YEAR-END REPORT FOR 2017

- **Net sales amounted to SEK 30 418 thousand (32 997)**
- **Operating profit amounted to SEK-30 111 thousand (-6 912)**
- **Profit after net financial items amounted to SEK -29 887 thousand (-6 917)**
- **Cash flow amounted to SEK 43 238 thousand (20 192)**
- **Liquid assets were at year-end SEK 65 386 thousand (22 147)**
- **Equity-to-assets ratio amounted to 85,4 % (66,6)**
- **Distribution agreement with Japanese Optorun**
- **Capital increase of ca SEK 109,4 million before issuance costs**
- **Delayed delivery to China Hydrogen Energy (CHE)**
- **Agreement signed with Huaqing Power Technology**
- **Agreement signed with Chinese Xin Point – within the framework of the distribution agreement with Optorun**
- **Cooperation agreement with Chinese Telos Auto**

FINANCIAL RESULTS FOURTH QUARTER 2017

- **Net sales amounted to SEK 2 220 thousand (9 480)**
- **Operating profit amount to SEK -11 095 thousand (-2 316)**
- **Profit after net financial items amounted to SEK -10 581 thousand (-2 944)**
- **Cash flow amounted to SEK 63 180 thousand (-4 452)**
- **Equity-to-assets ratio amounted to 85,4 % (66,6)**

SIGNIFICANT EVENTS AFTER PERIOD-END

- **Delayed delivery to Chinese Huaqing Power Technology**
- **First production order for Ceramic MAXPHASE™-coatings for fuel cell plates from French Michelin's fuel cell manufacturing**

CEO'S COMMENTARY

The past year has been eventful for Impact Coatings both in terms of new business and agreements primarily in Asia, but also with respect to the company's development in order to develop and manage a growing market.

I December, we completed a capital increase that provided ca SEK 109,4 million before issuance costs. The company's liquidity is thefore good and the capital will be used to finance our intensified efforts primarily in the fuel cell market in China but also greater Asia, Europe, and North America.

Through the capital increase, Impact Coatings welcomed a new main shareholder in Accendo Capital, a Luxembourg-registered equities fund that invests in listed small cap companies and takes an active owner role. Accendo has a strong track record of long-term investments since its inception in 2008.

This, in combination with growth in the interest for Impact Coatings and our offering, help us believe in a bright future. Our strategic focus on coatings for fuel cell plates and the fact that we have a competitive offering have been demonstrated through our order agreements.

Strong market for fuel cells and reflectors

The market for fuel cells in China is growing quickly following the Chinese governemtns support to companies and local authorities that produce heavier hydrogen-powered vehicles such as busses and light trucks. We are in contact with many players in China that have either already established production facilities for fuel cells, or are in the process of building such plants.

China continues to be a strong market, but during late 2017 we also saw an increasing interest in Europe. The interest is tied to our coating technology for fuel cell plates, but above all in our market vertical Reflectors. Our breakthrough order with Iskra Mehanizmi (Slovenia) has become a reference case that is gaining recognition. Interest in the coating system within the automotive industry has therefore increased and we are now in discussions with a couple of Tier 1 suppliers that are currently evaluating our coatings.

Development costs affect profits

Though the interest in our offering is significant and we periodically sign orders, it takes time before revenues from new orders show in our financial results. That, in combination with costs we have absorbed for shifting to a more industrialized production to meet increased demand, have impacted profit during the year.

Delays and deliveries

Deliveries to some of our largest customers in China have been subject to delays. This has tied up capital, which has had a negative effect on liquidity.

With respect to our order in the fuel cell market in China from autumn 2016 – a binding agreement with China Hydrogen Energy (CHE) worth over SEK 100 million for the delivery of eight to ten coating machines over three years – there are delays. CHE has informed us that the construction of their first production facility has been delayed and therefore shift the first deliveries from us to 2018.

Similar conditions apply with respect to the order of six coating machines from the Chinese fuel cell manufacturer Huaqing Power Technology, from October 2017, with a total order value of SEK 50 million and deliveries planned for 2018 and 2019. As Huaqing is not ready with other parts of its production line, the deliveries of the first two coating machines, which were planned for the first quarter of the year, have been pushed back.

Work with our first order under the distribution agreement with Japanese Optorun continues as planned. The order, which represents a breakthrough on the Chinese market for the market vertical Metallization, is for a coating machine for the Chinese supplier to the automotive industry, Xin Point, with an order value of SEK 8 million for delivery during 2018.

