

IMPACT COATINGS AB (PUBL)

YEAR-END REPORT 2022

SEK 000	2022 Q4	2021 Q4	2022 Jan-Dec	2021 Jan-Dec
Net sales	18,077	28,642	32,022	57,198
Revenue	22,785	25,055	57,047	54,549
Operating profit	-12,387	-187	-47,003	-32,083
Operating profit after financial items	-12,381	-188	-47,002	-32,092
Cash flow	-21,369	-8,601	-68,259	79,835
Liquidity ratio			202%	1124%
Order backlog for coating systems at period end, EUR 000			1,899	0
Corresponding value in SEK 000 at period end			21,132	0

Significant events¹⁾ during the fourth quarter 2022

- Pilot coating services order for electrolysis plates from US manufacturer
- Announcement of intention to carry out a fully guaranteed rights issue of shares of approximately SEK 148 million

Other events during the quarter

- Delivery of coating system for fuel cells to Boyuan (China)

Significant events¹⁾ after the period

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

¹⁾ Significant events refer to events that comprise insider information and shall be made public via press release.

CEO'S COMMENTARY

During the fourth quarter and full year 2022, Impact Coatings achieved several central milestones in industrializing and internationalizing the company. During 2022, we have clarified our strategy in Coating Services and other service offerings, which helps us accelerate commercialization by working more closely with customers and scaling up production in an appropriate way.



We ended 2022 with strong momentum. In November, the company won its first order within electrolysis for green hydrogen production from a customer in USA. The order marks a historic achievement for the company and creates a robust platform for growth in a highly compelling market.

Technology that matches the market's development and needs

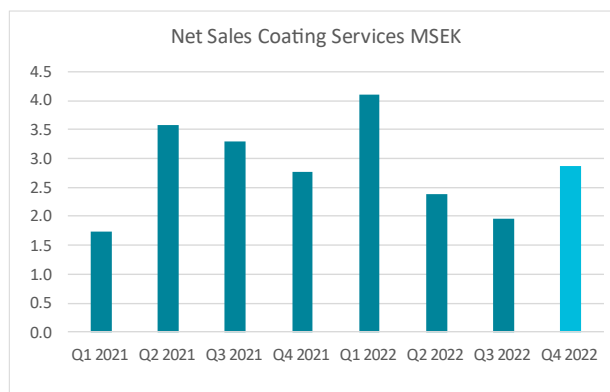
Our unique competence in coating technology and our new coating system for volume production – INLINECOATER™ IC2000 – form a solid basis for continued commercial development. We have a technology, initially developed for fuel cells, that is applicable to electrolysis in parallel with our continuing efforts in fuel cells.

Strong start of 2023 following a slower 2022

The fourth quarter, like 2022 in general, was characterized by challenging macroeconomic developments. Net sales for the full year 2022 amounted to SEK 32,022 thousand (57,198). One of three system orders received during the year was delivered with the associated revenue recognized as planned during the fourth quarter. Revenue recognition for the other two systems ordered during 2022 will occur during 2023. During the year, we also built two coating machines for internal use, which have been recognized as capitalized work for own account and included in total revenue. Fewer system deliveries during 2022 is the primary reason for the lower sales level compared to 2021.

After a promising start to the year, annual sales for Coating Services during 2022 ended at the same level as in 2021. A slowdown occurred during the year due to component shortages that affected our customers and, by extension, our business. A recovery toward the end of the fourth quarter and high capacity utilization in Coating Services at the start of 2023 have significantly improved our outlook for Coating Services development.

Operating expenses increased during 2022 due to increased investments in expertise, ongoing R&D projects, and increased production capacity, as well as the establishment of a subsidiary and Coating Services Center in China – important initiatives to strengthen our long-term competitive position.



Positive developments in Europe – activity is picking up again

Europe remains the company's primary market, with important customers in all business areas. Within the hydrogen solutions area, an increasing number of large European automotive component suppliers are investing in fuel cells. At the same time, we see a number of European companies increasingly focusing on electrolysis. With the REPowerEU Plan, which aims to secure Europe's energy needs and independence from Russian gas, the EU Commission has also taken a significant step during 2022 towards formalizing the initiative for green hydrogen.

We expect the pace of European activities to increase significantly during 2023. We are confident that our combination of Coating Services (via our

Coating Services Center in Linköping), coating systems, and other service offerings give us the flexibility to meet our customers' needs quickly.

