



IMPACT COATINGS AB (PUBL), INTERIM REPORT JANUARY-MARCH 2020

FINANCIAL RESULTS FIRST QUARTER 2020

- Net revenue amounted to SEK 5 023 thousand (2 947)
- Total income amounted to SEK 6 574 thousand (6 452)
- Operating profit amounted to SEK -5 883 thousand (-10 320)
- Operating profit after financial items amounted to SEK -5 885 thousand (-10 323)
- Cash flow amounted to SEK -4 851 thousand (-8 685)
- Equity-to-assets ratio amounted to 523% (113)
- Coating system order backlog at period end amounted to EUR 2 120 thousand

SIGNIFICANT EVENTS FIRST QUARTER 2020

- Coating system order for radomes received from Zanini Auto Group
- Coating system order for R&D received from German provider of precision tools for the textile industry

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 first quarter. We signed two agreements for system deliveries, one with Zanini Auto Group in Spain and one with a German supplier of precision tools to the global textile industry.

The order from Zanini is the company's first in a new, exciting area with strong expected growth: radomes – radar-transparent emblems that cover vehicle radar. The application is driven by the autonomous vehicle trend, with many components requiring cost-effective technology for metallization of plastic. A related area is plastic antennas for vehicles, IoT and 5G, where several manufacturers are developing new solutions. Radomes and antennas comprise a new business opportunity within the segment metallization on plastic, a stable pillar and complement to our unique offerings in fuel cells.

The order from the German textile industry supplier shows the breadth of our application areas, while at the same time the interest in our technology is always based on quality, flexibility and cost efficiency.

The global outbreak of COVID-19 during the first quarter affects everything and everyone, including Impact Coatings. We are following the recommendations of the Swedish Public Health Authority and the Ministry of Foreign Affairs, which affect how we interact with customers, suppliers and other partners. We have strict rules that stipulate, among other things, that employees with symptoms may not come to the office, restrictions on internal and external travel, and are very restrictive when it comes to external visits. We encourage employees to work from home when possible. The Annual General Meeting on May 14 will take place as planned, but in a very limited form and with an expected low attendance to minimize the risk of spread of infection.

Our overall view is that Impact Coatings' business continues relatively unhindered. The two mentioned system orders give us a satisfactory utilization in system manufacturing. We also do not see any current disruption in material flows from our suppliers. On the other hand, aftermarket sales to system customers and the coating services operation are somewhat affected by closed factories in some European countries.

Sales and development work with customers continues with some delay. East Asian companies, both in China and our development partner Hyundai in South Korea, have opened their operations after several weeks of closure. As we await travel restrictions to be lifted, the collaboration with Hyundai continues at a distance. Many companies in Europe are still completely closed and sales focus is on those that are still running. We are now seeing signs towards the end of April that some European companies are slowly resuming production and commercial activity, which is positive, but we expect travel restrictions within Europe for a while still.

The situation with COVID-19 is a challenge for our world and all industrial companies. I am proud of how Impact Coatings continues to deliver for our customers and shareholders during this difficult time, while also protecting our employees and business partners.

Torbjörn Sandberg

FINANCIAL RESULTS

First quarter 2020

Net revenue for the first quarter 2020 amounted to SEK 5 023 thousand (2 947), which includes revenue from the installation of a coating system to the Scandinavian eyewear manufacturer completed in the quarter for SEK 2 762 thousand. Net revenue also includes Coating Services revenue, aftermarket sales and lease revenue.

Total income amounted to SEK 6 574 thousand (6 452).

Operating expenses amounted to SEK -12 953 thousand (-16 772), which reflects a lower cost base after our cost reduction program.

Profit from currency translation amounted to SEK 495 thousand (-142) as our revenue 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 (-3). Operating profit after financial items amounted to SEK -5 885 thousand (-10 323).

Financial position and liquidity

Cash and liquid assets at period-end amounted to SEK 73 934 thousand (37 984). Interest-bearing debt at period-end amounted to SEK 0 (0). Equity-to-assets ratio amounted to 523% (113).

