



IMPACT COATINGS AB (PUBL), YEAR-END REPORT 2020

FINANCIAL RESULTS FULL YEAR 2020

- Net sales amounted to SEK 39,515 thousand (49,084)
- Total revenue amounted to SEK 54,355 thousand (39,366)
- Operating profit amounted to SEK -22,970 thousand (-26,368)
- Operating profit after financial items amounted to SEK -22,975 thousand (-26,387)
- Cash flow amounted to SEK -29,153 thousand (32,116)
- Liquidity ratio amounted to 343% (666)
- Order backlog at period end amounted to EUR 1,645 thousand (289)
- No dividend is proposed

FINANCIAL RESULTS FOURTH QUARTER 2020

- Net sales amounted to SEK 20,044 thousand (20,574)
- Total revenue amounted to SEK 29,078 thousand (8,069)
- Operating profit amounted to SEK -5,243 thousand (-3,986)
- Operating profit after financial items amounted to SEK -5,246 thousand (-3,990)
- Cash flow amounted to SEK -6,553 thousand (59,693)

SIGNIFICANT EVENTS FOURTH QUARTER 2020

- No significant events during the fourth quarter

SIGNIFICANT EVENTS AFTER THE PERIOD

- Coating system order for radomes received from HELLA MINTH Jiaxing Automotive Parts Co., Ltd. (China)

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

For Impact Coatings, 2020 ended with an intense fourth quarter. We completed the production of three coating systems: one for a German technology supplier to the textile industry; one for HELLA in Slovenia; and one for our development partner Hyundai in Korea. All three machines were shipped from our facility in Linköping, Sweden. Installation and acceptance of the coating machine for Germany was completed during the quarter, while the installation in Slovenia was somewhat delayed from the original plan but was completed in January. Installation of the Hyundai machine is planned for the first quarter of 2021.

The activity level in Coating Services continues to increase and resulted in a very good fourth quarter. Customers are primarily within the fuel cell, decorative coatings, and electrical contact segments. Full year sales have increased consecutively in each of the past three years, since Coating Services became a more distinct part of the company's strategy.

In addition, we completed a smaller coating system sale during the quarter. A European automotive supplier had rented an INLINECOATER™P200 since the end of 2018 and decided to exercise its purchase option in the rental agreement. The overall deal structure has been beneficial for the company while it also demonstrates our flexibility in meeting the varying needs of our customers.

In late November we opened a branch office in Seoul, a result of our Joint Development Agreement with Hyundai. With specialized technical expertise now in place, our development work in fuel cell coating solutions with Hyundai is more efficient. The office will also serve as a regional hub for our sales activities across all application areas, primarily in Korea, China, and Japan.

Hyundai is increasingly recognized as one of the global leaders in the growing hydrogen economy, above all in future transportation systems. This illustrates the potential for Impact Coatings in our cooperation initiated during 2019. We experience daily that our joint development work with Hyundai gives us credibility in our discussions with existing and potential customers, whether vehicle manufacturers or automotive suppliers.

2020 also became the year that the world – industry, politicians, media, and investors – genuinely began to appreciate the potential of hydrogen in tomorrow's fossil-free energy systems. Korea, Japan, and China have been pioneers both politically and industrially, but in 2020 the EU Commission launched a comprehensive hydrogen strategy with significant investment goals in the expansion of green hydrogen production, storage, distribution, and application development. In industry, there is now an ongoing positioning of technical approaches, with consolidation and cooperation among large players, often in unexpected constellations. Impact Coatings – with our patented coating solutions for fuel cell flow plates – is uniquely relevant for the market opportunity that hydrogen electrification presents.

It is becoming increasingly clear that the company's second strong pillar lies within automotive safety and autonomous vehicles, where Impact Coatings offers cost-effective coating solutions for mission-critical plastic components. The two system orders for radomes, radar-transparent emblems, that we received during 2020 are important steps forward in this new market. This is further strengthened by a system order for the same application from HELLA MINTH in China during February.

We also see strong potential in our coating solutions for radar antennas that are placed behind the radome, as well as for plastic antennas that will be manufactured at low cost and in high volumes within the automotive industry and for IoT and 5G. During the fourth quarter, we signed a framework agreement with Swedish antenna innovator Gapwaves for plastic metallization coating services linked to a cooperation that Gapwaves has with the American

company Uhnder. The framework agreement does not guarantee order volumes nor does it specify a production start date.

Quarantine rules and other COVID-19 restrictions are challenges for a global supplier of advanced technology like Impact Coatings that require solution-oriented and agile planning for the whole organization. I am confident that Impact Coatings, despite the pandemic, has advanced our market position in both hydrogen/fuel cells and automotive safety. During the past year, we expanded our sales organization with a sales director for Southern Europe and we opened the sales office in Korea. During 2021, we will optimize and accelerate our sales activities and increase our local presence in key markets.