Continued progress in China

Preparation of our Coating Services Center in Shanghai continued during the fourth quarter. An INLINECOATER™ IC500 machine is scheduled to be shipped from Linköping in March 2023, with start of production in China later during the spring. Our Coating Services Center will facilitate meeting the increased requirements of both new and existing customers. With our establishment and the current team of six people, we have built a strong local organization for the Chinese market. With clear intentions in the production of fuel cell vehicles and hydrogen – focus areas in China's 14th Five-year Plan (2021-2025) – China remains a strategically important market for the foreseeable future.

Rights issue facilitates investment in USA and green hydrogen

The global development of electrolysis for the production of green hydrogen from renewable energy sources is accelerating and the USA has in a short period of time emerged as a leader in the field. The strong commercial and political development in the region, which encompasses both the Inflation Reduction Act and Hydrogen Shot, create meaningful possibilities due to the USA's focus on domestic production of green hydrogen.

Against this backdrop, we decided in December 2022 to carry out a fully guaranteed rights issue of approximately SEK 148 million. The issue secures our continuing investments, with a focus on electrolysis and the fast-growing market for green

hydrogen. It also enables our initiatives in North America through the establishment of a Coating Services Center as well as the development of Coating Services Centers in other regions – well in line with our strategy.

Strong momentum into 2023

We continue strengthening our organization and are preparing to scale up the business. Our regional operations are growing, and through new Coating Services Centers we are increasing our production capacity. We have recently signed a leasing agreement for new headquarters in Linköping, with occupancy planned for the second half of 2024. The new facilities are better equipped for our operations, provide double the production space of our current facility, and will become an important component in the company's development. During February 2023, Bengt Vernerson joined as interim CFO. In Bengt, the company gains valuable experience from international expansions and capital markets, and he will be an important part of our growth journey during 2023.

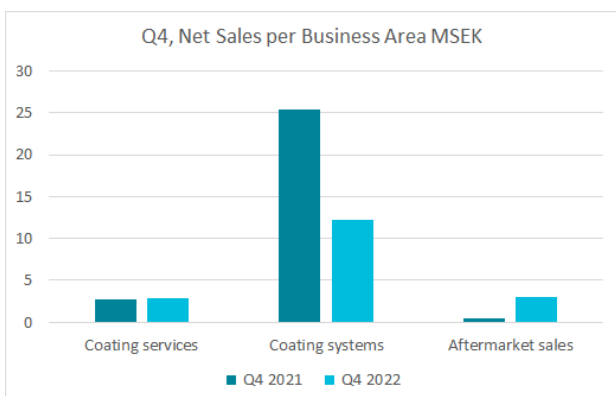
We are well positioned to deliver on our strategy during the coming years – a challenge we look forward to.

Torbjörn Sandberg, CEO

FINANCIAL RESULT

Fourth quarter 2022

Net sales for the fourth quarter 2022 amounted to SEK 18,077 thousand (28,642), which includes Coating Services revenue of SEK 2,875 thousand (2,775), as well as aftermarket sales of SEK 2,959 thousand (505), whereof SEK 155 thousand (0) from the subsidiary in China. Net sales include the delivery of coating systems and rental revenue from coating systems amounting to SEK 12,293 thousand (25,362), which includes the delivery of a coating system to Boyuan.



Total revenue amounted to SEK 22,785 thousand (25,055). The difference between net sales and total revenue is mainly from activated work for own account in the amount of SEK 2,984 thousand (1,604) and the change of work in progress in the amount of SEK 1,683 thousand (-5,347).

Capitalized work refers to production of next generation coating system, INLINECOATER™ IC2000, SEK 1,065 thousand and SEK 1,919 thousand of a machine for development of coatings systems.

Operating expenses amounted to SEK -35,425 thousand (-25,486), reflecting higher personnel costs and other external costs, in line with the growth strategy.

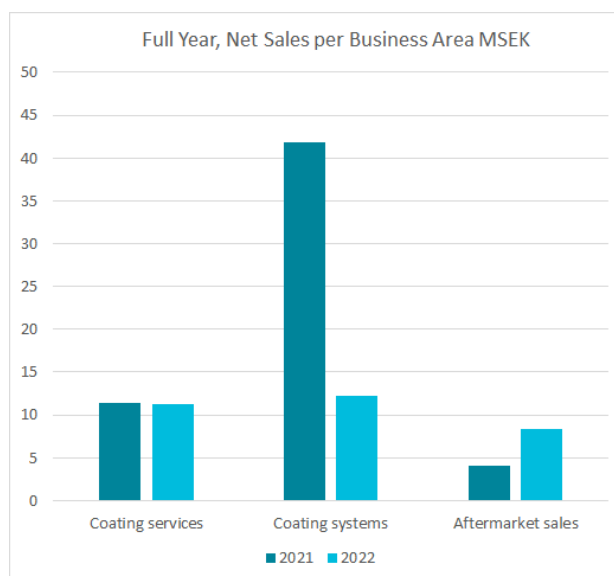
Currency translation profit amounted to SEK 253 thousand (243), the result of EUR currency fluctuations during the quarter.

