



## IMPACT COATINGS AB (PUBL), YEAR-END REPORT 2018

### FINANCIAL RESULTS FULL YEAR 2018

- Net revenue amounted to SEK 20 194 thousand (25 014)
- Total income amounted to SEK 30 609 thousand (30 418)
- Operating profit amounted to SEK -37 568 thousand (-30 111)
- Operating profit after financial items amounted to SEK -37 593 thousand (-29 887)
- Cash flow amounted to SEK -18 716 thousand (43 239)
- Equity-to-assets ratio amounted to 66.2% (83.4)
- No dividend is proposed

### FINANCIAL RESULTS FOURTH QUARTER 2018

- Net revenue amounted to SEK 7 570 thousand (2 154)
- Total income amounted to SEK 14 144 thousand (2 220)
- Operating profit amounted to SEK -9 183 thousand (-11 603)
- Operating profit after financial items amounted to SEK -9 187 thousand (-10 578)
- Cash flow amounted to SEK -10 290 thousand (-8 054)
- Equity-to-assets ratio amounted to 66.2% (83.4)

### SIGNIFICANT EVENTS FOURTH QUARTER 2018

- Early delivery of INLINECOATER™M coating system to Varioplast
- Delivery of INLINECOATER™P200 rental machine to European automotive industry customer
- Positive development of the coating services business
- Torbjörn Sandberg appointed permanent CEO
- Rosina Gartz appointed interim CFO
- Accounting investigation confirms preliminary results regarding reimbursements to former CEO

### SIGNIFICANT EVENTS AFTER THE PERIOD

- Coating machine order from Beijing Shouhang Resources Saving Co., Ltd.
- Marie Dhayer Teikmans appointed permanent CFO

*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 the Nasdaq First North exchange (Nasdaq OMX Nordic). The company's Certified Adviser is Redeye AB, reachable via [Certifiedadviser@redeye.se](mailto:Certifiedadviser@redeye.se) or +46 (0)8 121 576 90.*

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

## CEO's COMMENTARY

When I began as interim CEO of Impact Coatings on May 28, I encountered a company with great potential. I found a competent team with expertise in an environmentally friendly production technology: PVD. I found innovative technical solutions with significant market potential. I found that the offering applies both to increasing efficiency of industrial PVD production processes and to coatings for specific application areas, for example fuel cells.

Beyond these strengths, the team and I identified areas needing improvement, especially our commercial processes and commercial discipline. We set the goal of creating an industrial company that is financially self-sufficient. We have focused on the efficiency of our work processes, industrialization, digitalization, and we have sharpened our quality focus. We reviewed in-depth our suppliers and consultants, in order to professionalize the company at every level.

During the summer, the new board and management team developed an updated company strategy. The result was presented with the Q2 report and via a webcast on September 26. The new strategy calls for a renewed effort in the Decorative, Metallization and Reflector (D/M/R) segments, which comprise areas where the company has traditionally been strong and where we see the best possibility to become profitable. The strategy further describes the Fuel cell (FC) segment as having significant growth potential, which shall be realized by leveraging the unique qualities of Impact Coatings' technology and by working with fuel cell industry leaders.

During the summer and autumn, we received system orders from two existing customers in the D/M/R segment: Varioplast in Germany and a well-known Swiss watch manufacturer. One of these machines, to Varioplast, was delivered during the fourth quarter, ahead of the original schedule. We also received an order from Henan Yuqing (China) for a coating system for fuel cells to be used in the rail industry. In addition to these orders, we entered into a rental agreement with a European customer in the automotive industry for a metallization coating system, also delivered during the fourth quarter.

After year-end, we received an additional coating system order. The customer is the Shanghai-listed company Beijing Shouhang Resources Saving Co., Ltd.

Impact Coatings' business has historically been characterized by irregular sales, where a single machine delivery can comprise a substantial portion of annual revenues. This implies that order flow, operating profit, and cash flow have varied significantly between periods. Looking ahead, however, we expect a more regular order flow as the company develops. Starting with the 2019 first quarter report in April we will disclose the period-end order backlog, which investors and other stakeholders can then follow from quarter to quarter. Single orders not considered material (i.e., affecting the share price) will be included in the order book figure but not necessarily disclosed via press release.

In the two previous quarterly reports, we have reported that we are engaged in new discussions with Oporun, which is listed on the Tokyo stock exchange and produces and sells coating systems on the Asian market. Impact Coatings entered into both distribution and supply agreements with Oporun during 2017 – agreements that have not resulted in the expected outcomes. Both parties have realized that a fresh start is necessary and the companies' management teams met most recently at year-end at Oporun's production facility in Shanghai. There is a mutual interest in cooperation in line with our strategic focus on D/M/R, and we expect productive discussions to continue.