Important partners for local presence
During the year, we have strengthened our presence in Asia and hired our first local sales representative in China, who started at the beginning of September and now is driving sales activities on the fast-growing Chinese market.

Cooperating with Optorun is an important step forward for us on the Asian market. We are actively working to find additional local partners as local presence is important to build up this market. An example of this work is the order we received from Xin Point.

Outsourced manufacturing
To meet the increasing demand for our coating technology, we have during the year invested in industrializing and modularizing the production process. This has generated costs during 2017, but means that we have created an effective and more flexible production where we, among other things, can leverage sub-suppliers in a completely different way to increase quickly our production capacity. We will in addition begin producing sub-components at sub-suppliers during 2018 to speed up deliveries to the Asian market.

Linköping 2018-02-16

Henrik Ljungcrantz
CEO Impact Coatings

FINANCIAL DEVELOPMENTS

Fourth quarter 2017

Net sales amounted to SEK 2 220 thousand (9 480). Operating costs amounted to SEK -13 826 thousand (-12 424). Operating profit before depreciation and other operating costs amounted to SEK -11 095 thousand (-2 316). Profit before tax amounted to SEK -10 581 thousand (-2 944). Cash flow amounted to SEK 63 180 thousand (-4 452).

Full year 2017

Net sales amounted to SEK 30 418 thousand (32 997). Operating costs increased to SEK -60 529 thousand (-39 910). Net financial items amounted to SEK 224 thousand (-5). Net income amounted to SEK -29 887 thousand (-6 917). Cash flow amounted to SEK 43 238 thousand (20 192) for the full year. The equity-to-assets ratio as of year-end was 85,4 % (66,6).

Capitalized development costs amounted to SEK 4 151 thousand (2 077).

Provisions for deferred tax assets, as in prior years' accounting, have not been made.

Financial position and liquidity

Liquid assets at year-end amounted to SEK 65 386 thousand (22 147). Accrued revenues amounted to SEK 7,4 million (2,8) at year-end. Corresponding deferred revenues amounted to SEK 9,8 million (10,3).

Interest-bearing debt at year-end amounted to SEK 2 061 thousand (0). The equity-to-assets ratio amounted to 85,4 % (66,6).

Cash flow from operations during 2017 amounted to SEK -43 802 thousand (-7 383).

Cash flow from investment activities amounted to SEK -7 628 thousand (-1 998). Cash flow from financing activities amounted to SEK 84 668 thousand (29 572). Total cash flow for the year was SEK 43 238 (20 192).

SALES AND MARKET

The status in Impact Coatings' market verticals is described in more detail below. Impact Coatings' primary focus is on Fuel Cells and Reflectors, but the company is also actively working in the Electrical Contacts and Metallization/Decorative Coatings segments.

Fuel Cells

Electrification of the vehicle fleet is happening quickly. In our part of the world the change is mainly centered around battery-powered electric vehicles and hybrids. Nearly all auto manufacturers, above all those in Asia, are also developing hydrogen-powered electric cars that use fuel cells. Serial-produced fuel cell vehicles from Toyota, Honda, and Hyundai and prototype vehicles from other manufacturers are on the streets. Hyrdrogen-powered electric vehicles have many advantages, for example fast fueling and long range. The hydrogen car can more than battery-driven vehicles be used in the same way as today's cars.

Impact Coatings has achieved a unique position in the fuel cell industry, above all for motor vehicles. In order to be inexpensive, metal bipolar plates are used in the fuel cells. Impact Coatings' fuel cell coating - Ceramic MAXPHASE™- and a cost-effective coating technology best meet the automotive industry's requirements of these critical components in the fuel cell. This has opened doors for the company at

most of the world's auto manufacturers. Ceramic MAXPHASE™ is now being evaluated for many of the cars that will be produced at the beginning of the next decade.

At the same time, plants are being built today in China for production of fuel cells, primarily for busses and light trucks. The Chinese government has in its five-year plan identified hydrogen fuel cells as a priority to help reduce air pollution in cities. The government is therefore financing a rapid build-up of fuel cell production and subsidizes hydrogen-powered busses, for example.

The developments in China give Impact Coatings substantial opportunity near-term to sell coating machines, with associated after-market. The company has so far signed agreements with China Hydrogen Energy (CHE) and Huaqing Power Technology regarding machines for coating fuel cells as well as delivery of coatings for the development of Telos Auto's fuel cell system.