Financial items amounted to SEK 6 thousand (-1).

Operating result after financial items amounted to SEK -12,381 thousand (-188).

Full year 2022

Net sales for the full year 2022 amounted to SEK 32,022 thousand (57,198), which includes Coating



Services revenue of SEK 11,315 thousand (11,386), as well as aftermarket sales and rental revenue of SEK 8,414 thousand (3,992), whereof SEK 155 thousand (0) from the subsidiary in China. Net sales also include the delivery of coating systems and rental revenue from coating systems amounting to SEK 12,293 thousand (41,820), which includes delivery of a coating system to Boyuan.

Total revenue amounted to SEK 57,047 thousand (54,549). The difference between net sales and total revenue is mainly from activated work for own account in the amount of SEK 20,635 thousand (2,028) and the change of work in progress in the amount of SEK 3,751 thousand (-5,357).

Capitalized work includes the automation of our own production line amounting to SEK 770 thousand, production of next generation coating system, INLINECOATER™ IC2000, for SEK 10,033 thousand and SEK 9,432 thousand for a machine for the development of coatings systems.

Operating expenses amounted to SEK -107,312 thousand (-87,344), reflecting higher personnel costs and other external costs, in line with the growth strategy.

Currency translation profit amounted to SEK 3,263 thousand (711), the result of EUR currency fluctuations during the period.

Other operating expenses amounted to SEK 0 thousand (-722).

Financial items amounted to SEK 1 thousand (-8).

Operating result after financial items amounted to SEK -47,002 thousand (-32,092).

Financial position and liquidity

Cash and liquid assets at period end amounted to SEK 61,437 thousand (129,467). The liquidity ratio amounted to 202% (1,124%).

Cash flow from operations for the period January-December 2022 amounted to SEK -42,378 thousand (-31,764). This includes payment of a penalty fee to The Financial Supervisory Authority (Finansinspektionen) of SEK 1,100 thousand, which was fully reserved in 2021.

Cash flow from investments amounted to SEK -25,881 thousand (-2,100) and includes investment in a coating system for R&D, SEK 7,421 thousand,

next generation coating system, INLINECOATER™ IC2000, SEK 10,033 thousand, automation of own production line amounting to SEK 2,774 thousand as well as investments to complete our new Coating Services Center in China for SEK 4,782 thousand.

Cash flow from financing activities amounted to SEK 0 thousand (113,700). Total cash flow for the period was SEK -68,259 thousand (79,835).

Order backlog and revenue recognition

The value of the order backlog for coating machines was at the end of the period EUR 1,899 thousand (0), corresponding to a SEK 21,132 thousand at period end.

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

The parent company's financial development, position and liquidity

The parent company's financial result, position and liquidity are very similar to those of the group. Added to the group's accounts are costs and cash flow in the newly formed subsidiary in China.

EVENTS DURING THE FOURTH QUARTER

At the beginning of October at the hydrogen industry fair *hy-fcell*, the company presented its new larger coating system for volume production, INLINECOATER™ IC2000. At the fair, the company also described for the first time its offer of coating services with precious metals for metal plates for electrolysis.

On November 12, the company announced that a leading manufacturer of hydrogen fuel cells and electrolyzers, based in the northeastern United States, had placed a pilot coating services order for the coating of metal plates for water electrolysis. The preliminary order value was on the order of USD 320,000. Production, made possible by the company's new INLINECOATER™ IC2000 system, began in December with several partial deliveries and has continued into 2023.

On December 22 the Impact Coatings board of directors announced its intention to carry out a fully

guaranteed rights issue for new shares of approximately SEK 148 million before transaction costs (the "Rights Issue"). An extraordinary general meeting is planned to be held on February 16, 2023, to give the board of directors an authorization to resolve on the Rights Issue. For more information, see the press release of December 22, 2022, as well as the convening notice to the extraordinary general meeting published January 10, 2023.

