



IMPACT COATINGS AB (PUBL), INTERIM REPORT JANUARY-MARCH 2021

FINANCIAL RESULTS FIRST QUARTER 2021

- Net sales amounted to SEK 10,205 thousand (5,023)
- Change of work in progress amounted to SEK -5,236 thousand (1,555)
- Total revenue amounted to SEK 5,355 thousand (6,574)
- Operating profit amounted to SEK -11,478 thousand (-5,883)
- Operating profit after financial items amounted to SEK -11,479 thousand (-5,885)
- Cash flow amounted to SEK 122,980 thousand (-4,851)
- Liquidity ratio amounted to 673% (523)
- Order backlog at period end amounted to EUR 1,685 thousand (2,120)

SIGNIFICANT EVENTS FIRST QUARTER 2021

- Coating system order for radomes from HELLA MINTH Jiaxing Automotive Parts Co., Ltd. (China)
- Directed share issue to Swedish and international institutional investors, with proceeds to the company of approximately SEK 120 million before deduction of transaction costs

SIGNIFICANT EVENTS AFTER THE PERIOD

- Coating system order for radomes from HELLA Saturnus Slovenija (Slovenia)

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 is in an exciting period of expansion, during which we are advancing our product offerings, how we approach our markets, and our industrial presence – especially within hydrogen, fuel cells, and automotive safety.

I have in previous reports discussed our focus on sales and internationalization. Last year, we opened new sales offices in Italy and South Korea, and our sales director for the important Chinese market is since the end of 2020 located in China (previously in Sweden). We turn our attention now toward additional markets with significant players in both the hydrogen-related and automotive industries. We are working currently on establishing Impact Coatings in North America, and we see as the next natural step a local presence in Germany.

We are intensifying our activities within the Fuel Cells segment, including of course our joint development with Hyundai, and we are investing in both process improvements and the development of a next generation coating system to meet customers' future volume needs. The development machine that Hyundai ordered during 2020 is in place at Hyundai's facilities in South Korea. Delays in customs clearance in combination with shifting quarantine regulations, however, have prevented us from completing the delivery on-site and final delivery is now planned for the second quarter this year.

We see an increased need for cost-effective coating solutions for critical components within automotive safety, where we have a growing group of reference customers. During the first quarter and just after its end, we received two additional orders for coating systems for radar-transparent emblems for automotive radar. Both orders are from companies connected to the German HELLA Group, which is a world-leading supplier to the automotive industry in this segment.

We offer and are developing further a broad range of products and services. Beyond selling coating systems, we can offer machine rental or leasing contracts, as well as service and support agreements. Within Coating Services, we can serve and support our customers all the way from R&D through pre-series production and initial volume production. Thereafter, customers can realize significant cost benefits by investing in a coating system for their own in-house production. Looking ahead, we see the expansion of Coating Services closer to or on customer premises as a logical development.

Coating Services reported its highest ever annual revenue during 2020 and has continued at a good level during this year's first quarter. Starting with this quarterly report, we will report Coating Services revenue. We should expect that portions of Coating Services sales can at times shift over to system sales when a customer decides to purchase their own coating system, which is entirely in line with our objectives. In connection with the development and potential in the Coating Services offering, I have during the first quarter welcomed Carina Höglund, PhD, to the management team as VP Coating Services. Carina and her team combine deep technical expertise with a focus on customers' specific requirements and effective process work.

The directed share issue in February, which generated SEK 120 million in proceeds to the company before transaction costs, provides the means to accelerate the expansion we have started. The share issue also demonstrates the confidence that institutional investors, both in Sweden and abroad, have in our coating expertise, our product offerings, and the potential of global megatrends such as hydrogen energy, automotive safety, and sustainable industry. I welcome all our new shareholders and send regards to those of you who have long been with us as owners. Together, we have many exciting years of innovation and growth ahead of us.

Torbjörn Sandberg, CEO

FINANCIAL RESULTS

First quarter 2021

Net sales for the first quarter 2021 amounted to SEK 10,205 thousand (5,023). Net sales include the delivery of a coating system to HELLA Saturnus Slovenija in the amount of SEK 6,986 thousand; Coating Services revenue for SEK 1,738 thousand (1,171); aftermarket sales and rental revenue.

Total revenue amounted to SEK 5,355 thousand (6,574). The difference between net sales and total revenue is driven mainly by the change of work in progress in the amount of SEK -5,236 thousand (1,555) related to the delivery of a coating system to HELLA Saturnus Slovenija for SEK -5,905 thousand and the work in progress for other coating systems for SEK 669 thousand.

