



## IMPACT COATINGS AB (PUBL), INTERIM REPORT JULY-SEPTEMBER 2020

### FINANCIAL RESULTS THIRD QUARTER 2020

- Net revenue amounted to SEK 9,432 thousand (3,003)
- Total income amounted to SEK 8,976 thousand (7,394)
- Operating profit amounted to SEK -5,539 thousand (-7,878)
- Operating profit after financial items amounted to SEK -5,539 thousand (-7,883)
- Cash flow amounted to SEK -15,450 thousand (-6,479)
- Liquidity ratio amounted to 301% (86)
- Coating system order backlog at period end amounted to EUR 3,025 thousand (2,144)

### FINANCIAL RESULTS JANUARY-SEPTEMBER 2020

- Net revenue amounted to SEK 19,471 thousand (28,509)
- Total income amounted to SEK 25,277 thousand (31,297)
- Operating profit amounted to SEK -17,727 thousand (-22,383)
- Operating profit after financial items amounted to SEK -17,730 thousand (-22,397)
- Cash flow amounted to SEK -22,600 thousand (-27,577)
- Liquidity ratio amounted to 301% (86)

### SIGNIFICANT EVENTS THIRD QUARTER 2020

- Per Wassén nominated to the Board of Directors by main shareholders Accendo Capital and Hyundai Motor Company, to be elected at Extraordinary General Meeting of shareholders (EGM)

### SIGNIFICANT EVENTS AFTER THE PERIOD

- EGM held on October 7, Per Wassén elected to the Board of Directors

*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](mailto:Certifiedadviser@redeye.se) or +46 8 121 576 90.*

For more information visit [www.impactcoatings.com](http://www.impactcoatings.com)

## CEO's COMMENTARY

The period was characterized by intense work to manufacture and deliver coating systems – the result of the strong order inflow during the first half of the year. As we have communicated previously, order flow and sales continue to vary from quarter to quarter. We are working toward a business model and customer base that yield more stability over time. At the close of the third quarter, the order backlog for coating systems was EUR 3,025 thousand.

We have over a long period of time noted a significant potential for applications in the DMR segment (Decorative, Metallization & Reflector coatings) in Spain, Italy and France. To address the demand we see in the region, we have recruited Andrea Grilli to Impact Coatings. Andrea is from October 1 Sales Director - Southern Europe, based in Italy. Andrea has an extensive and relevant industrial background from companies including Hennecke, General Electric, and Applied Materials.

COVID-19 continues to affect our ability to travel. Apart from the effect on our sales pipeline, we see that quarantine rules and other restrictions can affect and potentially delay deliveries of coating systems on order. We are working actively on solutions, including more video conferences, considering using local representatives in certain markets, and incorporating into our planning quarantine time for work internationally.

Impact Coatings' office in South Korea, part of the joint development agreement with Hyundai, is now planned to open during the fourth quarter. With our personnel on location, the efficiency in our cooperation with Hyundai will increase. The joint development work has earlier during the year been conducted remotely due to COVID-19. Our presence in the region will also generate increased activity with our potential customers in Korea, as well as in China and Japan.

Per Wassén was elected after the period end to the Impact Coatings Board of Directors. Per, who has been both CEO and Chairman of PowerCell Sweden AB, will contribute through his valuable knowledge and contacts in the Fuel Cells business segment, as well as through his extensive experience in developing innovative companies with growth potential.

In connection with the f-cell conference in Stuttgart during September, Impact Coatings participated with our Hyundai NEXO fuel cell vehicle in a 24-hour hydrogen rally – an event that generated positive PR and media attention for Impact Coatings' fuel cell coating solutions. A bonus was that we together with the team's sponsors donated EUR 6,000 to World Childhood Foundation. The rally proved that the hydrogen fueling infrastructure has already advanced considerably in several countries on the European continent, and that hydrogen mobility is a reality.

Now in the fourth quarter we are fully focused on completing and delivering coating systems. As we look ahead to the start of 2021, our highest priority is the timely completion and launch of Hyundai's new fuel cell coating machine and that our staff on location in Korea can accelerate the joint development work in fuel cell coatings. Beyond that, the entire organization will be driving toward increased sales and growth.