China is investing heavily in fuel cells, which has created fertile ground for many new local companies. The rapid growth is largely tied to the government and local authorities investing in the sector. As a consequence, we have noticed that projects can be delayed while these investments are pending. This has affected our machine deliveries, which have been delayed as a result.

Reflectors

Lighting in modern cars is becoming more and more advanced, and the number of lights has increased quickly. Headlamps today are advanced systems, often with moving parts. Inside the cabin, light is generated from hidden sources. Common to many of these lights is that they include reflectors formed of plastic with reflective metallic coatings. There are some thousands of PVD-systems active in the automotive industry used to metallize light reflectors, but they are too few and poorly equipped for the many small reflectors now demanded by auto manufacturers.

Impact Coatings' coating system INLINECOATER™ R with accompanying reflective coating is optimal for automated production of today's many small vehicle reflectors. A first system delivery, where PVD was integrated with plastic injection molding of vehicle reflectors, was to Iskra Mehanismi (Slovenia) during June 2017. With this reference case behind us, marketing in the Reflectors segment has intensified during 2017, which has led to several ongoing business prospects. As a next step, we will approach also the Asian and American automotive industries.

Electrical Contacts

Within the market vertical Electrical Contacts, the company offers coatings and production solutions for different types of electrical connectors. Primarily two coatings are marketed, Ultra MAXPHASE™ for extreme environments and Silver MAXPHASE™, which can replace gold plating on contacts. Sales in both segments are today primarily generated as services using the company's own facilities.

Metallization/Decorative Coatings

Impact Coatings' offering in the market vertical Metallization is similar to that in Reflectors. The company's PVD system for metallization is integrated with plastic injection molding for cost-effective production of metallized plastic parts. The products are often decorative components for the auto industry. The company has delivered several systems to automotive components manufacturers in Europe, among them German A. Maier Präzision GmbH, delivered during Q1 2017.

2017 also saw a breakthrough in the Asian market. Chinese Xin Point, a supplier of automotive components with customers in Asia and North America, ordered one INLINECOATER™ system for metalllization of decorative plastic components. The coating machine will, among other things, be used for so-called seed layers, where the coating replaces the hazardous (to health and the environment) use of hexavalent chromium to coat plastic.

The phasing out of hexavalent chromium, also called hex-chrome or chromium-6, from manufacturing is driving the transition from wet chemistry plating of plastics to, among other methods, PVD-metallization.

Many of the PVD systems that Impact Coatings has delivered historically are used for decorative coatings of metal for various high-quality consumer products, for example eyeglasses and watches. Ongoing business prospects show a continued interest in the unique wear-resistant colored coatings and cost-effective production solutions that Impact Coatings offers.

RESEARCH & DEVELOPMENT

Impact Coatings' activities in research projects together with Uppsala University and Linköping University continue, specifically within material science with the FunMat project. The project should lead to increased understanding and knowledge of metal materials, pre-treatments and coating processes during fuel cell manufacturing.

Completion of a newly developed coating system, as part of the EuroStar project Pro-FC, has progressed during the latter part of the year.

During the period, focus has been on ramping up new machines, both with respect to the machines' processing and quality. Factors such as productivity, efficiency, and reliability have been in focus. Testing and feedback have been an important part of the efforts. Coating targets and consumable materials have become more efficient.

We have made plans for how the company shall progress further in the different focus areas.

Comprehensive work has been performed during the year with respect to productification and modularization of the coating machines to facilitate more efficient production and outsourcing of production, in order to increase more flexibility in the production process.

PRODUCTION

Two INLINECOATER™ FC machines for fuel cell customers were produced during the autumn. One became ready for delivery during January 2018 and the other will be ready in March 2018.

The new coating system for fuel cell plates that will be delivered to Borit NV and that has been developed under the EuroStar project Pro-FC, has been delayed a few months and is expected to be finished during the spring 2018. In parallel, one INLINECOATER™ for metallization of plastic is being produced for Chinese Xin Point.

The organization for maintenance and support of customer machines changed during the year and was given a clearer focus, at the same time a review of the company's after-market offering continued.

Coating on a subcontracting basis was done primarily for fuel cell customers, as well as in med tech, decorative coatings, and electromagnetic shielding.

The introduction of a new quality assurance system according to the automotive industry's IATF 16949 standard for the whole company has progressed during the year and is now fully adopted into production for fuel cell coatings. Measurement of key metrics continues for one year before the certification process can begin, which is planned for 2018.

