



IMPACT COATINGS AB (PUBL), INTERIM REPORT APRIL-JUNE 2020

FINANCIAL RESULTS SECOND QUARTER 2020

- Net revenue amounted to SEK 5,016 thousand (22,560)
- Total income amounted to SEK 9,726 thousand (17,452)
- Operating profit amounted to SEK -6,305 thousand (-4,185)
- Operating profit after financial items amounted to SEK -6,305 thousand (-4,191)
- Cash flow amounted to SEK -2,299 thousand (-12,413)
- Equity-to-assets ratio amounted to 282% (130)
- Coating system order backlog at period end amounted to EUR 3,765 thousand (2,084)

FINANCIAL RESULTS JANUARY-JUNE 2020

- Net revenue amounted to SEK 10,039 thousand (25,507)
- Total income amounted to SEK 16,301 thousand (23,903)
- Operating profit amounted to SEK -12,188 thousand (-14,505)
- Operating profit after financial items amounted to SEK -7,150 thousand (-21,098)
- Cash flow amounted to SEK -12,190 thousand (-14,514)
- Equity-to-assets ratio amounted to 282% (130)

SIGNIFICANT EVENTS SECOND QUARTER 2020

- Coating system order for radomes received from HELLA Group
- Coating system order for fuel cells received from Hyundai Motor Company

SIGNIFICANT EVENTS AFTER THE PERIOD

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

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 had a good order intake for coating systems during the first half of the year - in terms of orders the strongest start to the year in the company's history. Our sales organization has handled the corona pandemic's challenges and closed several well-advanced system deals. The order backlog for systems was roughly EUR 3.8 million as of the period end.

We have won important orders within strategic business segments. During the second quarter, we signed an order agreement with automotive component supplier HELLA for the delivery of a coating system for radomes – radar-transparent automotive emblems – which form part of a vehicle safety system.

In June, Hyundai Motor Company ordered a coating system for fuel cells – a result of the Joint Development Agreement (JDA) signed during 2019, when Hyundai also became a shareholder in Impact Coatings. The establishment of a local office in South Korea for development and sales – also a part of the JDA – has been prepared pending eased travel restrictions. In the meantime, development work together with Hyundai has proceeded remotely.

The development of a hydrogen society with fuel cells has received substantial media attention during the summer. First, Germany adopted an aggressive national hydrogen strategy, which was followed by a hydrogen strategy for the broader EU, in which the European Commission estimates substantial industry investments in renewable hydrogen. Even the Swedish government, finally, has decided to create a strategic plan for hydrogen. In South Korea, where our partner Hyundai is active, hydrogen-based mobility is an important part of the "Korea New Deal," which president Moon Jae-in has proposed to help lift the country from the corona crisis through investment. Hyundai has in conjunction with this proposal presented plans for the development of next-generation, more durable fuel cells, and an aggressive rollout of both heavy and light fuel cell vehicles.

The company's operating loss for the first half of 2020 improved somewhat from 2019 as a result of cost savings, despite the lower revenues. No coating system was shipped during the first six months of 2020, commensurate with the order development of 2019. By comparison, two system deliveries were completed during H1 2019.

Revenues for Q2 2020 include SEK 2,151 thousand from an advance payment by China Hydrogen Energy for a system order in 2016 that Impact Coatings in 2018 declared no longer valid. In connection with the order being declared no longer valid, the company communicated that we aimed to retain the advance payment to cover costs. Following a legal review, the advance that was previously booked as a liability has during Q2 2020 been recognized as income, a positive conclusion to the situation.

An additional positive development connected to China is the agreement we have entered into with the technology and service provider NET, which will represent Impact Coatings in China for system maintenance, first-line support, and the distribution of consumable materials and spare parts. Offering local service in this potentially significant market is important for both existing customers and for future sales.

The strong system order backlog, in spite of COVID-19, means we have had a full utilization during H1 2020. The pandemic has not adversely affected our projects for delivery, but continued restrictions during the autumn can affect our ability to install systems at customer premises according to plan. Minor supply chain disruptions have been handled and we continue to closely monitor the situation. As for many other export companies, COVID-19 impedes sales work, which affects our pipeline for future system sales. Even aftermarket

service and the Coating Services segments are affected to some degree by travel restrictions and customers' closed factories.