During the fourth quarter of 2022, the process with the Financial Supervisory Authority (FI) was completed, regarding violations of provisions in the EU's Market Abuse Regulation (MAR) in connection with a press release on September 3, 2018. In November 2020, FI charged Impact Coatings to pay a penalty fee of SEK 1,100 thousand. The amount, which was already reserved, was paid to FI during the fourth quarter.

EVENTS AFTER PERIOD END

In February, Impact Coatings entered into an agreement with Wilzéns Fastighetsförvaltning AB for new headquarter facility in Linköping. The premises are being built and optimized for Impact Coatings' operations and will be located in Kåparp, in close proximity to Mjärdevi Science Park and Linköping University. The agreement relates to the construction and management of new production and office

premises on two floors, including a production facility with doubled surface area compared to today. The facility is expected to be ready for occupancy during the second half of 2024.

OTHER INFORMATION

Proposed allocation of net income

The Board of Directors will propose to the Annual General Meeting that no dividend be paid for 2022.

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 year-end report has not been subject to auditor review.

Principles for consolidated accounting

Due to the fact that a subsidiary was formed during the second quarter of 2022, consolidated accounts are now reported.

Companies in which the company holds a majority of votes at the general meeting are consolidated in the consolidated accounts. The subsidiaries are included in the consolidated accounts from and including the day when the controlling influence is transferred to the group.

The group's financial statements are prepared according to the acquisition method. The time of acquisition is the time when the controlling influence is obtained. Identifiable assets and liabilities are initially valued at fair value at the time of acquisition.

Intermediate operations between group companies are eliminated in their entirety.

Subsidiaries in other countries prepare their accounts in foreign currency. During the consolidation, the items in these companies' balance sheets and profit and loss statements are recalculated to the balance sheet rate and the spot rate for the day and the business event took place, respectively. The exchange rate differences that arise are reported in accumulated exchange rate differences in the group's equity.

In addition to the above, the accounting principles are unchanged from previous periods.

Upcoming financial events

Interim report for the first quarter 2023	April 20, 2023
Release of Annual Report 2022	April 28, 2023
Interim report for the second quarter 2023	August 25, 2023
Interim report for the third quarter 2023	October 20, 2023
Year-end report for 2023	February 16, 2024

Annual General Meeting of Shareholders

The Annual General Meeting will be held in Linköping on Wednesday, May 24, 2023.

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

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CONSOLIDATED INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	18,077	28,642	32,022	57,198
Capitalized work for own account	2,984	1,604	20,635	2,028
Change of work in progress	1,683	-5,347	3,751	-5,357
Other operating income	41	156	639	681
Total revenue	22,785	25,055	57,047	54,549
Raw materials	-16,011	-11,786	-37,075	-31,210
Other external costs	-7,049	-4,727	-25,055	-17,796
Personnel costs	-11,692	-8,282	-42,333	-34,946
Write off and depreciation of tangible and intangible assets	-673	-690	-2,849	-2,670
Profit / Loss on Exchange rate	253	243	3,263	711
Other operating expenses	0	0	0	-722
Operating profit	-12,387	-187	-47,003	-32,083
Interest income and similar items	0	0	0	0
Interest expenses and similar items	6	-1	1	-8
Operating profit after financial items	-12,381	-188	-47,002	-32,092
Tax expenses on profit in the period	0	0	0	0
Net income for the period	-12,381	-188	-47,002	-32,092
Earnings per share (kr)	-0.22	0.00	-0.83	-0.58
Average shares outstanding during the period	56,609,051	56,609,051	56,609,051	55,809,051 ¹
Shares outstanding at period end	56,609,051	56,609,051	56,609,051	56,609,051

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

CONSOLIDATED BALANCE SHEET

<i>(All amounts in SEK 000)</i>	2022-12-31	2021-12-31
ASSETS		
Long term assets		
Capitalized development expenditures	417	1,373
Machines and technical equipment	27,064	7,912
Assets under construction	6,440	1,604
Total long term assets	33,921	10,890
Short term assets		
Raw materials	28,285	9,534
Work in progress	12,728	8,978
Other short term receivables	15,753	14,580
Cash and liquid assets		
Unrestricted cash	58,689	129,467
Restricted cash	2,748	0
Total short term assets	118,204	162,559
TOTAL ASSETS	152,125	173,449
SHAREHOLDER EQUITY AND LIABILITIES		
Shareholder equity	113,867	160,638
Pre-payment from customers		
Paid	20,068	0
Short term liabilities	18,191	12,810
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	152,125	173,449