EVENTS AFTER THE END OF THE PERIOD

As Huaqing is not ready with the other parts of its production line, the delivery of the first two coating machines, which should have occurred during the first quarter this year, has been pushed back.

A first production order for the Ceramic MAXPHASE coating has been received from tire and automotive components manufacturer Michelin for SEK 0,2 million. The coating service will be provided from Impact Coatings' facilities in Linköping, Sweden. The company has previously delivered coatings for Michelin's fuel cell development. Demand from Michelin and the expected delivery volumes are expected to increase successively during 2018 and 2019 as production of fuel cells increases.

Linköping, Sweden 2018-02-16

Henrik Ljungcrantz
CEO

For more information, contact Henrik Ljungcrantz, tel. +46 70 663 55 80.

AUDITOR REVIEW AND ACCOUNTING PRINCIPLES

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

UPCOMING FINANCIAL EVENTS

Annual General Meeting 2018:	17 May 2018
Report for the first quarter 2018:	20 April 2018
Report for the second quarter 2018:	17 August 2018
Report for the third quarter 2018:	26 October 2018
Year-end report for 2018:	15 February 2019

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 16 February 2018, 08:00 CET.

Financial basis for year-end report 2017

Income Statement

	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
(All amounts in SEK '000)				
Net revenue	25 014	24 201	2 158	3 522
Capitalized work for own account	5 360	2 077	242	2 077
Other operating income	44	6 719	180	3 881
Total income	**30 418**	**32 997**	**2 220**	**9 480**
Raw materials	-23 425	-11 171	-3 395	-5 496
Other external costs	-14 752	-12 164	-3 101	-3 186
Personnel costs	-20 663	-14 449	-6 823	-3 114
Write-offs and depreciation of tangible and intangible assets	-1 216	-1 437	-460	-311
Other operating expenses	-473	-689	-47	-317
Operating profit	**-30 111**	**-6 912**	**-11 606**	**-2 944**
Interest income and similar items	1 777	5	1 777	1
Interest expense and similar items	-1 553	-10	-752	-2
Operating profit after financial items	**-29 887**	**-6 917**	**-10 581**	**-2 945**
Tax expense on profits in the period	0	0	0	0
Net income for the period	**-29 887**	**-6 917**	**-10 581**	-2 945
Earnings per share (kr)	Neg	Neg	Neg	Neg
Average shares outstanding during the period	32 479 180	31 193 526	30 250 288	30 250 288
Shares outstanding at period end	42 551 908[3]	32 136 764[2]	30 250 288	30 250 288

[1] Tax is calculated solely for the full-year results in conjunction with closing of the annual accounts.
[2] Share issuance of 1 886 476 shares, subscribed 23 March 2016 and registered 1 April 2016.
[3] Share issuance of 10 415 144 shares, subscribed 19 December 2017 and registered 15 January 2018.

Balance Sheet

	2017-12-31	2016-12-31
(All amounts in SEK '000)		
ASSETS		
Long-term assets		
Capitalized development expenditure	5 931	2 091
Machines and technical equipment	7 235	4 639
Inventory, tools, and finished goods	0	25
Shares in subsidiary	100	100
Total long-term assets	**13 266**	**6 855**
Short-term assets		
Raw materials	4 395	4 127
Work in progress	5 500	5 500
Accrued revenue	7 371	2 763
Other short-term receivables	28 114	14 488
Cash and liquid assets	65 386	22 147
Total short-term assets	**110 766**	**49 025**
TOTAL ASSETS	**124 032**	**55 880**
SHAREHOLDER EQUITY AND LIABILITIES		
Shareholder equity	101 987	37 206
Deferred revenue	9 778	10 293
Other short-term liabilities	12 267	8 381
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	**124 032**	**55 880**
[4] of which interest-bearing debt	2 061	0
Pledged assets	8 000	0
Contingent liabilities	100	100

Changes to shareholder equity

	2017-12-31	2016-12-31
(All amounts in SEK '000)		
Opening balance	37 206	14 551
Share issuance	94 668	29 572
Net income for the period	-29 887	-6 917
Ending balance	**101 987**	**37 206**
Average shares outstanding during the period	32 479 180	31 193 526
Shares outstanding at period end	42 551 908[3]	32 136 764[2]

[2] Share issuance of 1 886 476 shares, subscribed 23 March 2016 and registered 1 April 2016.
[3] Share issuance of 10 415 144 shares, subscribed 19 December 2017 and registered 15 January 2018.