During the coming months, we will focus fully on producing and delivering the coating systems on order, and on intensifying the development efforts with Hyundai and other customers. Provided the world continues to open up, there is a continued high potential in our sales pipeline and we view favorably market developments in, above all, fuel cells and metallization of plastic including radomes and other automotive components. We are preparing ourselves for a busy second half of the year.

Torbjörn Sandberg

FINANCIAL RESULTS

Second quarter 2020

Net revenue for the second quarter 2020 amounted to SEK 5,016 thousand (22,560), which includes Coating Services revenue, aftermarket sales and lease revenue.

Net revenue also includes revenue amounting to SEK 2,515 thousand, originating from a EUR 240 thousand down payment from China Hydrogen Energy ("CHE") in 2016. Impact Coatings declared the order no longer valid in a press release on July 12, 2018. In connection with this declaration, the company announced that we intend to keep the advance to cover costs. Following a legal review, the advance previously booked as a liability has now been recognized as income.

Total income amounted to SEK 9,726 thousand (17,452).

Operating expenses amounted to SEK -15,612 thousand (-22,149), which reflects a lower consumption of components, results of our cost reduction program and the COVID-19 related cost savings (e.g., less travel).

Profit and loss from currency translation amounted to SEK -419 thousand (512), the result of EUR currency fluctuation during the second quarter as compared to the first quarter.

Financial items amounted to SEK 0 thousand (-6). Operating profit after financial items amounted to SEK -6,305 thousand (-4,191).

We announced in June that the 2017 warrant program for the company's personnel ended without any new shares being subscribed. The program was implemented through the subsidiary Impact Coatings Optionsbärare AB.

Following the termination of the warrant program, the company has decided to implement a merger of two dormant subsidiaries registered in 2014: Impact Coatings Maxphase AB and Impact Coatings Optionsbärare AB. A merger plan has been communicated to the Swedish Companies Registration Office and is expected to be implemented during the second half of 2020. The changes will reduce administrative costs for the company, and will have no operational effects.

January-June 2020

Net revenue for the period January-June 2020 amounted to SEK 10,039 thousand (25,507). It includes revenue from the installation of a coating system for the Scandinavian eyewear manufacturer completed in the first quarter for SEK 2,762 thousand, revenue from the down payment from CHE for SEK 2,515 thousand, Coating Services revenue, aftermarket sales and lease revenue.

Total income amounted to SEK 16,301 thousand (23,903).

Operating expenses amounted to SEK -28,565 thousand (-38,779), which reflects a lower consumption of components and a lower cost base due to our cost reduction program and to COVID-19 related cost savings.

Profit and loss from currency translation amounted to SEK 76 thousand (370) as the profit on currency translation in the first quarter was partially offset by the loss in the second quarter. Our revenues are mainly in EUR and costs are mainly in SEK. The company has decided that flows in foreign currency should not be hedged because the benefits of lower financial costs and increased flexibility outweigh the risks of not hedging.

Financial items amounted to SEK -2 thousand (-9). Operating profit after financial items amounted to SEK -12,190 thousand (-14,514).

Financial position and liquidity

Cash and liquid assets at period-end amounted to SEK 71,635 thousand (25,571). Interest-bearing debt at period-end amounted to SEK 0 (0). Equity-to-assets ratio amounted to 282% (130).

Restricted cash at period-end amounted to SEK 7,655 thousand (0), which relates to bank guarantees.

Cash flow from operations for the period January-June 2020 amounted to SEK -7,189 thousand (-20,926). Cash flow from investments amounted to SEK 39 thousand (-172). Cash flow from financing activities amounted to SEK 0 thousand (0). Total cash flow for the period was SEK -7,150 thousand (-21,098).

The down payment from the German provider of precision tools for the textile industry was booked during the second quarter.

The company expects to have the liquidity needed to continue operations for at least the next 12 months.

