



*Press release  
July 12, 2018*

## **IMPACT COATINGS TREATS CHINA HYDROGEN ENERGY AND HUAQING POWER TECHNOLOGY ORDERS AS NO LONGER VALID FOLLOWING THOROUGH REVIEW**

Impact Coatings disclosed an order for INLINECOATER™FC machines from China Hydrogen Energy (“CHE”) on October 21, 2016, and an order for INLINECOATER™FC machines from Huaqing Power Technology (“Huaqing”) on October 2, 2017. Under its new leadership, Impact Coatings has conducted an on-location review and concluded that the probability of order fulfillment is sufficiently low to warrant the treatment of both orders as no longer valid. Two INLINECOATER™FC machines have been produced based on the orders. One unit will be used in Coating Services production for fuel cell customers. The other unit will be booked at cost to finished goods inventory and will be available for sale. The EUR 240 000 deposit received from CHE in November 2016 has been carried as pre-payment and will be reclassified to retained earnings. The deposit will not be refunded to CHE. The September 30, 2018, balance sheet published in the Q3 2018 financial report will include effects of the machine reclassification and order removals.

### ***China Hydrogen Energy***

In October 2016, CHE entered into a commercial agreement with Impact Coatings for the purchase of 10 INLINECOATER™FC machines. CHE paid a deposit of EUR 240 000 in November 2016.

As reported in a press release dated September 25, 2017, CHE had communicated a delay to the order, due to a delay in the construction of its first production facility. Impact Coatings, as described in the Q1 report and in the materials presented at the 2018 Annual General Meeting, assessed the CHE order as still viable based on periodic discussions with the customer. The primary reason given to Impact Coatings for the delay was the ongoing discussions between CHE and a possible acquirer of a majority stake in CHE.

Impact Coatings conducted an on-location management review in China during July to assess the situation and to determine the viability of the agreement.

The conclusion of the review is that the most prudent and realistic approach is to treat the order as no longer valid.

### ***Huaqing Power Technology***

In October 2017, Impact Coatings received an order from Huaqing for six INLINECOATER™FC machines to be delivered during 2018 and 2019, in pairs over the course of three deliveries.

Huaqing communicated a delay to Impact Coatings, which was described in a press release dated January 31, 2018. In good faith, Impact Coatings attempted to support Huaqing in moving forward with its overall fuel cell program development, with the intention of securing the conditions for order fulfillment, even if delayed.

The Impact Coatings on-location evaluation described above also verified the historical development of the Huaqing relationship and assessed the likelihood of order completion based on current facts.

The conclusion of the analysis is that the most prudent and realistic approach is to treat the order as no longer valid.

#### **Financial statement effects**

Two machines have been produced in connection with the above orders and carried at cost as accrued revenue, with a combined value of SEK 15 158 000. One unit will be used in Coating Services production for fuel cell customers. The other unit will be booked at cost to finished goods inventory and will be available for sale.

The Coating Services machine will be reclassified as a production asset with a value of SEK 7 579 000. Future revenues and profit generated using the production machine, as well as its carrying value, will be recognized per customary accounting rules.

The second machine allocated for future sale in the fuel cell production industry will be reclassified as finished goods inventory with a value of SEK 7 579 000. If the machine is sold for more than this value, revenue and profit will be recognized. If the machine is sold for less than this value, or if the company determines that an impairment is justified in the future, a loss will be recognized.

During 2016 and 2017, SEK 15 158 000 has been recognized as revenue for the two machines combined, reflecting cost to Impact Coatings and no profit. Because the bookings are equivalent to operating income (revenue) from capitalized production for own account, there will be no restatement of recognized revenue for these periods.

Since both machines have been booked at cost with no profit recognition, and as they are both deemed current with respect to market activity and commercial demands, no write-down or other value impairment is currently planned.

The described reclassifications have no effect on cash flow.

The financial effects described above have been reviewed by the company's auditor and will be included in the Q3 2018 financial report and September 30, 2018 balance sheet.

Impact Coatings remains committed to advancing the fuel cell industry in China and globally.

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*Impact Coatings AB (publ) is required to disclose this information in accordance with EU market abuse regulations. The information was delivered, via the contact person named above, for publication on July 12, 2018, at 2:00 p.m. CET.*

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#### About Impact Coatings

Impact Coatings develops and delivers world-leading technology for PVD-coatings of fuel cell plates for hydrogen-fuelled vehicles and of vehicle reflectors. PVD is a method of, under

vacuum, producing thin layers of metals and ceramics – surface coatings that maximize performance and durability. The company's customers are predominantly found in the automotive industry and the company is strategically present in the fast growing international market for hydrogen-fuelled vehicles. Impact Coatings markets coating equipment under the trade name INLINECOATER™ and coatings under MAXPHASE™.

The company's shares trade on the Nasdaq First North exchange (Nasdaq OMX Nordic). The company's Certified Adviser is Redeye AB.