



IMPACT COATINGS AB (PUBL), INTERIM REPORT JULY-SEPTEMBER 2019

FINANCIAL RESULTS THIRD QUARTER 2019

- Net revenue amounted to SEK 3 003 thousand (3 569)
- Total income amounted to SEK 7 394 thousand (6 681)
- Operating profit amounted to SEK -7 878 thousand (-8 757)
- Operating profit after financial items amounted to SEK -7 883 thousand (-8 759)
- Cash flow amounted to SEK -6 479 thousand (7 037)
- Order backlog at period end amounted to EUR 2 144 thousand

FINANCIAL RESULTS JANUARY-SEPTEMBER 2019

- Net revenue amounted to SEK 28 509 thousand (12 624)
- Total income amounted to SEK 31 297 thousand (16 469)
- Operating profit amounted to SEK -22 383 thousand (-28 385)
- Operating profit after financial items amounted to SEK -22 397 thousand (-28 406)
- Cash flow amounted to SEK -27 577 thousand (-8 427)
- Equity-to-assets ratio amounted to 86% (168)

SIGNIFICANT EVENTS THIRD QUARTER 2019

- No significant events occurred during the period

SIGNIFICANT EVENTS AFTER THE PERIOD

- Notice convening an extraordinary general meeting of shareholders on 22 November 2019 in Stockholm
- Entered into Joint Development Agreement with Hyundai Motor Company
- Resolution by the board of directors on directed new share issue to Hyundai Motor Company and Accendo Capital, and nomination of board member by Hyundai, both subject to approval by an EGM

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

On October 30, Impact Coatings and Hyundai Motor Company ("Hyundai") announced that the companies have entered into a Joint Development Agreement ("JDA") for the development of coating technology for fuel cells. It was also announced that the board of directors of Impact Coatings has resolved on a directed equity issue to Hyundai and Accendo Capital at a price premium. Hyundai has in addition nominated Sukhwan Yun to the Impact Coatings board of directors. The equity issue and board election are subject to approval by an extraordinary general meeting of shareholders to be convened 22 November 2019 in Stockholm.

Hyundai is one of the world's leading auto manufacturers and at the forefront of fuel cell vehicle development. The JDA is evidence that Impact Coatings has world-leading coating solutions for fuel cells. Vehicle electrification using hydrogen and fuel cells is happening much faster in the rest of the world than what we are aware of in Sweden, and our coating solutions are needed now for development and small series production. The JDA increases the likelihood of our selling coating systems to Hyundai in the future but provides no such guarantee. The two parties have for a fixed period of time exclusivity on the technology developed jointly within the framework of the agreement.

The equity issue to Hyundai gives the company an industrial owner that provides credibility, industrial know-how, and distribution channels that reach the rapidly growing global markets for fuel cells and automotive technology. Hyundai's ownership stake after the directed issue amounts to 10.4% and Accendo Capital's stake amounts to 12.0%. The board of directors views Accendo Capital's continued active engagement and capital investment in Impact Coatings as necessary for the company's future success and its cooperation with industrial shareholder Hyundai.

Third quarter net sales amounted to SEK 3 003 thousand, which includes revenues from coating services, after-market sales, and rental income from a coating machine. The coating machine for Shouhang was shipped during August. Installation and revenue recognition are anticipated during Q4 when the customer's premises are expected to be completed.

No new machine orders were received during the period and the order flow for coating systems has not developed as we predicted. The market dynamics vary among different application areas. We see, for example, a strong interest from the auto industry for several different applications, but at the same time experience that decision processes take time due to multiple decision levels in the value chain as well as the approval process of complex new technologies. In other areas, one anticipated order has been delayed due to the customer's uncertainty about the German economic cycle.

Even if orders take time, we see a continued strong interest in our offerings in line with the company's stated strategy. We have a pipeline of potential system sales, mostly to European companies in the D/M/R segment (decorative, metallization and reflectors). Market development is being intensified in these segments.

Within fuel cells (FC) we have a strong belief in our offering, and that our coatings and production solutions best meet the requirements for efficient fuel cells with a long life span. The cooperation with Hyundai confirms this view. Current needs within the automotive sector are largely in development and small series production, which the company's existing products and services fulfil well.