We close an eventful year – a year in which we have advanced Impact Coatings as an industrial company while increasing our ability to capture the significant potential in our markets. We enter 2019 with confidence.

Torbjörn Sandberg

## FINANCIAL RESULTS

### Full year 2018

Total income increased slightly compared to the previous year and amounted to SEK 30 609 thousand (30 418). Net revenue decreased for 2018 and amounted to SEK 20 194 thousand (25 014).

Operating expenses increased to SEK -68 178 thousand (-60 529). Net financial items amount to SEK -24 thousand (224). Operating profit after financial items amounted to SEK -37 593 thousand (-29 887). Cash flow amounted to SEK -18 716 thousand (43 239) for the full year.

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

### Fourth quarter 2018

Total income amounted to SEK 14 144 thousand (2 220). The increase is partly due to capitalization of work for own account, amounting to SEK 5 704 thousand. Net revenue for the fourth quarter amounted to SEK 7 570 thousand (2 154).

Operating expenses amounted to SEK -23 376 thousand (-13 823). The increase is partly due to an increase in other external costs, where costs for consultants, advisors, and lawyers comprised a large portion, but these costs are expected to decline during 2019.

Operating profit amounted to SEK -9 183 thousand (-11 603). Operating profit after financial items amounted to SEK -9 187 thousand (-10 578). Cash flow amounted to SEK -10 290 thousand (63 176).

### Financial position and liquidity

Cash and liquid assets at period end amount to SEK 46 669 thousand (65 386). Interest-bearing debt at period end amounted to SEK 0 thousand (2 061). Equity-to-assets ratio amounted to 66.2 % (83.4).

Cash flow from operations during the full year 2018 amounted to SEK -13 319 thousand (-43 801). Cash flow from investments amounted to SEK -5 327 thousand (-7 628). Cash flow from financing activities amounted to SEK -70 thousand (94 668). Total cash flow for the period was SEK -18 716 thousand (43 239).

The financial status and liquidity position are good.

## EVENTS DURING THE FOURTH QUARTER

Two coating machines were completed and delivered during the fourth quarter. One early delivery toward the end of November was to Varioplast Konrad Däbritz GmbH in Ötisheim, Germany. The delivered INLINECOATER™M-system will be used for metallization of plastic components for the automotive industry and is the customer's second machine purchase from Impact Coatings. The delivery was initially planned for early 2019. An earlier delivery was made possible by our ongoing operational efficiency work, and results in capacity made available for future deliveries.

An INLINECOATER™P200 coating system was completed during December and delivered as a rental machine to a European customer in the automotive industry. This machine - Impact Coatings' smallest machine type – is also being used for metallization of plastic components. Its small size and ease of integration with plastic injection molding make it a cost-effective production machine for small components and an attractive entry-level machine for companies that want to evaluate PVD metallization. The rental agreement is initially for 10 months from the time of delivery, with an option for the customer to extend the rental period or purchase the system outright.

Our internal coating business, also called *coating services*, is developing well and we recorded the highest ever revenue level for a single quarter during the fourth quarter. Coating services comprise a meaningful complement to coating system sales. Approximately 60% of the sales were generated from fuel cell applications, 25% from decorative applications, and the remaining portion from applications in medical technology and electrical contacts. In addition to generating recurring revenues, our coating services capacity is strategically important for coating system sales. The capacity is used for customer samples, but also as support for customers' development work and as an initial capacity for when customers initiate production. This is true particularly for the fuel cell segment, where the existing customers Michelin and Borit accounted for a significant portion of coating services revenue during the quarter.

Torbjörn Sandberg, who was appointed interim CEO in May, was hired as the company's permanent CEO in October. In parallel, Rosina Gartz was appointed interim CFO, succeeding Anders Nilsson who retired.

During October, PwC completed its final report from the investigation into expense reimbursements to co-founder and former CEO Henrik Ljungcrantz, from which preliminary results were disclosed in July 2018. The final report confirms the preliminary results regarding irregularities. The board submitted the report to the Swedish Economic Crime Authority and will seek to recover the expenses found by the investigation to have been incorrectly paid out, plus costs for the investigation itself. The Swedish Economic Crime Authority has referred the case to a regional police authority, from which no additional information has been released.

## EVENTS AFTER PERIOD END

On February 4, the company disclosed an order from Beijing Shouhang Resources Saving Co., Ltd. (China). The customer, which is listed on the Shanghai stock exchange, has ordered a coating system to be used for the development and production of PVD coatings. The order value is approximately SEK 11.2 million. Impact Coatings has received pre-payment and an Irrevocable Letter of Credit together accounting for 90% of the order value. Payment of the remaining 10% will occur after installation and the customer's final acceptance of the machine. Delivery is planned for the third quarter of 2019.