Beyond our focus on sales and a broader geographic footprint, we are working with machine and process development, not least to meet expected volume demands from our customers. We are also continuing the industrialization of our machine production, targeting higher efficiency, lower input costs, and shorter lead times.

The ability to deliver – as we have proven despite the pandemic during the year – is one of our competitive strengths and the result of true teamwork. This applies to our coating systems, aftermarket sales, and Coating Services. I would like to congratulate and thank the entire Impact Coatings team for its professionalism and hard work during the past year.

Torbjörn Sandberg, CEO

FINANCIAL RESULTS

Full year 2020

Net sales for the full year 2020 amounted to SEK 39,515 thousand (49,084). Net sales include the installation of a coating system completed in the first quarter in the amount of SEK 2,762 thousand; revenue from the down payment from China Hydrogen Energy of SEK 2,515 thousand; the deliveries of two systems completed during the third and fourth quarters for SEK 21,630 thousand; Coating Services revenue in the amount of SEK 7,009 thousand; aftermarket sales in the amount of SEK 2,806 thousand; and rental revenue and residual value from the sale of a previously rented system for SEK 2,639 thousand.

Total revenue amounted to SEK 54,355 thousand (39,366) and includes change of work in progress in the amount of SEK 14,175 thousand related to the two systems shipped before the end of the year but with final acceptance at the beginning of 2021.

Operating expenses amounted to SEK -76,143 thousand (-65,902), which reflects a higher consumption of components and a lower cost base due to our cost reduction program and to COVID-19 related cost savings (e.g., less travel), as well as non-recurring items.

We announced in the report for the third quarter of 2020 a balance sheet adjustment, where SEK 6,015 thousand has been moved from "assets under construction" to "finished goods inventory" regarding the EuroStar project Pro-FC. An adjustment has now been made in the fourth quarter of 2020, where SEK 6,015 thousand has been moved from finished goods inventory. SEK 5,226 thousand is booked as raw materials, divided between SEK 3,631 thousand in write-downs and SEK 1,594 thousand in components used for ongoing projects. The remaining value of SEK 789 thousand is classified as spare parts inventory. The adjustment was made since the machine parts generate a greater commercial benefit when used for purposes other than in the original machine.

As part of our industrialization process and internal controls, an inventory review was conducted at the end of the year. The review resulted in an inventory write-down of SEK -1,279 thousand.

In accordance with legal counsel, the company has booked a provision in the amount of SEK -550 thousand regarding the Swedish financial supervisory authority's (*Finansinspektionen*, FI) sanction against the company (press release 4 November 2020). The amount corresponds to half of the sanction from FI, which the company has appealed to the Administrative Court.

Currency translation losses amounted to SEK -1,181 thousand (168). Revenues are mainly in EUR and costs are mainly in SEK.

Financial items amounted to SEK -6 thousand (-19). Operating profit after financial items amounted to SEK -22,975 thousand (-26,387).

Fourth quarter 2020

Net sales for the fourth quarter 2020 amounted to SEK 20,044 thousand (20,574). Net sales include the delivery of a coating system to the German supplier to the textile industry in the amount of SEK 14,175 thousand; Coating Services revenue; aftermarket sales and rental revenue and residual value from the sale of a previously rented system.

Total revenue amounted to SEK 29,078 thousand (8,069) and includes change of work in progress in the amount of SEK 8,929 thousand related to the two systems shipped before the end of the year but with final acceptance at the beginning of 2021.

Operating expenses amounted to SEK -33,124 thousand (-12,368), which reflects the Pro-FC adjustment of SEK -5,226 thousand, the inventory write-down of SEK -1,279 thousand, a provision for FI's sanction in the amount of SEK -550 thousand and a higher consumption of components, partially offset by a lower cost base due to our cost reduction program and to COVID-19 related cost savings (e.g., less travel).

Currency translation losses amounted to SEK -1,196 thousand (314), the result of EUR currency fluctuations during the fourth quarter.

Financial items amounted to SEK -3 thousand (-5). Operating profit after financial items amounted to SEK -5,246 thousand (-3,990).

Financial position and liquidity

Cash and liquid assets at period-end amounted to SEK 49,632 thousand (78,785). The liquidity ratio amounted to 343% (666).

There was no restricted cash at period-end.

Cash flow from operations for the full year 2020 amounted to SEK -29,254 thousand (-31,780). Cash flow from investments amounted to SEK 101 thousand (-172), which resulted from the merger of the two subsidiaries Impact Coatings Maxphase AB and Impact Coatings Optionsbärare AB during the fourth quarter.

Cash flow from financing activities amounted to SEK 0 thousand (64,069). Total cash flow for the period was SEK -29,153 thousand (32,116).