The coating services business has continued its positive development during the year. Coating of fuel cells comprises a significant part of the business and we continue to view

coating services in the fuel cells market as a future growth segment. We also see increased revenues during the year from coating services in decorative coatings and electrical contacts.

Since my start as CEO last year, we have held new discussions with Tokyo-based Oporun about the distribution and supply agreement the companies initiated in 2017. We have together decided to end the formal cooperation since it has not, as previously described, yielded the desired results for either party. The companies continue to have a good relationship and it is possible we will work together on specific cases in the future. Until further notice, our own personnel will handle sales in the region. We also strengthen our presence in the region through our cooperation with Hyundai, which will involve establishing an office in South Korea.

Hyundai's entrance as an industrial owner and development partner heralds the start of a new phase for Impact Coatings, provided the extraordinary general meeting of shareholders approves the board's decision on November 22. I look forward to the cooperation and the greater strength it will give the company in everything we do in the future.

Torbjörn Sandberg

FINANCIAL RESULTS

Third quarter 2019

Net revenue for the third quarter 2019 amounted to SEK 3 003 thousand (3 569) which includes revenue from Coating services, after sales and lease revenue.

The delivery of the coating system to Beijing Shouhang Resources Saving Co., Ltd. is not included. The installation of the system in China has been somewhat delayed compared to the original schedule but is planned to be finalized during the fourth quarter 2019. Impact Coatings has received payments amounting to 90% of the order value of about SEK 11.2 million. The shipped system had mutually agreed modifications compared to the original configuration, and the final payment is therefore to be negotiated in conjunction with final acceptance (up to 10% of the order value).

Total income amounted to SEK 7 394 thousand (6 681).

Operating expenses amounted to SEK -15 271 thousand (-15 437). During the third quarter, we implemented a cost reduction program in line with our efficiency improvement work. The main effects come from restrictive new hiring and reduced IT and sales consulting costs, with have full effect from October. We have been able to reduce the entire cost base for running costs (i.e., personnel costs and other external costs) by 10% without incurring any one-off costs.

Financial items amounted to SEK -5 thousand (-2). Operating profit after financial items amounted to SEK -7 616 thousand (-8 759).

January-September 2019

Net revenue for the period January-September 2019 amounted to SEK 28 509 thousand and increased compared to the previous year (12 624). Total income amounted to SEK 31 297 thousand (16 469).

Operating expenses amounted to SEK -53 680 thousand (-44 854). The increase is driven by raw materials for the three coating systems delivered, as well as higher personnel costs and depreciation. Financial items amounted to SEK -14 thousand (-21). Operating profit after financial items amounted to SEK -22 397 thousand (-28 406).

A provision for deferred tax assets has, in line with previous financial reporting, not been recognized.

Financial position and liquidity

Cash and liquid assets at period-end amounted to SEK 19 092 thousand (56 959). Interest-bearing debt at period-end amounted to SEK 0 (0). Equity-to-assets ratio amounted to 86% (168).

Cash flow from operations during January-September amounted to SEK -27 405 thousand (-8 357). Cash flow from investments amounted to SEK -172 thousand (0). Cash flow from financing activities amounted to SEK 0 thousand (-70). Total cash flow for the period was SEK -27 577 thousand (-8 427).

Impact Coatings has received payment against an Irrevocable Letter of Credit corresponding to 40% of the order value from Beijing Shouhang Resources Saving Co., Ltd., whose release

had a positive effect on cash flow during the third quarter. The final payments from Henan Yuqing Power Co., Ltd. and from the Swiss watch manufacturer are also recognized during the third quarter.

Following the directed share issue to Hyundai and Accendo Capital, the company will have the liquidity needed to continue operations at least for the next 12 months, under the condition that the share issue is approved at the EGM.

Order book coating systems

The value of the order backlog for coating machines was at the end of the period EUR 2 144 thousand, which still includes the whole amount for the order to Beijing Shouhang Resources Saving Co., Ltd.

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 THIRD QUARTER

A coating system was shipped in early August to Beijing Shouhang Resources Saving Co., Ltd., a listed Chinese company active in renewable energy technology. The deal was announced in February 2019 and concerns an INLINECOATER system for the development and production of PVD coatings. Planned installation in China is pending the completion of the customer's premises and is scheduled to take place during the fourth quarter.