On February 11, the company announced that Marie Dhayer Teikmans has been appointed permanent CFO, starting March 19. Marie has extensive experience in financial management and industrial production from Sweden, Italy, and France. She was most recently CFO of Twister Group, an international fast-growing company owned by Polaris Private Equity. Marie replaces Rosina Gartz, who has been interim CFO during the recruiting process.

## PROPOSED ALLOCATION OF NET INCOME

The board of directors will propose to the Annual General Meeting that no dividend be paid for 2018.

## AUDIT AND ACCOUNTING POLICIES

This year-end report has not been subject to auditor review.

The year-end report adheres to the Swedish Annual Accounts Act. The accounting principles are unchanged from those applied in the publication of the 2017 annual report.

## UPCOMING FINANCIAL EVENTS

Interim report for the first quarter 2019	April 25, 2019
Annual general meeting 2019	May 15, 2019
Interim report for the second quarter 2019	August 16, 2019
Interim report for the third quarter 2019	October 25, 2019
Year-end report 2019	February 14, 2020

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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 persons named above, for publication on February 15, 2019, at 8:00 a.m. CET.*

**INCOME STATEMENT**

<i>(All amounts in SEK 000)</i>	Jan-Dec 2018	Jan-Dec 2017	Okt-Dec 2018	Okt-Dec 2017
Net revenue	20 194	25 014	7 570	2 154
Capitalized work for own account	5 700	5 360	5 704	242
Change of work in progress	2 822	0	-276	0
Other operating income	1 893	44	1 147	-176
<b>Total income</b>	<b>30 609</b>	<b>30 418</b>	<b>14 144</b>	<b>2 220</b>
Raw materials	-19 322	-23 425	-9 201	-3 392
Gross profit	11 287	6 993	4 942	-1 172
Gross margin %	37%	23%	35%	-53%
Other external cost	-22 803	-14 752	-6 758	-3 100
Personnel cost	-20 938	-20 663	-5 993	-6 823
Write off and depreciation of tangible and intangible assets	-2 264	-1 216	-719	-460
Other operating expenses	-2 850	-473	-656	-47
<b>Operating profit</b>	<b>-37 568</b>	<b>-30 111</b>	<b>-9 183</b>	<b>-11 603</b>
Interest income and similar items	0	1 777	0	1 777
Interest expenses and similar items	-24	-1 553	-4	-752
<b>Operating profit after financial items</b>	<b>-37 593</b>	<b>-29 887</b>	<b>-9 187</b>	<b>-10 578</b>
Tax expenses on profit in the period	0	0	0	0
<b>Net income for the period</b>	<b>-37 593</b>	<b>-29 887</b>	<b>-9 187</b>	<b>-10 578</b>
Earnings per share (kr)	Neg	Neg	Neg	Neg
Average shares outstanding during the period	42 551 908	32 479 180	42 551 908	32 479 180
Shares outstanding at period end	42 551 908	42 551 908 <sup>1</sup>	42 551 908	42 551 908 <sup>1</sup>

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

## BALANCE SHEET

<i>(All amounts in SEK 000)</i>	2018-12-31	2017-12-31
<b>ASSETS</b>		
<b>Long term assets</b>		
Capitalized development expenditures	4 686	5 932
Machines and technical equipment	19 118	7 235
Inventory, tools and finished goods	0	0
<b>Financial assets</b>		
Shares in subsidiary	100	100
<b>Total long term assets</b>	<b>23 904</b>	<b>13 266</b>
<b>Short term assets</b>		
Raw materials	10 451	4 395
Work in progress	2 822	5 500
Finished goods	7 956	0
Accrued revenue	0	7 371
Other short term receivables	5 308	26 386
Cash and liquid assets		
Unrestricted cash	33 713	65 386
Restricted cash	12 956	0
<b>Total short term assets</b>	<b>73 206</b>	<b>109 038</b>
<b>TOTAL ASSETS</b>	<b>97 111</b>	<b>122 304</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>		
Shareholder equity	64 324	101 987
Pre-payment from customers		
Paid	23 846	0
Invoiced but not paid	0	0
Deferred revenue	0	9 778
Short term liabilities	8 941	8 478
Short term liabilities interest bearing	0	2 061
<b>TOTAL SHAREHOLDER EQUITY AND LIABILITIES</b>	<b>97 111</b>	<b>122 304</b>

## CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	2018-12-31	2017-12-31
Opening balance	101 987	37 206
Share issuance	-70	94 668
Period result	-37 593	-29 887
<b>Closing Balance</b>	<b>64 324</b>	<b>101 987</b>
Average shares outstanding during the period	42 551 908	32 479 180
Shares outstanding at period end	42 551 908	42 551 908 <sup>1</sup>

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

**STATEMENT OF CASH FLOWS**

	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<i>(All amounts in SEK 000)</i>	2018	2017	2018	2017
Operating profit after depreciation	-9 183	-11 603	-37 568	-30 111
Financial items (net)	-4	1 025	-24	-1 553
Adjustments for non cash items	1 718	460	6 044	1 216
<b>Cash flow from operations before change in working capital</b>	<b>-7 468</b>	<b>-10 121</b>	<b>-31 549</b>	<b>-30 448</b>
Change in working capital	2 506	-18 858	18 230	-13 353
<b>Cash flow from operations</b>	<b>-4 962</b>	<b>-28 979</b>	<b>-13 319</b>	<b>-43 801</b>
Cash flow from investments	-5 327	-2 513	-5 327	-7 628
Cash flow from financing activities	0	94 668	-70	94 668
<b>Cash flow for the period</b>	<b>-10 290</b>	<b>63 176</b>	<b>-18 716</b>	<b>43 239</b>
Liquid assets, opening balance	56 959	10 260	65 386	22 147
<b>Liquid assets ending balance</b>	<b>46 669</b>	<b>2 206</b>	<b>46 669</b>	<b>65 386</b>



## SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB (publ) for the years 2014-2018 is summarized below.

All figures related to the operating years 2014-2017 are based on material from previously published annual reports.

<i>(All amounts in SEK 000)</i>		2018	2017	2016	2015	2014
		Jan-Dec				
Net revenue		20 194	25 014	24 201	22 496	5 966
Operating profit		-37 568	-30 111	-6 912	-12 039	-20 772
Result after financial items (net)		-37 593	-29 887	-6 917	-12 524	-20 663
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		4 686	5 932	2 091	40	66
Tangible assets		19 118	7 235	4 664	7 087	11 526
Financial assets		100	100	100	100	100
Inventory		13 273	9 895	9 627	7 243	7 311
Pre payment from customers		23 846	0	0	0	0
Short term liabilities		5 308	33 757	17 251	5 285	2 129
Cash and liquid assets		46 669	65 386	22 147	1 956	10 260
Shareholder equity		64 324	101 987	37 206	14 551	27 075
Long term liabilities		0	0	0	0	0
Short term liabilities		8 941	20 317	18 674	7 160	4 317
Total assets		97 111	122 304	55 880	21 711	31 392
Return on assets	%	Neg	Neg	Neg	Neg	Neg
Return on equity		Neg	Neg	Neg	Neg	Neg
Equity/asset ratio		66,2%	83,4%	66,6%	67,0%	86,2%
Debt ratio	<i>ggr</i>	0	0,02	0	0	0
Interest coverage ratio		Neg	Neg	Neg	Neg	Neg
Liquidity ratio	%	581	452	211	101	287
Employees		31	21	19	18	18
Investments		0	0	0	0	0
Intangible assets		0	4 151 <sup>8</sup>	2 077 <sup>7</sup>	0	0
Tangible assets		12 902 <sup>10</sup>	3477	2091	-2 708 <sup>5</sup>	5 373 <sup>3</sup>
Financial assets		0	0	0	0	100
Earnings per share	<i>SEK</i>	Neg	Neg	Neg	Neg	Neg
Average shares outstanding during the period		42 551 908	32 479 180	31 193 526	30 250 288	25 167 135
Shares outstanding at period end		42 551 908	42 551 908 <sup>9</sup>	32 136 764 <sup>6</sup>	30 250 288	30 250 288 <sup>4</sup>

<sup>3</sup> Of the year's investments of 5 373 TSEK, 5 282 TSEK represents a re-classification from short term accruals to machines and technical equipment.

<sup>4</sup> Share issuance of 10 083 429 shares subscribed June 13, 2014, and registered July 3, 2014.

<sup>5</sup> This year investments include a sale of one production machine.

<sup>6</sup> Share issuance of 1 886 476 shares subscribed March 23, 2016, and registered April 1, 2016.

<sup>7</sup> Investment of 2 077 TSEK represents a re-classification from development expenses to intangible assets.

<sup>8</sup> Investment of 4 151 TSEK represents a re-classification from development expenses to intangible assets.

<sup>9</sup> Share issuance of 10 415 144 subscribed December 19, 2017, and registered January 15, 2018

<sup>10</sup> The year investment includes a reclassification of 7575 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>