



IMPACT COATINGS AB (PUBL), INTERIM REPORT APRIL-JUNE 2021

FINANCIAL RESULTS SECOND QUARTER 2021

- Net sales amounted to SEK 14,308 thousand (5,016)
- Change of work in progress amounted to SEK -3,208 thousand (4,377)
- Total revenue amounted to SEK 11,586 thousand (9,726)
- Operating profit amounted to SEK -11,216 thousand (-6,305)
- Operating profit after financial items amounted to SEK -11,219 thousand (-6,305)
- Cash flow amounted to SEK -16,099 thousand (-2,299)
- Liquidity ratio amounted to 650% (282)
- Order backlog at period end amounted to EUR 1,456 thousand (3,765)

FINANCIAL RESULTS JANUARY-JUNE 2021

- Net sales amounted to SEK 24,513 thousand (10,039)
- Change of work in progress amounted to SEK -8,444 thousand (5,933)
- Total revenue amounted to SEK 16,941 thousand (16,301)
- Operating profit amounted to SEK -22,694 thousand (-12,188)
- Operating profit after financial items amounted to SEK -22,697 thousand (-12,190)
- Cash flow amounted to SEK 106,882 thousand (-7,150)
- Liquidity ratio amounted to 650% (282)

SIGNIFICANT EVENTS SECOND QUARTER 2021

- Coating system order for radomes from HELLA Saturnus Slovenija (Slovenia)
- Delivery and final acceptance of coating system for fuel cell development for Hyundai (South Korea)

SIGNIFICANT EVENTS AFTER THE PERIOD

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

Impact Coatings develops and delivers world-leading technology for industrial PVD-coatings with a focus on fuel cell, decorative, metallization, and reflector applications. 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

Impact Coatings continued its strategic progress during the second quarter. We have continued proving our ability to deliver and that we are continuously maturing as an industrial company. This is reflected not least by a follow-on order received during the quarter in the field of automotive safety – the third system order in less than a year connected to the global automotive supplier HELLA.

The Coating Services business in Linköping, which is an important part of the sales process for future coating systems, has maintained a high activity level and closed yet another quarter with significantly increased revenues. During the second half of the year, we will be investing in increased production capacity and automation, with the planned addition of a robot. Beyond increased efficiency, this will improve our ability to help customers with their own production automation.

Despite the ongoing pandemic, we delivered and obtained final acceptance during the second quarter of a coating system for fuel cell development from our development partner Hyundai in Korea.

Joint development work with Hyundai in coating technology for fuel cells and related hydrogen applications continues, and we have in parallel enhanced our presence in Korea through cooperation with a local business partner. With our own Korean office as a base, we are working together with our local partner to establish Impact Coatings broadly in the Korean market, where there are several relevant customers in both hydrogen and automotive safety applications.

After the period end, we received a system order from the French fuel cell system manufacturer Symbio – our first European fuel cell system order and a recognition of our strong offering in the segment. Generally, we see that European and North American companies within hydrogen and fuel cell-related areas are advancing their positions, with several large automotive suppliers driving progress.

During the past year, we have intensified our relations within the European and North American fuel cell industries. To further strengthen our presence, this spring we engaged Robert Mamazza as President – North America. Recruiting of a President – EMEA is ongoing, and the position will initially focus on the company's positioning and sales in the European fuel cell industry. In May, Anette Therén joined the company as VP Marketing & Communications with the goal of implementing a more structured and customer-oriented communications strategy.

Our development team is working intensively on our next generation coating system designed to meet the increasing capacity demands of the fuel cell industry. Development will enhance our ability to adjust fuel cell coatings for specific technical requirements, and to provide delivery models that meet companies' differing stages of development.

Within automotive safety we are in constant dialog with companies about coating solutions for radomes and cost-effective antenna coatings for automotive radar. The past year's three system orders related to the HELLA Group were all for coating of radar emblems, or radomes. The German automotive industry group is a leading global supplier of automotive lighting and electronics, where radar and radar emblems are examples of products within the field of automotive safety. We are committed to delivering innovative, cost-effective production technology to our existing strategic customers, and we see a growing business potential within the whole automotive safety segment.

With some trepidation, markets are opening up in Europe and around the world, allowing travel and in-person meetings. At present, it looks like industry exhibitions and other planned events will take place during the autumn. I sincerely hope the momentum continues as I am personally looking forward to meeting *IRL – in real life* customers, partners, and other industrial players in the coming months, as well as Impact Coatings shareholders.

Torbjörn Sandberg, CEO

FINANCIAL RESULTS

Second quarter 2021

Net sales for the second quarter 2021 amounted to SEK 14,308 thousand (5,016). Net sales include the delivery of a coating system to Hyundai Motor Company in the amount of SEK 9,427 thousand, Coating Services revenue of SEK 3,572 thousand, as well as aftermarket sales and rental revenue of SEK 1,309 thousand.