Statement of Cash Flows

	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
(All amounts in SEK '000)				
Operating profit after depreciation	-30 111	-6 912	-11 603	-327
Financial items (net)	224	-5	1 025	-1
Adjustment for non-cash items	1 216	1 596	460	-3 877
Cash flow from operations before change in working capital	**-28 671**	**-5 321**	**-10 121**	**300**
Change in working capital	-15 131	-2 062	-18 858	-327
Cash flow from operations	-43 802	-7 383	-28 979	-4 532
Cash flow from investments	-7 628	-1 998	-2 513	80
Cash flow from financing activities	94 668	29 572	94 668	0
Cash flow for the period	43 238	20 191	-63 180	-4 452
Liquid assets, opening balance	22 147	1 956	10 260	26 599
Liquid assets, ending balance	65 386	22 147	2 206	22 147
Liquidity ratio 31 December, %	457	196	65 386	210

Summary of financial development

The financial development of Impact Coatings AB for the period 2013 – 2017 is summarized below.

All figures related to the operating years 2013-2016 are based on material from previously published annual reports.

		2017	2016	2015	2014	2013
(All amounts in SEK '000)						
Revenue	*TSEK*	25 014	24 201	22 496	5 966	3 890
Operating profit		-30 111	-6 912	-12 039	-20 772	-28 897
Financial items (net)		-29 887	-6 917	-12 524	-20 663	-28 865
Operating margin	*%*	Neg	Neg	Neg	Neg	Neg
Intangible assets	*TSEK*	5 932	2 091	40	66	93
Tangible assets		7 235	4 664	7 087	11 526	7 662
Financial assets		100	100	100	100	0
Inventory		9 895	9 627	7 243	7 311	15 114
Short-term accruals		35 485	17 251	5 285	2 129	1 664
Cash and liquid assets		65 386	22 147	1 956	10 260	7 125
Shareholder equity		101 987	37 206	14 551	27 075	28 223
Long-term liabilities		0	0	0	0	0
Short-term liabilities		22 045	18 674	7 160	4 317	3 435
Total assets		124 032	55 880	21 711	31 392	31 659
Return on assets	*%*	Neg	Neg	Neg	Neg	Neg
Return on equity		Neg	Neg	Neg	Neg	Neg
Equity/assets ratio		85,4	66,6	67,0	86,3	89,8
Debt ratio	*ggr*	0,02	0	0	0	0
Interest coverage ratio		Neg	Neg	Neg	Neg	Neg
Liquidity ratio	*%*	457	196	101	287	267
Employees		21	19	18	18	19
Investments	*KSEK*					
Intangible assets		4 151[13]	2 077[12]	0	0	0
Tangible assets		3 477	2 091	-2 708[7]	5 373[6]	0
Financial assets		0	0	0	100	0
Earnings per share	*SEK*	Neg	Neg	Neg	Neg	Neg
Average shares outstanding during the period		32 479 180[11]	31 193 526[10]	30 250 288	25 167 135[9]	18 239 472[8]
Shares outstanding at period end		42 551 908[11]	32 136 764[10]	30 250 288	30 250 288[9]	20 166 859[8]

[5] *Of the year's investments of 5 373, 5 282 represents a re-classification from short-term accruals to machines and technical equipment.*

[7] *Investments for the year include the sale of one production machine.*

[8] *Share issuance of 3 952 227 shares, subscribed and registered during June 2013.*

[9] *Share issuance of 10 083 429 shares, subscribed 13 June 2014 and registered 3 July 2014.*

[10] *Share issuance of 1 886 476 shares, subscribed 23 March 2016 and registered 1 April 2016.*

[11] *Share issuance of 10 415 144 shares, subscribed 19 December 2017 and registered 15 January 2018.*

[12] *Investments of 2 077 represent a re-classification from development expense to intangible assets.*

[13] *Investments of 4 151represent a re-classification from development expense to intangible assets.*

Definition of terms:	
Operating margin	*Operating profit after financial items divided by revenue*
Shareholder equity	*Sum total of shareholder equity, restricted reserves and non-restricted equity*
Return on assets	*Operating profit before interest divided by average capital employed*
Return on equity	*Net income after tax divided by average shareholder equity*
Equity/assets ratio	*Shareholder equity divided by balance sheet total*
Debt ratio	*Interest-bearing debts divided by shareholder equity*
Interest coverage ratio	*Operating profit before interest expenses divided by interest expenses*
Earnings per share	*Net income after tax divided by average number of shares*
Liquidity ratio	*Cash and short term assets excl. inventory divided by short term liabilities*