The operation has generally focused on producing and delivering existing system orders, continuous production of coating services, maintenance of customer machines, and aftermarket sales. Sales work for upcoming business has continued with high intensity, and a limited group has at the end of the period been involved in the discussions with Hyundai, which has been completed after the end of the period.

EVENTS AFTER PERIOD END

On October 30, it was announced that the company has entered into a Joint Development Agreement with Hyundai Motor Company regarding cooperation in the development of coating technology for metal bipolar plates, a key component of hydrogen fuel cell electric vehicles.

On October 30, it was further announced that the board of directors has resolved on a directed new share issue of 5,400,000 shares to Hyundai Motor Company and 3,857,143 new shares to Accendo Capital. Hyundai has nominated Sukhwan Yun to the board of Impact Coating. The issue and board member election require the approval of an extraordinary general meeting of shareholders, which will be held on November 22, 2019 in Stockholm.

AUDIT AND ACCOUNTING POLICIES

This interim report has not been subject to auditor review.

UPCOMING FINANCIAL EVENTS

Year-end report 2019 14 February 2020

Interim report for the first quarter 2020 24 April 2020

Annual general meeting 2020 14 May 2020

Visit also Redeye Technology Day 2019 in Stockholm on November 20, where Impact Coatings will present the company (also broadcast as a webcast).

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>	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net revenue	3 003	3 569	28 509	12 624	20 194
Capitalized work for own account	0	0	0	0	5 323
Change of work in progress	4 034	3 098	1 845	3 098	4 575
Other operating income	357	14	943	747	1 893
Total income	7 394	6 681 ²	31 297	16 469	31 985
Raw materials	-3 245	-1 650	-13 343	-10 121	-20 698
Other external cost	-4 416	-7 159	-15 644	-16 049	-22 803
Personnel cost	-6 215	-4 512	-21 917	-14 945	-20 938
Write off and depreciation of tangible and intangible assets	-880	-642	-2 630	-1 546	-2 264
Other operating expenses	-515	-1 474	-145	-2 194	-2 850
Operating profit	-7 878	-8 757	-22 383	-28 385	-37 568
Interest income and similar items	0	0	0	0	0
Interest expenses and similar items	-5	-2	-14	-21	-24
Operating profit after financial items	-7 883	-8 759	-22 397	-28 406	-37 593
Tax expenses on profit in the period	0	0	0	0	0
Net income for the period	-7 883	-8 759	-22 397	-28 406	-37 593
Earnings per share (kr)	Neg	Neg	Neg	Neg	Neg
Average shares outstanding during the period	42 551 908	42 551 908	42 551 908	42 551 908	42 551 908 ¹
Shares outstanding at period end	42 551 908	42 551 908	42 551 908	42 551 908	42 551 908

¹ Share issuance of 10 415 144 shares, subscribed December 19, 2017, and registered January 15, 2018.

² The quarterly report for the third quarter of 2018 shows SEK 5 305 thousand under operating income. The company has reclassified SEK 1376 thousand between 'Change of work in progress' and 'Raw materials' to reflect the presentation according to the 2018 annual report.

BALANCE SHEET

<i>(All amounts in SEK 000)</i>	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Long term assets			
Capitalized development expenditures	3 752	4 997	4 686
Machines and technical equipment	17 594	14 198	19 118
Financial assets			
Shares in subsidiary	100	100	100
Total long term assets	21 446	19 296	23 904
Short term assets			
Raw materials	11 475	13 508	10 451
Work in progress	12 623	3 098	2 822
Finished goods	0	7 579	7 956
Other short term receivables	3 655	17 215	5 308
Cash and liquid assets			
Unrestricted cash	19 092	53 934	33 713
Restricted cash	0	3 025	12 956
Total short term assets	46 845	98 360	73 206
TOTAL ASSETS	68 291	117 655	97 111
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholder equity	41 927	73 511	64 324
Pre-payment from customers			
Paid	16 660	26 283	22 004
Short term liabilities	9 704	17 861	10 783
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	68 291	117 655	97 111

CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	2019-03-31	2018-03-31	2018-12-31
Opening balance	64 324	101 987	101 987
Share issuance	0	-70	-70
Period result	-22 397	-28 406	-37 593
Closing Balance	41 927	73 511	64 324
Average shares outstanding during the period	42 551 908	42 551 908 ¹	42 551 908
Shares outstanding at period end	42 551 908	42 551 908	42 551 908

¹ Share issuance of 10 415 144 shares, subscribed December 19, 2017, and registered January 15, 2018.