Operating expenses amounted to SEK -17,152 thousand (-12,953), reflecting a higher consumption of components and higher personnel costs. Raw materials and consumables are negatively affected by SEK 600 thousand due to a revaluation of precious metals used in operations.

Currency translation profit amounted to SEK 319 thousand (495), the result of EUR currency fluctuations during the first quarter.

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 0 thousand (-2). Operating profit after financial items amounted to SEK -11,479 thousand (-5,885).

Financial position and liquidity

Cash and liquid assets at period-end amounted to SEK 172,612 thousand (73,934). The liquidity ratio amounted to 673% (523).

There was no restricted cash at period-end.

Cash flow from operations for the first quarter 2021 amounted to SEK 9 507 thousand (-4 851), a positive effect from the payment of a machine delivery and an advance payment for a system order. Cash flow from investments amounted to SEK 0 thousand (0).

Cash flow from financing activities amounted to SEK 113 474 thousand (0) from the directed share issuance in February. The issue amounted to SEK 120,000 thousand and emission costs amounted to SEK 6,526 thousand.

Total cash flow for the period was SEK 122,980 thousand (-4,851).

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 1,685 thousand (2,120).

The order book includes a coating system ordered by HELLA MINTH during the first quarter, as

well as a coating system ordered by Hyundai in 2020 and shipped from Linköping in December 2020, where installation is now planned for the second quarter 2021.

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 FIRST QUARTER

In January, a coating system was installed, and final acceptance was achieved, at HELLA Saturnus Slovenija (Slovenia), a company within the HELLA Group (Germany). The delivery concerned an INLINECOATER™ system for the radome (radar emblem) application.

The system delivery to Hyundai that was previously announced to be completed during the first quarter is now planned for the second quarter. The coating system is in place at Hyundai in South Korea, but delayed customs handling in combination with unpredictable quarantine rules has prevented the possibility of completing the installation as previously planned.

On February 8, an order was announced for an INLINECOATER™ system for radomes from HELLA MINTH Jiaxing Automotive Parts Co., Ltd. (China), a joint venture between HELLA Group (Germany) and MINTH Group (China). The order value is EUR 740,000 and delivery is planned for the third quarter of 2021.

On February 24, Impact Coatings carried out a directed new share issue of 4,800,000 shares, through an accelerated bookbuilding procedure, to a large number of Swedish and international institutional investors, including Länsförsäkringar Fonder and existing shareholder Accendo Capital. The subscription price was SEK 25.00 per new share. The new share issue contributed to the company approximately SEK 120 million before deduction of transaction costs. The net proceeds from the private placement are intended to enable increased investments in the Company's internationalization as well as in its commercial, technical, and production capabilities, in order to capitalize on significant growth opportunities presented by the migration from fossil-fuel to hydrogen-based energy systems and the advancement of automotive safety and related applications. The company's financial advisor during the private placement was Pareto Securities AB and legal advisor was Kanter Advokatbyrå KB.

EVENTS AFTER PERIOD END

After the period, on April 9, HELLA Saturnus Slovenija (Slovenia), which received its first coating machine in January, placed another order for an INLINECOATER™ system for the radome application. The order value is about EUR 720,000 and the 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 will continue to affect society, both in terms of business and consumer behavior, at least for the first half of the year. How quickly society opens up and, above all, what happens to travel restrictions in the parts of the world where the company operates will 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 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

Annual general meeting 2021	May 18, 2021
Interim report for the second quarter 2021	August 20, 2021
Interim report for the third quarter 2021	October 22, 2021

The Interim reports and the Annual Report will be available on the company's website at www.impactcoatings.com/finansiella-rapporter-arkiv/.

For more information contact:

Torbjörn Sandberg, CEO
Tel: +46 (0)768-43 43 76

Marie Dhayer Teikmans, CFO
Tel: +46 (0)70-812 71 96

E-mail: investors@impactcoatings.se

INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Net sales	10,205	5,023	39,515
Capitalized work for own account	0	0	0
Change of work in progress	-5,236	1,555	14,175
Other operating income	385	-4	665
Total revenue	5,355	6,574	54,355
Raw materials	-2,319	-1,246	-30,985
Other external cost	-4,473	-4,227	-14,775
Personnel cost	-8,995	-6,608	-26,873
Write off and depreciation of tangible and intangible assets	-644	-872	-3,484
Profit / Loss on Exchange rate	319	495	-1,181
Other operating expenses	-722	0	-26
Operating profit	-11,478	-5,883	-22,970
Interest income and similar items	0	0	0
Interest expenses and similar items	0	-2	-6
Operating profit after financial items	-11,479	-5,885	-22,975
Tax expenses on profit in the period	0	0	0
Net income for the period	-11,479	-5,885	-22,975
Earnings per share (kr)	0	0	0
Average shares outstanding during the period	53,409,051 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 00 shares, subscribed February 24, 2021, and registered February 26, 2021.