Total revenue amounted to SEK 11,586 thousand (9,726). The difference between net sales and total revenue is mainly due to the change of work in progress in the amount of SEK -3,208 thousand (4,377) related to the delivery of a coating system to Hyundai Motor Company and the work in progress for other coating systems.

Capitalized work refers to the capitalization of development costs in the amount of SEK 389 thousand related to the development of a new generation of fuel cell system.

Operating expenses amounted to SEK -22,450 thousand (-15,612), reflecting a higher consumption of components and higher personnel costs. Raw materials and consumables are negatively affected by SEK -670 thousand due to a revaluation of precious metals used in operations, as well by an inventory adjustment of SEK -238 thousand.

Currency translation loss amounted to SEK -352 thousand (-419), the result of EUR currency fluctuations during the quarter.

Financial items amounted to SEK -3 thousand (0). Operating profit after financial items amounted to SEK -11,219 thousand (-6,305).

January-June 2021

Net sales for the period January-June 2021 amounted to SEK 24,513 thousand (10,039). 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 5,311 thousand, as well as aftermarket sales and rental revenue of SEK 2,789 thousand.

Total revenue amounted to SEK 16,941 thousand (16,301). The difference between net sales and total revenue is mainly due to the change of work in progress in the amount of SEK -8,444 thousand (5,933).

Operating expenses amounted to SEK -39,603 thousand (-28,565), 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 loss amounted to SEK -32 thousand (76). Other operating expenses amounted to SEK -722 thousand (0), a result of the write-down of residual value of the previously leased coating system that was sold at the end of 2020.

Financial items amounted to SEK -3 thousand (-2). Operating profit after financial items amounted to SEK -22,697 thousand (-12,190).

Financial position and liquidity

Cash and liquid assets at period end amounted to SEK 156,514 thousand (71,635). The liquidity ratio amounted to 650% (282).

There was no restricted cash at period end.

Cash flow from operations for the first half of 2021 amounted to SEK -5,976 thousand (-7,189).

Cash flow from investments amounted to SEK -735 thousand (39) and includes capitalized development in the amount of SEK 389 thousand, as well as investments in the Coatings Services operations.

Cash flow from financing activities amounted to SEK 113,292 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 118 thousand. The Board decided to extend the subscription period per the warrant program's conditions; the warrant program is therefore not closed.

Total cash flow for the period was SEK 106,882 thousand (-7,150).

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 1,456 thousand (3,765).

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

The coating system for the development of fuel cell coatings that Hyundai ordered in June 2020, which was shipped from Linköping in December 2020, was installed and granted final acceptance during the second quarter. As described in the previous quarterly report, delayed customs handling in combination with unpredictable quarantine rules had prevented the possibility of completing the installation during the first quarter of the year as planned.

On April 9, the company received a follow-up order for an INLINECOATER™ system from HELLA Saturnus Slovenija. The order value is on the order of EUR 720,000 and the final delivery is planned to take place during the fourth quarter of 2021. The system will be used for coating radomes (radar emblems) used in vehicle safety systems. The same customer ordered its first coating system for the same application in 2020.

The Annual General Meeting was held in Linköping on May 18. Due to the COVID-19 pandemic, the meeting was conducted, with the support of temporary legal rules, by advance vote (postal vote). The AGM resolved in accordance with the Board's and the Nomination Committee's proposals on all but one item. The Board's proposal to introduce a warrant-based incentive program for employees was approved, while the Nomination Committee's proposal to introduce a warrant-based incentive program for certain Board members was rejected. The AGM re-elected Mark Shay, Christian Sahlén, Sukhwan Yun, Göran Malm and Per Wassén to the company's Board and Mark Shay was re-elected Chairman of the Board. Lars-Gunnar Skötte and Tanja Vainio had declined re-election.

During the first half of the year, Impact Coating strengthened the company's management team with an increased focus on Coating Services, business development and marketing

communication. The changes in the organization were described and the new employees were presented in a press release on May 27.

EVENTS AFTER PERIOD END

On July 13, the company announced that the fuel cell system manufacturer Symbio (France) had placed an order for an INLINECOATER™FC coating system. The value of the system order is approximately EUR 1 million. Final delivery is planned for the fourth quarter of 2021.

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 primarily affect how the company can interact with customers, suppliers, and other partners.

The pandemic continues to affect society, both in terms of business and consumer behavior. How quickly society opens up and, above all, what happens to travel restrictions in the parts of the world where the company operates affect how the company can act in the coming months.