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 1,645 thousand (289).

The order backlog includes two coating systems, both of which have been ordered during 2020 and have been shipped from Linköping before the end of the year. The installation and final acceptance of one system was completed in January, with revenue planned to be recognized during the first quarter of 2021. The installation, final acceptance and revenue recognition of the second system, for Hyundai, is planned for the first quarter of 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 FOURTH QUARTER

A smaller system sale was realized during the period. Since December 2018, a European component manufacturer in the automotive industry has rented a coating system for metallization on plastic, an INLINECOATER™P200. At the end of 2020, the customer chose to exercise an option in the rental agreement to purchase the system. The sale closed and ownership of the system has been transferred to the customer.

Three coating systems, all ordered during the first half of 2020, were finalized and shipped from the facility in Linköping during the fourth quarter. One final delivery was completed, in Germany

to a technology supplier to the textile industry. Installation of the second system, at HELLA Saturnus Slovenija in Slovenia, was slightly delayed compared to the original plan and final delivery took place in January. Final delivery of the third system, to Hyundai in Korea, is since earlier planned for the first quarter of 2021.

Following two weeks in quarantine, Swedish staff on November 24 opened a new Impact Coatings office in Seoul. The establishment is part of the joint development agreement with Hyundai, which was signed in 2019. The office will also serve as a hub for sales in East Asia, primarily Korea, China, and Japan, for all the company's business areas.

In October, Andrea Grilli joined the company as Sales Director, Southern Europe. Mr. Grilli will work closely with customers in Italy, Spain, France, and surrounding countries, helping customers achieve cost-efficient coating production solutions, primarily for high-quality consumer products and automotive parts.

On November 4, the Swedish financial supervisory authority *Finansinspektionen* (FI) published on its website a decision to order Impact Coatings to pay a sanction of SEK 1,100,000 for violating provisions in the EU Market Abuse Regulation (MAR) in connection with a press release on September 3, 2018. The company does not concur with FI's assessment and has appealed the decision to the Swedish administrative court.

EVENTS AFTER PERIOD END

An installation team in January, in compliance with prevailing restrictions, carried out the installation and final delivery of the coating system at HELLA Saturnus Slovenija.

On February 8 the company announced an order for a coating system from HELLA MINTH Jiaying Automotive Parts Co., Ltd. (China), a joint venture between HELLA Group (Germany) and MINTH Group (China). This is yet another system order where the intended application is radomes (radar emblems). The order value is EUR 740,000 and delivery is planned for the third 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.

COVID-19 had a limited impact on the company's activities at home during the fourth quarter. However, the pandemic continues to affect our pipeline for system sales.

Continued restrictions going forward may affect the possibility to install ordered coating systems at customers according to plan. The company also continues to closely monitor any supply chain disruptions.

PROPOSED ALLOCATION OF NET INCOME

The Board of Directors will propose to the Annual General Meeting that no dividend be paid for 2020.

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

UPCOMING FINANCIAL EVENTS

Release of Annual Report for 2020	April 16, 2021
Interim report for the first quarter 2021	April 23, 2021
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/.

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INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	20,044	20,574	39,515	49,084
Capitalized work for own account	0	0	0	0
Change of work in progress	8,929	-12,463	14,175	-10,617
Other operating income	105	-43	665	899
Total revenue	29,078	8,069	54,355	39,366
Raw materials	-19,809	-1,177	-30,985	-14,520
Other external cost	-4,489	-3,136	-14,775	-18,781
Personnel cost	-7,938	-7,183	-26,873	-29,100
Write off and depreciation of tangible and intangible assets	-871	-872	-3,484	-3,502
Profit / Loss on Exchange rate	-1,196	314	-1,181	168
Other operating expenses	-17	0	-26	0
Operating profit	-5,243	-3,986	-22,970	-26,368
Interest income and similar items	0	0	0	0
Interest expenses and similar items	-3	-5	-6	-19
Operating profit after financial items	-5,246	-3,990	-22,975	-26,387
Tax expenses on profit in the period	0	0	0	0
Net income for the period	-5,246	-3,990	-22,975	-26,387
Earnings per share (kr)	-0.10	-0.09	-0.44	-0.61
Average shares outstanding during the period	51,809,051	44,363,088 ¹	51,809,051	43,008,425 ¹
Shares outstanding at period end	51,809,051	51,809,051	51,809,051	51,809,051 ¹

¹ Share issuance of 9 257 143 shares, subscribed October 29, 2019, and registered December 13, 2019.