Order backlog coating systems

The value of the order backlog for coating machines was at the end of the period EUR 3,765 thousand (2,084).

The order backlog for coating machines excludes recurring activities from after-market sales and coating services but includes agreed rental income for coating machines.

EVENTS DURING THE SECOND QUARTER

A coating system order from HELLA Saturnus Slovenija (Slovenia) was announced on May 25. The company is a member of HELLA Group, the international automotive component supplier. The order value is EUR 700,000 and delivery is planned for the fourth quarter of 2020. The coating system will be used for radomes (radar emblems) and is the second order for this application area in 2020.

On June 10 it was announced that Hyundai Motor Company had placed an order for a coating system for metal bipolar plates for fuel cells, with an order value of EUR 945,000. The order is a result of the joint development agreement (JDA) that the companies signed in October 2019. Shipment is planned for the fourth quarter of 2020, with final delivery at the beginning of 2021.

An agreement was signed in May with NET – Dalian Nuohao Lianheng Electronic Technology Co., Ltd. – which will represent Impact Coatings as service partner in China. NET has a long experience as a service provider for suppliers of similar coating equipment within, among others, the LED and semiconductor industries. As COVID-19 allows, NET will take over maintenance/support and distribution of spare parts and consumables to Impact Coatings' Chinese system customers. Present customers in China operate, for example, in the automotive industry, where fast support and production stability are essential. Having a service partner in place is also an advantage for future system sales.

The Annual General Meeting (AGM) of shareholders was held in Linköping on May 14. As a result of the COVID-19 pandemic, the AGM was held in its simplest conceivable form, but with a guarantee for shareholders to exercise their rights. There were three participants representing 12.1% of the total outstanding votes. The AGM resolved in accordance with the proposals of the Board and the Nomination Committee on all points. Göran Malm was elected as a new member of the board, while Jan-Eric Sundgren had declined re-election. The AGM thanked Jan-Eric Sundgren for his many years of service to the company as a board member and advisor.

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. No staff have been temporarily furloughed and no significant increase in sick leave has been noted.

The order intake for coating systems during the first half of the year has been good despite COVID-19. This has resulted in full employment for the entire workforce. Minor disruptions have occurred in material flows from certain suppliers related to COVID-19, but these have been manageable and have not resulted in delays. Continued restrictions during the autumn may affect the opportunities to install systems at customer premises according to plan. The company continues to closely monitor any disruptions to the supply chain and projects.

On the other hand, marketing and sales have been affected by travel restrictions, canceled marketing events and closed customer factories in many countries. The challenges of interacting with customers affect our pipeline for future system sales. The service operations have also been affected. Maintenance work with system customers, for example, has had to be postponed. Coating Services operations have not increased as planned as customers have been closed and their need for coating services has therefore declined.

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

Interim report for the third quarter 2020	October 23, 2020
Year-end report 2020	February 12, 2021

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INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
	2020	2019	2020	2019	2019
Net revenue	5,016	22,560	10,039	25,507	49,084
Capitalized work for own account	0	0	0	0	0
Change of work in progress	4,377	-5,626	5,933	-2,189	-10,617
Other operating income	333	518	329	585	899
Total income	9,726	17,452	16,301	23,903	39,366
Raw materials	-5,540	-7,137	-6,786	-10,099	-14,520
Other external cost	-2,718	-5,595	-6,945	-11,228	-18,781
Personnel cost	-6,474	-8,540	-13,082	-15,702	-29,100
Write off and depreciation of tangible and intangible assets	-871	-877	-1,743	-1,750	-3,502
Profit / Loss on Exchange rate	-419	512	76	370	168
Other operating expenses	-9	0	-9	0	0
Operating profit	-6,305	-4,185	-12,188	-14,505	-26,368
Interest income and similar items	0	0	0	0	0
Interest expenses and similar items	0	-6	-2	-9	-19
Operating profit after financial items	-6,305	-4,191	-12,190	-14,514	-26,387
Tax expenses on profit in the period	0	0	0	0	0
Net income for the period	-6,305	-4,191	-12,190	-14,514	-26,387
Earnings per share (kr)	-0.12	-0.10	-0.24	-0.34	-0.61
Average shares outstanding during the period	51,809,051	42,551,908	51,809,051	42,551,908	43,008,425 ¹
Shares outstanding at period end	51,809,051	42,551,908	51,809,051	42,551,908	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>	6/30/2020	6/30/2019	12/31/2019
ASSETS			
Long term assets			
Capitalized development expenditures	2,818	4,063	3,440
Machines and technical equipment	9,860	12,148	11,018
Assets under construction	6,015	6,015	6,015
Financial assets			
Shares in subsidiary	100	100	100
Total long term assets	18,792	22,326	20,574
Short term assets			
Raw materials	14,872	11,430	12,211
Work in progress	6,093	8,589	161
Finished goods	0	0	0
Other short term receivables	5,927	7,345	2,483
Cash and liquid assets			
Unrestricted cash	63,980	25,571	78,785
Restricted cash	7,655	0	0
Total short term assets	98,526	52,935	93,640
TOTAL ASSETS	117,318	75,260	114,213
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholder equity	89,815	49,810	102,006
Pre-payment from customers			
Paid	12,275	10,408	2,350
Short term liabilities	15,228	15,042	9,858
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	117,318	75,260	114,213

CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	6/30/2020	6/30/2019	12/31/2019
Opening balance	102,006	64,324	64,324
Share issuance	0	0	64,069
Period result	-12,190	-14,514	-26,387
Closing Balance	89,815	49,810	102,006
Average shares outstanding during the period	51,809,051	42,551,908	43,008,425 ¹
Shares outstanding at period end	51,809,051	42,551,908	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

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<i>(All amounts in SEK 000)</i>					
Operating profit after depreciation	-6,305	-4,185	-12,188	-14,505	-26,368
Financial items (net)	0	-6	-2	-9	-19
Adjustments for non cash items	871	1,324	1,743	2,197	3,502
Cash flow from operations before change in working capital	-5,434	-2,866	-10,447	-12,317	-22,885
Change in working capital	3,095	-9,375	3,258	-8,609	-8,896
Cash flow from operations	-2,338	-12,241	-7,189	-20,926	-31,780
Cash flow from investments	39	-172	39	-172	-172
Cash flow from financing activities	0	0	0	0	64,069
Cash flow for the period	-2,299	-12,413	-7,150	-21,098	32,116
Liquid assets, opening balance	73,934	37,984	78,785	46,669	46,669
Liquid assets ending balance	71,635	25,571	71,635	25,571	78,785
Liquid assets ending balance, %	282	130	282	130	666

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January-June 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-Jun				
Net revenue		10,039	49,084	20,194	25,014	24,201
Operating profit		-12,188	-26,368	-37,568	-30,111	-6,912
Result after financial items (net)		-12,190	-26,387	-37,593	-29,887	-6,917
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		2,818	3,440	4,686	5,931	2,091
Tangible assets		15,875	17,034	19,118	7,235	4,664
Financial assets		100	100	100	100	100
Inventory		20,965	12,372	21,229	9,895	9,627
Pre payment from customers		12,275	2,350	22,004	0	0
Short term liabilities		5,927	2,483	5,308	24,390	17,251
Cash and liquid assets		71,634	78,785	46,669	65,386	22,147
Shareholder equity		89,815	102,006	64,324	101,987	37,206
Long term liabilities		0	0	0	0	0
Short term liabilities		15,228	9,858	10,783	20,317	18,674
Total assets		117,318	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		76.6%	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	%	282	666	159	442	211
Employees		27.3	31.7	31	21	19
Investments						
Intangible assets		0	0	0	4 151 ³	2 077 ¹
Tangible assets		-39	172	12,902 ⁴	3477	2091
Financial assets		0	0	0	0	0
Earnings per share	<i>SEK</i>	-0.24	-0.61	-0.88	-0.92	-0.22
Average shares outstanding during the period		51,809,051	43,008,425 ⁶	42,551,908	32,479,180	31,193,526 ²
Shares outstanding at period end		51,809,051	51,809,051	42,551,908 ⁵	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>