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 BFAR 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

Interim report for the third quarter 2021	October 22, 2021
Year-end report for 2021	February 11, 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>	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net sales	14,308	5,016	24,513	10,039	39,515
Capitalized work for own account	389	0	389	0	0
Change of work in progress	-3,208	4,377	-8,444	5,933	14,175
Other operating income	97	333	482	329	665
Total revenue	11,586	9,726	16,941	16,301	54,355
Raw materials	-8,346	-5,540	-10,664	-6,786	-30,985
Other external costs	-4,406	-2,718	-8,879	-6,945	-14,775
Personnel costs	-9,033	-6,474	-18,027	-13,082	-26,873
Write off and depreciation of tangible and intangible assets	-666	-871	-1,310	-1,743	-3,484
Profit / Loss on Exchange rate	-352	-419	-32	76	-1,181
Other operating expenses	0	-9	-722	-9	-26
Operating profit	-11,216	-6,305	-22,694	-12,188	-22,970
Interest income and similar items	0	0	0	0	0
Interest expenses and similar items	-3	0	-3	-2	-6
Operating profit after financial items	-11,219	-6,305	-22,697	-12,190	-22,975
Tax expenses on profit in the period	0	0	0	0	0
Net income for the period	-11,219	-6,305	-22,697	-12,190	-22,975
Earnings per share (kr)	-0.20	-0.12	0	0	0
Average shares outstanding during the period	56,609,051	51,809,051	55,009,051 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>	2021-06-30	2020-06-30	2020-12-31
ASSETS			
Long term assets			
Capitalized development expenditures	1,961	2,818	2,195
Machines and technical equipment	7,716	9,860	8,779
Assets under construction	0	6,015	0
Financial assets			
Shares in subsidiary	0	100	0
Total long term assets	9,677	18,792	10,974
Short term assets			
Raw materials	15,024	14,372	12,528
Work in progress	5,891	6,093	14,335
Finished goods	500	500	500
Other short term receivables	7,554	5,927	7,785
Cash and liquid assets			
Unrestricted cash	156,514	63,979	49,632
Restricted cash	0	7,655	0
Total short term assets	185,483	98,526	84,780
TOTAL ASSETS	195,160	117,318	95,754
SHAREHOLDER EQUITY AND LIABILITIES			
Shareholder equity	169,925	89,815	79,030
Pre-payment from customers			
Paid	8,168	12,275	5,621
Short term liabilities	17,067	15,228	11,102
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	195,160	117,318	95,754

CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	2021-06-30	2020-06-30	2020-12-31
Opening balance	79,030	102,006	102,006
Share issuance / warrants (after emission costs)	113,592	0	0
Period result	-22,697	-12,190	-22,975
Closing Balance	169,925	89,815	79,030
Average shares outstanding during the period	55,009,051 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>	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Operating profit after depreciation	-11,216	-6,305	-22,694	-12,188	-22,970
Financial items (net)	-3	0	-3	-2	-6
Adjustments for non cash items	666	871	2,032	1,743	8,627
Cash flow from operations before change in working capital	-10,553	-5,434	-20,666	-10,447	-14,349
Change in working capital	-4,929	3,095	14,690	3,258	-14,905
Cash flow from operations	-15,483	-2,338	-5,976	-7,189	-29,254
Cash flow from investments	-735	39	-735	39	101
Cash flow from financing activities	118	0	113,592	0	0
Cash flow for the period	-16,099	-2,300	106,882	-7,150	-29,153
Liquid assets, opening balance	172,612	73,934	49,632	78,785	78,785
Liquid assets ending balance	156,514	71,634	156,514	71,635	49,632
Liquidity ratio, %	650	282	650	282	343

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January-June 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-Jun				
Net sales		24,513	39,515	49,084	20,194	25,014
Revenue		16,941	54,355	39,366	30,609	30,418
Operating profit		-22,694	-22,970	-26,368	-37,568	-30,111
Result after financial items (net)		-22,697	-22,975	-26,387	-37,593	-29,887
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		1,961	2,195	3,440	4,686	5,931
Tangible assets		7,716	8,779	17,034	19,118	7,235
Financial assets		0	0	100	100	100
Inventory		21,415	27,363	12,372	21,229	9,895
Pre payment from customers		8,168	5,621	2,350	22,004	0
Short term assets		7,554	7,785	2,483	5,308	24,390
Cash and liquid assets		156,514	49,632	78,785	46,669	65,386
Shareholder equity		169,925	79,030	102,006	64,324	101,987
Long term liabilities		0	0	0	0	0
Short term liabilities		17,067	11,102	9,858	10,783	20,317
Total assets		195,160	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		87.1%	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	%	650	343	666	159	442
Employees		36	30	32	31	21
Investments						
Intangible assets		0	0	0	0	4 151 ¹
Tangible assets		735	-101	172	12 902 ³	3477
Financial assets		0	0	0	0	0
Earnings per share	SEK	-0.41	-0.44	-0.61	-0.88	-0.92
Average shares outstanding during the period		55,009,051	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>