Torbjörn Sandberg

## FINANCIAL RESULTS

### Third quarter 2020

Net revenue for the third quarter 2020 amounted to SEK 9,432 thousand (3,003), which includes one delivered coating system, Coating Services revenue, aftermarket sales, and lease revenue. Revenue from the delivered coating system amounted to SEK 7,455 thousand.

Total income amounted to SEK 8,976 thousand (7,394).

Operating expenses amounted to SEK -14,454 thousand (-14,756), which reflects a higher consumption of components offset by the result of our cost reduction program and COVID-19 related cost savings (e.g., less travel).

Profit and loss from currency translation amounted to SEK -61 thousand (-515), the result of EUR currency fluctuation during the third quarter.

Financial items amounted to SEK -1 thousand (-5). Operating profit after financial items amounted to SEK -5,539 thousand (-7,883).

Starting in 2015, Impact Coatings participated in the EuroStar project "Pro-FC." As part of the project, technical methods were developed that are used today in our fuel cell coating solutions. A coating machine was also developed and was initially intended to be placed at Borit NV (press release 24 February 2016). The parties later agreed not to complete the delivery, a decision described in the 2018 third quarter report. A balance sheet adjustment has been made during the third quarter 2020, in which SEK 6,015 thousand has been moved from "assets under construction" to "finished goods inventory." The adjustment was made since the machine parts generate a greater commercial benefit when used for purposes other than in the original machine.

The company disclosed during the second quarter its decision to close two dormant subsidiaries: Impact Coatings Maxphase AB and Impact Coatings Optionsbärare AB. The Swedish Companies Registration Office has now registered the merger between Impact Coatings AB (publ) and the two subsidiaries. The merger has been effected and the subsidiaries are therefore dissolved. The changes will reduce administrative costs for the company and will have no operational effects.

### January-September 2020

Net revenue for the period January-September 2020 amounted to SEK 19,471 thousand (28,509). Revenue is included from the installation of a coating system completed in the first quarter for SEK 2,762 thousand; revenue from the down payment from China Hydrogen Energy of SEK 2,515 thousand; the delivery of the system completed during the third quarter for SEK 7,455 thousand; Coating Services revenue; aftermarket sales and lease revenue.

Total income amounted to SEK 25,277 thousand (31,297).

Operating expenses amounted to SEK -43,019 thousand (-53,535), 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 (e.g., less travel).

Profit and loss from currency translation amounted to SEK 15 thousand (-145). Our revenues are mainly in EUR and costs are mainly in SEK. The company has decided not to hedge flows in foreign currencies because the benefits of lower financial costs and increased flexibility outweigh the risks of not hedging.

Financial items amounted to SEK -3 thousand (-14). Operating profit after financial items amounted to SEK -17,730 thousand (-22,397).

### **Financial position and liquidity**

Cash and liquid assets at period-end amounted to SEK 56,185 thousand (19,092). Liquidity ratio amounted to 301% (86).

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-September 2020 amounted to SEK -15,166 thousand (-19,031). 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 -22,600 thousand (-27,577).

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 3,025 thousand (2,144).

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

The order backlog includes three coating systems, all of which have been ordered during 2020 and are scheduled to be shipped from Linköping before the end of the year. Two of the systems are planned to be installed and accepted during the fourth quarter 2020, with revenue planned to be recognized in the same period. The installation and revenue recognition of the third system, for Hyundai, are planned for the first quarter of 2021. This is in accordance with the press releases issued in connection with the relevant orders.

## **EVENTS DURING THE THIRD QUARTER**

One system delivery was carried out according to plan during the third quarter and the work progressed in parallel, as planned, with the completion of the other three coating systems ordered during the year. No new system order was signed during the period.

The shareholders Accendo Capital and Hyundai Motor Company nominated Per Wassén as a new board member in September and he was elected to the board at an extraordinary general meeting after the end of the quarter, on October 7.

Following several canceled trade fairs and conferences during the year due to COVID-19, the f-cell hydrogen and fuel cell conference was held in Stuttgart at the end of September. The event saw good participation from mainly German companies. Impact Coatings was on site and conducted several productive meetings.