BALANCE SHEET

<i>(All amounts in SEK 000)</i>	2020-12-31	2019-12-31
ASSETS		
Long term assets		
Capitalized development expenditures	2,195	3,440
Machines and technical equipment	8,779	11,018
Assets under construction	0	6,015
Financial assets		
Shares in subsidiary	0	100
Total long term assets	10,974	20,574
Short term assets		
Raw materials	12,528	11,711
Work in progress	14,335	161
Finished goods	500	500
Other short term receivables	7,785	2,483
Cash and liquid assets		
Unrestricted cash	49,632	78,785
Restricted cash	0	0
Total short term assets	84,780	93,640
TOTAL ASSETS	95,754	114,213
SHAREHOLDERS EQUITY AND LIABILITIES		
Shareholder equity	79,030	102,006
Pre-payment from customers		
Paid	5,621	2,350
Short term liabilities	11,102	9,858
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	95,754	114,213

CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	2020-12-31	2019-12-31
Opening balance	102,006	64,324
Share issuance	0	64,069
Period result	-22,975	-26,387
Closing Balance	79,030	102,006
Average shares outstanding during the period	51,809,051	43,008,425 ¹
Shares outstanding at period end	51,809,051	51,809,051 ¹

¹ Share issuance of 9 257 143 shares, subscribed October 29, 2019, and registered December 13, 2019.

STATEMENT OF CASH FLOWS

<i>(All amounts in SEK 000)</i>	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2020	2019	2020	2019
Operating profit after depreciation	-5,243	-3,986	-22,970	-26,368
Financial items (net)	-3	-5	-6	-19
Adjustments for non cash items	6,013	1,017	8,627	4,383
Cash flow from operations before change in working capital	768	-2,973	-14,349	-22,004
Change in working capital	-7,383	-1,403	-14,905	-9,777
Cash flow from operations	-6,615	-4,376	-29,254	-31,780
Cash flow from investments	62	0	101	-172
Cash flow from financing activities	0	64,069	0	64,069
Cash flow for the period	-6,553	59,693	-29,153	32,116
Liquid assets, opening balance	56,185	19,092	78,785	46,669
Liquid assets ending balance	49,632	78,785	49,632	78,785
Liquidity ratio, %	343	666	343	666

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January-December 2020 and for 2016-2019 is summarized below.

All figures related to the operating years 2016-2019 are based on material from previously published annual reports.

<i>(All amounts in SEK 000)</i>		2020	2019	2018	2017	2016
		Jan-Dec				
Net revenue		39,515	49,084	20,194	25,014	24,201
Operating profit		-22,970	-26,368	-37,568	-30,111	-6,912
Result after financial items (net)		-22,975	-26,387	-37,593	-29,887	-6,917
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		2,195	3,440	4,686	5,931	2,091
Tangible assets		8,779	17,034	19,118	7,235	4,664
Financial assets		0	100	100	100	100
Inventory		27,363	12,372	21,229	9,895	9,627
Pre payment from customers		5,621	2,350	22,004	0	0
Short term assets		7,785	2,483	5,308	24,390	17,251
Cash and liquid assets		49,632	78,785	46,669	65,386	22,147
Shareholder equity		79,030	102,006	64,324	101,987	37,206
Long term liabilities		0	0	0	0	0
Short term liabilities		11,102	9,858	10,783	20,317	18,674
Total assets		95,754	114,213	97,111	122,304	55,880
Return on assets	%	Neg	Neg	Neg	Neg	Neg
Return on equity		Neg	Neg	Neg	Neg	Neg
Equity/asset ratio		82.5%	89.3%	66.2%	83.4%	66.6%
Debt ratio	<i>ggr</i>	0	0	0	0.02	0
Interest coverage ratio		Neg	Neg	Neg	Neg	Neg
Liquidity ratio	%	343	666	159	442	211
Employees		29.7	31.7	31	21	19
Investments						
Intangible assets		0	0	0	4 151 ³	2 077 ¹
Tangible assets		-101	172	12,902 ⁴	3477	2091
Financial assets		0	0	0	0	0
Earnings per share	<i>SEK</i>	-0.44	-0.61	-0.88	-0.92	-0.22
Average shares outstanding during the period		51,809,051	43,008,425 ⁶	42,551,908 ⁵	32,479,180	31,193,526 ²
Shares outstanding at period end		51,809,051	51,809,051	42,551,908	42 551 908	32 136 764

¹ Investment of 2 077 TSEK represents a re-classification from development expenses to intangible assets.

² Share issuance of 1 886 476 shares subscribed March 23, 2016, and registered April 1, 2016.

³ Investment of 4 151 TSEK represents a re-classification from development expenses to intangible assets.

⁴ The annual investment includes a reclassification of 7 575 from working capital to machines and technical equipment.

⁵ Share issuance of 10 415 144 subscribed December 19, 2017, and registered January 15, 2018

⁶ Share issuance of 9 257 143 shares, subscribed October 29, 2019, and registered December 13, 2019.

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>