BALANCE SHEET

<i>(All amounts in SEK 000)</i>	2021-03-31	2020-03-31	2020-12-31
ASSETS			
Long term assets			
Capitalized development expenditures	1,883	3,129	2,195
Machines and technical equipment	7,724	10,458	8,779
Assets under construction	0	6,015	0
Financial assets			
Shares in subsidiary	0	100	0
Total long term assets	9,608	19,702	10,974
Short term assets			
Raw materials	12,028	12,430	12,528
Work in progress	9,099	1,716	14,335
Finished goods	500	500	500
Other short term receivables	3,298	2,446	7,785
Cash and liquid assets			
Unrestricted cash	172,612	66,279	49,632
Restricted cash	0	7,655	0
Total short term assets	197,538	91,026	84,780
TOTAL ASSETS	207,146	110,728	95,754
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholder equity	181,025	96,120	79,030
Pre-payment from customers			
Paid	15,704	5,332	5,621
Short term liabilities	10,416	9,276	11,102
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	207,146	110,728	95,754

CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	2021-03-31	2020-03-31	2020-12-31
Opening balance	79,030	102,006	102,006
Share issuance	113,474	0	0
Period result	-11,479	-5,885	-22,975
Closing Balance	181,026	96,120	79,030
Average shares outstanding during the period	53,409,051 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 00 shares, subscribed February 24, 2021, and registered February 26, 2021.

STATEMENT OF CASH FLOWS

<i>(All amounts in SEK 000)</i>	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Operating profit after depreciation	-11,478	-5,883	-22,970
Financial items (net)	0	-2	-6
Adjustments for non cash items	1,366	872	8,627
Cash flow from operations before change in working capital	-10,113	-5,014	-14,349
Change in working capital	19,620	163	-14,905
Cash flow from operations	9,507	-4,851	-29,254
Cash flow from investments	0	0	101
Cash flow from financing activities	113,474	0	0
Cash flow for the period	122,980	-4,851	-29,153
Liquid assets, opening balance	49,632	78,785	78,785
Liquid assets ending balance	172,612	73,934	49,632
Liquidity ratio, %	673	523	343

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January-March 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-Mar				
Net sales		10,205	39,515	49,084	20,194	25,014
Revenue		5,355	54,355	39,366	30,609	30,418
Operating profit		-11,478	-22,970	-26,368	-37,568	-30,111
Result after financial items (net)		-11,479	-22,975	-26,387	-37,593	-29,887
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		1,883	2,195	3,440	4,686	5,931
Tangible assets		7,724	8,779	17,034	19,118	7,235
Financial assets		0	0	100	100	100
Inventory		21,627	27,363	12,372	21,229	9,895
Pre payment from customers		15,704	5,621	2,350	22,004	0
Short term assets		3,298	7,785	2,483	5,308	24,390
Cash and liquid assets		172,612	49,632	78,785	46,669	65,386
Shareholder equity		181,025	79,030	102,006	64,324	101,987
Long term liabilities		0	0	0	0	0
Short term liabilities		10,416	11,102	9,858	10,783	20,317
Total assets		207,146	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		87.4%	82.5%	89.3%	66.2%	83.4%
Debt ratio	<i>ggr</i>	0	0	0	0	0.02
Interest coverage ratio		Neg	Neg	Neg	Neg	Neg
Liquidity ratio	%	673	343	666	159	442
Employees		33.7	29.7	31.7	31	21
Investments						
Intangible assets		0	0	0	0	4 151 ¹
Tangible assets		-722	-101	172	12 902 ³	3477
Financial assets		0	0	0	0	0
Earnings per share	<i>SEK</i>	-0.21	-0.44	-0.61	-0.88	-0.92
Average shares outstanding during the period		53,409,051	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 4 151 TSEK represents a re-classification from development expenses to intangible

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

³ The annual investment includes a reclassification of 7 575 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 00 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>