In connection with f-cell, Impact Coatings also participated with the company's fuel cell car, a Hyundai NEXO, in a 24-hour hydrogen rally, the purpose of which was to show that driving with hydrogen is already a reality in Europe. In addition to Impact Coatings and Hyundai Motor Company, the team was sponsored by several Scandinavian hydrogen and fuel cell companies:

Nilsson Energy, Cell Impact, Gränges, Vätgas Sverige, Nel Hydrogen, Sandvik and Vattenfall. The entire sponsorship amount of EUR 6,000 was donated to World Childhood Foundation.

## 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 third quarter. However, the pandemic continues to affect our pipeline for future system sales. Maintenance work at system customers is postponed and the coating services operation has been partly affected by customers' production being down or delayed during the year.

Continued and possibly strengthened 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.

## 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

Year-end report 2020	February 12, 2021
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

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## INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Jul-Sept 2020	Jul-Sept 2019	Jan-Sept 2020	Jan-Sept 2019	Jan-Dec 2019
Net revenue	9,432	3,003	19,471	28,509	49,084
Capitalized work for own account	0	0	0	0	0
Change of work in progress	-687	4,034	5,246	1,845	-10,617
Other operating income	231	357	560	943	899
<b>Total income</b>	<b>8,976</b>	<b>7,394</b>	<b>25,277</b>	<b>31,297</b>	<b>39,366</b>
Raw materials	-4,390	-3,245	-11,176	-13,343	-14,520
Other external cost	-3,341	-4,416	-10,286	-15,644	-18,781
Personnel cost	-5,852	-6,215	-18,935	-21,917	-29,100
Write off and depreciation of tangible and intangible assets	-871	-880	-2,614	-2,630	-3,502
Profit / Loss on Exchange rate	-61	-515	15	-145	168
Other operating expenses	0	0	-9	0	0
<b>Operating profit</b>	<b>-5,539</b>	<b>-7,878</b>	<b>-17,727</b>	<b>-22,383</b>	<b>-26,368</b>
Interest income and similar items	0	0	0	0	0
Interest expenses and similar items	-1	-5	-3	-14	-19
<b>Operating profit after financial items</b>	<b>-5,539</b>	<b>-7,883</b>	<b>-17,730</b>	<b>-22,397</b>	<b>-26,387</b>
Tax expenses on profit in the period	0	0	0	0	0
<b>Net income for the period</b>	<b>-5,539</b>	<b>-7,883</b>	<b>-17,730</b>	<b>-22,397</b>	<b>-26,387</b>
Earnings per share (kr)	-0.11	-0.19	-0.34	-0.53	-0.61
Average shares outstanding during the period	51,809,051	42,551,908	51,809,051	42,551,908	43,008,425 <sup>1</sup>
Shares outstanding at period end	51,809,051	42,551,908	51,809,051	42,551,908	51,809,051 <sup>1</sup>

<sup>1</sup> 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>	9/30/2020	9/30/2019	12/31/2019
<b>ASSETS</b>			
<b>Long term assets</b>			
Capitalized development expenditures	2,506	3,752	3,440
Machines and technical equipment	9,300	11,579	11,018
Assets under construction	0	6,015	6,015
<b>Financial assets</b>			
Shares in subsidiary	100	100	100
<b>Total long term assets</b>	<b>11,907</b>	<b>21,446</b>	<b>20,574</b>
<b>Short term assets</b>			
Raw materials	19,153	10,975	11,711
Work in progress	5,407	12,623	161
Finished goods	6,515	500	500
Other short term receivables	5,610	4,313	2,483
Cash and liquid assets			
Unrestricted cash	48,530	19,092	78,785
Restricted cash	7,655	0	0
<b>Total short term assets</b>	<b>92,869</b>	<b>47,503</b>	<b>93,640</b>
<b>TOTAL ASSETS</b>	<b>104,776</b>	<b>68,948</b>	<b>114,213</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>			
Shareholder equity	84,276	41,927	102,006
Pre-payment from customers			
Paid	9,293	14,818	2,350
Short term liabilities	11,207	12,203	9,858
<b>TOTAL SHAREHOLDER EQUITY AND LIABILITIES</b>	<b>104,776</b>	<b>68,948</b>	<b>114,213</b>