CONSOLIDATED CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	Jan-Dec 2022	Jan-Dec 2021
Opening balance	160,639	79,030
Share issuance / warrants (after emission costs)	0	113,700
Period result	-47,002	-32,092
Translation Difference	230	0
Closing Balance	113,867	160,639
Average shares outstanding during the period	56,609,051	55,809,051 ¹
Shares outstanding at period end	56,609,051	56,609,051

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

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(All amounts in SEK 000)</i>	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating profit after depreciation	-12,387	-187	-47,003	-32,083
Financial items (net)	6	-1	1	-8
Adjustments for non cash items	818	1,149	2,882	5,120
Cash flow from operations before change in working capital	-11,564	960	-44,119	-26,971
Change in working capital	-6,021	-7,524	1,741	-4,793
Cash flow from operations	-17,584	-6,563	-42,378	-31,764
Cash flow from investments	-3,785	-2,038	-25,881	-2,100
Cash flow from financing activities	0	0	0	113,700
Cash flow for the period	-21,370	-8,601	-68,259	79,835
Liquid assets, opening balance	82,919	138,069	129,467	49,632
Exchange Rate Difference in Liquid Assets	-112	0	230	0
Liquid assets ending balance	61,437	129,467	61,437	129,467
Liquidity ratio, %	202	1,124	202	1,124

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB (publ) for the full years 2018-2022 are summarized below.

All figures related to the operating years 2018-2021 are based on material from previously published annual reports.

(All amounts in SEK 000)	2022	2021	2020	2019	2018
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Net sales	32,022	57,198	39,515	49,084	20,194
Revenue	57,047	54,549	54,355	39,366	30,609
Operating profit	-47,003	-32,083	-22,970	-26,368	-37,568
Result after financial items (net)	-47,002	-32,092	-22,975	-26,387	-37,593
Operating margin	% Neg	Neg	Neg	Neg	Neg
Intangible assets	417	1,373	2,195	3,440	4,686
Tangible assets	33,504	9,516	8,779	17,034	19,118
Financial assets	0	0	0	100	100
Inventory	41,014	18,512	27,363	12,372	21,229
Pre payment from customers	20,068	0	5,621	2,350	22,004
Short term assets	15,753	14,580	7,785	2,483	5,308
Cash and liquid assets	61,437	129,467	49,632	78,785	46,669
Shareholder equity	113,867	160,638	79,030	102,006	64,324
Long term liabilities	0	0	0	0	0
Short term liabilities	18,191	12,810	11,102	9,858	10,783
Total assets	152,125	173,449	95,754	114,213	97,111
Return on assets	% Neg	Neg	Neg	Neg	Neg
Return on equity	Neg	Neg	Neg	Neg	Neg
Equity/asset ratio	75%	93%	83%	89%	66%
Debt ratio	times 0	0	0	0	0
Interest coverage ratio	Neg	Neg	Neg	Neg	Neg
Liquidity ratio	% 202	1,124	343	666	159
Employees	45	37	30	32	31
Investments					
Intangible assets	0	424 ³	0	0	0
Tangible assets	25,881	1,676	-101	172	12,902 ¹
Financial assets	0	0	0	0	0
Earnings per share	SEK -0.83	-0.58	-0.44	-0.61	-0.88
Average shares outstanding during the period	56,609,051	55,809,051 ⁴	51,809,051	43,008,425	42,551,908
Shares outstanding at period end	56,609,051	56,609,051	51,809,051	51,809,051 ²	42,551,908

¹ The annual investment includes a reclassification of SEK 7,575 thousand from working capital to machines and technical equipment.

² Share issuance of 9,257,143 shares, subscribed October 29, 2019, and registered December 13, 2019.

³ Investment of SEK 424 thousand represents a re-classification from development expenses to intangible assets.

⁴ 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



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Impact Coatings offers customer-focused coating services, clean coating technologies, and flexible coating systems with focus on hydrogen solutions, autonomous safety functions, and tailored coating solutions for high-end applications.

The company utilizes vacuum deposition methods – sustainable processes to apply thin layers of metal or ceramic coatings that improve performance and durability. Impact Coatings markets coating equipment under the trademark INLINECOATER™ and coating materials under the trademark MAXPHASE™. The company's service models and systems are flexible and scalable to fit the fast-paced markets the company operates within.

The Impact Coatings share is listed on Nasdaq First North Growth Market (Nasdaq Nordic). The company's Certified Adviser is Redeye AB.