Restricted cash at period-end amounted to SEK 7 655 thousand (3 925), which relates to bank guarantees.

Cash flow from operations for the period January-March 2020 amounted to SEK -4 851 thousand (-8 685). Cash flow from investments amounted to SEK 0 thousand (0). Cash flow from financing activities amounted to SEK 0 thousand (0). Total cash flow for the period was SEK -4 851 thousand (-8 685).

The final payment from the Scandinavian eyewear manufacturer and the down payment from Zanini Auto Group were booked during the first quarter 2020.

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

Order book coating systems

The value of the order backlog for coating machines was at the end of the period EUR 2 120 thousand.

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 FIRST QUARTER

On January 17 the company announced a system order from Zanini Auto Group (Spain). The order relates to an INLINECOATER™ system for coating radomes (radar emblems) for vehicle safety systems. The order value is EUR 710,000 and delivery is scheduled for the fourth quarter of 2020.

The order from Zanini is the first within the application area radomes. The term “radome” refers to radar-transparent antenna covers. Today’s new cars use radar in safety systems that support the driver (advanced driver-assistance systems – ADAS). An automotive radar is often placed behind the front brand emblem, in bumpers, or integrated into side view mirrors or other plastic parts.

On March 18 it was announced that the company had received yet another system order, this time for a coating system for R&D. The customer, which operates globally, is a German supplier of precision tools for the textile industry. The order value is EUR 1,350,000 and delivery is scheduled for the fourth quarter of 2020.

Impact Coatings exhibited at two trade shows during the quarter: the OPTI 2020 eyewear show in Munich in January, and the FC Expo in Tokyo at the end of February. Normally, the Tokyo event is the world's largest hydrogen and fuel cell exhibition. However, due to the travel restrictions that began to apply in many countries as a result of the outbreak of COVID-19, this year's exhibition was not well attended, but still resulted in some important customer meetings.

COMMENTS ON COVID-19

Impact Coatings is following 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.

Two new system orders during the first quarter and to-date uninterrupted supply of materials mean that the company's system manufacturing has so far been virtually unaffected by COVID-19. The company continues to closely monitor any disruptions in the supply chain for system manufacturing. Some decline can be seen for aftermarket sales to system customers and for the coating services operation due to closed factories in some European countries

The joint development with Hyundai was on a reduced activity level during the weeks in February-March when South Korea was in shutdown, although some activity could continue at Impact Coatings. Since Hyundai has reopened, joint work is being carried on remotely, pending the lifting of travel restrictions.

Sales and marketing are made more difficult by some potential customers being closed, by travel and visitor bans, and by trade fairs and market events that are moved forward to later dates or canceled. This may delay future orders.

One result of COVID-19 is that additional exhibitions and conferences that Impact Coatings had planned to attend during the first half of 2020 have either been canceled or postponed. This applies, among others, to the annual industrial fair in Hanover in April, which was first moved to July, but which was later completely canceled for 2020. The company still plans to attend the fuel cell conference f-cell + HFC in Vancouver, which was first moved from April to June, and is now planned for September.

AUDIT AND ACCOUNTING POLICIES

This interim report has not been subject to auditor review.

UPCOMING FINANCIAL EVENTS

Annual general meeting 2020	May 14, 2020
Interim report for the second quarter 2020	August 18, 2020
Interim report for the third quarter 2020	October 23, 2020
Year-end report 2020	February 12, 2021

Due to the spread of the coronavirus in society, the company has decided to adjust the program around Impact Coatings' Annual General Meeting (AGM) 2020 keeping in mind the health of participants and employees while allowing shareholders to exercise their rights. The company will therefore conduct the AGM in its simplest conceivable form. More information can be found in the Notice of AGM that can be found (Swedish version only) on the company's website.