**CHANGES IN SHAREHOLDER EQUITY**

<i>(All amounts in SEK 000)</i>	9/30/2020	9/30/2019	12/31/2019
Opening balance	102,006	64,324	64,324
Share issuance	0	0	64,069
Period result	-17,730	-22,397	-26,387
<b>Closing Balance</b>	<b>84,276</b>	<b>41,927</b>	<b>102,006</b>
Average shares outstanding during the period	51,809,051	42,551,908	43,008,425 <sup>1</sup>
Shares outstanding at period end	51,809,051	42,551,908	51,809,051 <sup>1</sup>

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

**STATEMENT OF CASH FLOWS**

	Jul-Sept 2020	Jul-Sept 2019	Jan-Sept 2020	Jan-Sept 2019	Jan-Dec 2019
<i>(All amounts in SEK 000)</i>					
Operating profit after depreciation	-5,539	-7,878	-17,727	-22,383	-26,368
Financial items (net)	-1	-5	-3	-14	-19
Adjustments for non cash items	871	1,169	2,614	3,366	3,502
<b>Cash flow from operations before change in working capital</b>	<b>-4,669</b>	<b>-6,714</b>	<b>-15,116</b>	<b>-19,031</b>	<b>-22,885</b>
Change in working capital	-10,781	235	-7,523	-8,374	-8,896
<b>Cash flow from operations</b>	<b>-15,450</b>	<b>-6,479</b>	<b>-22,639</b>	<b>-27,405</b>	<b>-31,780</b>
Cash flow from investments	0	0	39	-172	-172
Cash flow from financing activities	0	0	0	0	64,069
<b>Cash flow for the period</b>	<b>-15,450</b>	<b>-6,479</b>	<b>-22,600</b>	<b>-27,577</b>	<b>32,116</b>
Liquid assets, opening balance	71,634	25,571	78,785	46,669	46,669
<b>Liquid assets ending balance</b>	<b>56,185</b>	<b>19,092</b>	<b>56,185</b>	<b>19,093</b>	<b>78,785</b>
<b>Liquid assets ending balance, %</b>	<b>301</b>	<b>86</b>	<b>301</b>	<b>86</b>	<b>666</b>



**SUMMARY OF FINANCIAL DEVELOPMENT**

The financial development of Impact Coatings AB for the period January-September 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-Sept				
Net revenue		19,471	49,084	20,194	25,014	24,201
Operating profit		-17,727	-26,368	-37,568	-30,111	-6,912
Result after financial items (net)		-17,730	-26,387	-37,593	-29,887	-6,917
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		2,506	3,440	4,686	5,931	2,091
Tangible assets		9,300	17,034	19,118	7,235	4,664
Financial assets		100	100	100	100	100
Inventory		31,075	12,372	21,229	9,895	9,627
Pre payment from customers		9,293	2,350	22,004	0	0
Short term assets		5,610	2,483	5,308	24,390	17,251
Cash and liquid assets		56,185	78,785	46,669	65,386	22,147
Shareholder equity		84,276	102,006	64,324	101,987	37,206
Long term liabilities		0	0	0	0	0
Short term liabilities		11,207	9,858	10,783	20,317	18,674
Total assets		104,776	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		80.4%	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	%	301	666	159	442	211
Employees		29	31.7	31	21	19
Investments						
Intangible assets		0	0	0	4 151 <sup>3</sup>	2 077 <sup>1</sup>
Tangible assets		-39	172	12,902 <sup>4</sup>	3477	2091
Financial assets		0	0	0	0	0
Earnings per share	<i>SEK</i>	-0.34	-0.61	-0.88	-0.92	-0.22
Average shares outstanding during the period		51,809,051	43,008,425 <sup>6</sup>	42,551,908 <sup>5</sup>	32,479,180	31,193,526 <sup>2</sup>
Shares outstanding at period end		51,809,051	51,809,051 <sup>6</sup>	42,551,908 <sup>5</sup>	42 551 908	32 136 764

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

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

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

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

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

<sup>6</sup> 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>