STATEMENT OF CASH FLOWS

	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
<i>(All amounts in SEK 000)</i>	2019	2018	2019	2018	2018
Operating profit after depreciation	-7 878	-8 757	-22 383	-28 385	-37 568
Financial items (net)	-5	-2	-14	-21	-24
Adjustments for non cash items	1 169	642	3 366	4 326	6 044
Cash flow from operations before change in working capital	-6 714	-8 117	-19 031	-24 080	-31 548
Change in working capital	235	15 154	-8 374	15 723	18 229
Cash flow from operations	-6 479	7 037	-27 405	-8 357	-13 319
Cash flow from investments	0	0	-172	0	-5 327
Cash flow from financing activities	0	0	0	-70	-70
Cash flow for the period	-6 479	7 037	-27 577	-8 427	-18 717
Liquid assets, opening balance	25 571	49 922	46 669	65 386	65 386
Liquid assets ending balance	19 092	56 959	19 093	56 959	46 669
Liquid assets ending balance, %	86	168	86	168	159

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January to September 2019 and for 2015–2018 is summarized below.

All figures related to the operating years 2015–2018 are based on material from previously published annual reports.

<i>(All amounts in SEK 000)</i>		2019	2018	2017	2016	2015
		Jan-Sep				
Net revenue		28 509	20 194	25 014	24 201	22 496
Operating profit		-22 383	-37 568	-30 111	-6 912	-12 039
Result after financial items (net)		-22 397	-37 593	-29 887	-6 917	-12 524
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		3 752	4 686	5 931	2 091	40
Tangible assets		17 594	19 118	7 235	4 664	7 087
Financial assets		100	100	100	100	100
Inventory		24 098	21 229	9 895	9 627	7 243
Pre payment from customers		16 660	22 004	0	0	0
Short term liabilities		3 655	5 308	24 390	17 251	5 285
Cash and liquid assets		19 092	46 669	65 386	22 147	1 956
Shareholder equity		41 927	64 324	101 987	37 206	14 551
Long term liabilities		0	0	0	0	0
Short term liabilities		11 546	10 783	20 317	18 674	7 160
Total assets		68 291	97 111	122 304	55 880	21 711
Return on assets	%	Neg	Neg	Neg	Neg	Neg
Return on equity		Neg	Neg	Neg	Neg	Neg
Equity/asset ratio		61,4%	66,2%	83,4%	66,6%	67,0%
Debt ratio	<i>ggr</i>	0	0	0,02	0	0
Interest coverage ratio		Neg	Neg	Neg	Neg	Neg
Liquidity ratio	%	81	159	442	211	101
Employees		32,4	31	21	19	18
Investments						
Intangible assets		0	0	4 151 ⁵	2 077 ³	0
Tangible assets		172,038	12 902 ⁷	3477	2091	-2 708 ²
Financial assets		0	0	0	0	0
Earnings per share	<i>SEK</i>	-0,53	-0,88	-0,70	-0,22	-0,41
Average shares outstanding during the period		42 551 908	42 551 908	32 479 180	31 193 526 ⁴	30 250 288
Shares outstanding at period end		42 551 908	42 551 908 ⁶	42 551 908	32 136 764 ⁴	30 250 288

² This year investments include a sale of one production machine.

³ Investment of 2 077 TSEK represents a re-classification from development expenses to intangible assets.

⁴ Share issuance of 1 886 476 shares subscribed March 23, 2016, and registered April 1, 2016.

⁵ Investment of 4 151 TSEK represents a re-classification from development expenses to intangible assets.

⁶ Share issuance of 10 415 144 subscribed December 19, 2017, and registered January 15, 2018

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

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>