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INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net revenue	5,023	2,947	49,084
Capitalized work for own account	0	0	0
Change of work in progress	1,555	3,437	-10,617
Other operating income	-4	68	899
Total income	6,574	6,452	39,366
Raw materials	-1,246	-2,962	-14,520
Other external cost	-4,227	-5,633	-18,781
Personnel cost	-6,608	-7,162	-29,100
Write off and depreciation of tangible and intangible assets	-872	-873	-3,502
Profit on Exchange rate	495	0	168
Other operating expenses	0	-142	0
Operating profit	-5,883	-10,320	-26,368
Interest income and similar items	0	0	0
Interest expenses and similar items	-2	-3	-19
Operating profit after financial items	-5,885	-10,323	-26,387
Tax expenses on profit in the period	0	0	0
Net income for the period	-5,885	-10,323	-26,387
Earnings per share (kr)	-0.11	-0.24	-0.61
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.

BALANCE SHEET

<i>(All amounts in SEK 000)</i>	3/31/2020	3/31/2019	12/31/2019
ASSETS			
Long term assets			
Capitalized development expenditures	3,129	4,375	3,440
Machines and technical equipment	10,458	12,542	11,018
Assets under construction	6,015	6,015	6,015
Financial assets			
Shares in subsidiary	100	100	100
Total long term assets	19,702	23,031	20,574
Short term assets			
Raw materials	12,930	11,878	12,211
Work in progress	1,716	6,259	161
Finished goods	0	7,956	0
Other short term receivables	2,446	4,870	2,483
Cash and liquid assets			
Unrestricted cash	66,279	34,059	78,785
Restricted cash	7,655	3,925	0
Total short term assets	91,026	68,946	93,640
TOTAL ASSETS	110,728	91,978	114,213
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholder equity	96,120	54,001	102,006
Pre-payment from customers			
Paid	4,121	25,900	2,350
Short term liabilities	10,487	12,077	9,858
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	110,728	91,978	114,213

CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	3/31/2020	3/31/2019	12/31/2019
Opening balance	102,006	64,324	64,324
Share issuance	0	0	64,069
Period result	-5,885	-10,323	-26,387
Closing Balance	96,120	54,001	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

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<i>(All amounts in SEK 000)</i>			
Operating profit after depreciation	-5,883	-10,320	-26,368
Financial items (net)	-2	-3	-19
Adjustments for non cash items	872	873	3,502
Cash flow from operations before change in working capital	-5,014	-9,450	-22,885
Change in working capital	163	765	-8,896
Cash flow from operations	-4,851	-8,685	-31,780
Cash flow from investments	0	0	-172
Cash flow from financing activities	0	0	64,069
Cash flow for the period	-4,851	-8,685	32,116
Liquid assets, opening balance	78,785	46,669	46,669
Liquid assets ending balance	73,934	37,984	78,785
Liquid assets ending balance, %	523	113	666

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January to March 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-Mar				
Net revenue		5,023	49,084	20,194	25,014	24,201
Operating profit		-5,883	-26,368	-37,568	-30,111	-6,912
Result after financial items (net)		-5,885	-26,387	-37,593	-29,887	-6,917
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		3,129	3,440	4,686	5,931	2,091
Tangible assets		16,473	17,034	19,118	7,235	4,664
Financial assets		100	100	100	100	100
Inventory		14,646	12,372	21,229	9,895	9,627
Pre payment from customers		5,332	2,350	22,004	0	0
Short term liabilities		2,446	2,483	5,308	24,390	17,251
Cash and liquid assets		73,934	78,785	46,669	65,386	22,147
Shareholder equity		96,120	102,006	64,324	101,987	37,206
Long term liabilities		0	0	0	0	0
Short term liabilities		9,276	9,858	10,783	20,317	18,674
Total assets		110,728	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		86.8%	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	%	523	666	159	442	211
Employees		27.7	31.7	31	21	19
Investments						
Intangible assets		0	0	0	4 151 ³	2 077 ¹
Tangible assets		-0.043	172	12,902 ⁴	3477	2091
Financial assets		0	0	0	0	0
Earnings per share	<i>SEK</i>	-0.11	-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>