from investments	-35	0	-770	39	101
Cash flow from financing activities	108	0	113,700	0	0
Cash flow for the period	-18,444	-15,450	88,437	-22,600	-29,153
Liquid assets, opening balance	156,514	71,634	49,632	78,785	78,785
Liquid assets ending balance	138,069	56,185	138,069	56,185	49,632
Liquidity ratio, %	577	301	577	301	343

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January-September 2021 and for 2017-2020 is summarized below.

All figures related to the operating years 2017-2020 are based on material from previously published annual reports.

<i>(All amounts in SEK 000)</i>		2021	2020	2019	2018	2017
		Jan-Sep				
Net sales		28,556	39,515	49,084	20,194	25,014
Revenue		29,494	54,355	39,366	30,609	30,418
Operating profit		-31,896	-22,970	-26,368	-37,568	-30,111
Result after financial items (net)		-31,903	-22,975	-26,387	-37,593	-29,887
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		1,685	2,195	3,440	4,686	5,931
Tangible assets		7,857	8,779	17,034	19,118	7,235
Financial assets		0	0	100	100	100
Inventory		28,356	27,363	12,372	21,229	9,895
Pre payment from customers		11,640	5,621	2,350	22,004	0
Short term assets		10,610	7,785	2,483	5,308	24,390
Cash and liquid assets		138,069	49,632	78,785	46,669	65,386
Shareholder equity		160,827	79,030	102,006	64,324	101,987
Long term liabilities		0	0	0	0	0
Short term liabilities		14,110	11,102	9,858	10,783	20,317
Total assets		186,577	95,754	114,213	97,111	122,304
Return on assets	%	Neg	Neg	Neg	Neg	Neg
Return on equity		Neg	Neg	Neg	Neg	Neg
Equity/asset ratio		86.2%	82.5%	89.3%	66.2%	83.4%
Debt ratio	times	0	0	0	0	0.02
Interest coverage ratio		Neg	Neg	Neg	Neg	Neg
Liquidity ratio	%	577	343	666	159	442
Employees		37	30	32	31	21
Investments						
Intangible assets		0	0	0	0	4 151 ¹
Tangible assets		770	-101	172	12 902 ³	3477
Financial assets		0	0	0	0	0
Earnings per share	SEK	-0.57	-0.44	-0.61	-0.88	-0.92
Average shares outstanding during the period		55,542,384	51,809,051	43,008,425	42,551,908	32,479,180
Shares outstanding at period end		56,609,051 ⁵	51,809,051	51,809,051 ⁴	42,551,908	42,551,908 ²

¹ Investment of SEK 4,151 thousand represents a re-classification from development expenses to intangible assets

² Share issuance of 10,415,144 subscribed December 19, 2017, and registered January 15, 2018

³ The annual investment includes a reclassification of SEK 7,575 thousand from working capital to machines and technical equipment.

⁴ Share issuance of 9,257,143 shares, subscribed October 29, 2019, and registered December 13, 2019.

⁵ Share issuance of 4,800,000 shares, subscribed February 24, 2021, and registered February 26, 2021.

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