



IMPACT COATINGS AB (PUBL), INTERIM REPORT JANUARY-MARCH 2019

FINANCIAL RESULTS FIRST QUARTER 2019

- Net revenue amounted to SEK 2 947 thousand (6 443)
- Total income amounted to SEK 6 452 thousand (7 141)
- Operating profit amounted to SEK -10 320 thousand (-6 101)
- Operating profit after financial items amounted to SEK -10 323 thousand (-6 121)
- Cash flow amounted to SEK -8 685 thousand (-3 767)
- Equity-to-assets ratio amounted to 59% (77)
- Order backlog at period end amounted to EUR 4 059 thousand

SIGNIFICANT EVENTS FIRST QUARTER 2019

- Coating system order received from Beijing Shouhang Resources Saving Co., Ltd.
- Coating system order received from a Scandinavian eyewear manufacturer
- Marie Dhayer Teikmans appointed permanent CFO

SIGNIFICANT EVENTS AFTER THE PERIOD

- Delivery of coating system to Henan Yuqing Power Co., Ltd.
- Delivery of coating system to a Swiss watch manufacturer

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 or +46 (0)8 121 576 90.

For more information visit www.impactcoatings.com

CEO's COMMENTARY

With the start of 2019, Impact Coatings continues to implement the strategy established during 2018. Our market focus is on decorative, metallization, and reflective coatings (D/M/R), and on the fuel cell (FC) segment. We are intensifying activities in sales and marketing, while we continue to increase efficiency and secure quality in operations, with the stated goal of creating a self-financing and growing industrial company.

During the quarter, Det Norske Veritas performed a certification audit of Impact Coatings' quality systems, which resulted in certification according to ISO 9001:2015.

At the start of the year, the company received orders for two coating systems. One of the orders was from the publicly listed Chinese company Beijing Shouhang Resources Saving Co. Ltd, which is active in renewable energy solutions. The customer will use the equipment for both development and production of PVD coatings. The second order was from a Scandinavian eyewear manufacturer that ordered an additional coating system for production of decorative coatings. The customer manufactures and sells eyeglasses under its own brand name to primary markets in Europe, North America, the Middle East, and East Asia.

As we described in the previous quarterly report, we will from this report forward present the value of the order backlog at period end, which can then be followed from quarter to quarter. The disclosed order backlog includes coating system orders, including upcoming agreed rental income for systems. After-market sales and coating services are not included in the reported value, however.

The order backlog for coating systems amounted to just above 4 million Euro at the end of the first quarter. Two coating systems, which are included in the order backlog, have been delivered to customers during April. One system was delivered to Henan Yuqing Power Co., Ltd., and one system was delivered to a Swiss watch manufacturer, with both orders disclosed during September 2018.

During the upcoming quarters we will be fully focused on delivering the coating systems on order, and to continue making progress with our sales to both new and existing customers.

I look forward to meeting our shareholders at the annual general meeting on May 15 in Linköping. Welcome!

Torbjörn Sandberg

FINANCIAL RESULTS

First quarter 2019

Total income amounted to SEK 6 452 thousand (7 141). The decrease is partly due to the percentage completion revenue recognition method used in Q1 2018. From 2019 forward, revenue for coating machines is normally recognized upon delivery to the customer. Net revenue for the first quarter 2019 amounted to SEK 2 947 thousand (6 443).

Operating expenses amounted to SEK -16 772 thousand (-13 242). The increase is partly due to personnel costs and depreciation, which reflect investments that Impact Coatings has made to develop as an industrial company. Financial items amounted to SEK -3 thousand (-19). Operating profit after financial items amounted to SEK -10 323 thousand (-6 121).

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 amount to SEK 37 984 thousand (61 620). Interest-bearing debt at period end amounted to SEK 0 thousand (0). Equity-to-assets ratio amounted to 59 % (77).

Cash flow from operations during Q1 2019 amounted to SEK -8 685 thousand (-3 767). Cash flow from investments amounted to SEK 0 thousand (0). Cash flow from financing activities amounted to SEK 0 thousand (-70). Total cash flow for the period was SEK -8 685 thousand (-3 767).

The financial status and liquidity position are good.

Order book

The value of the order backlog for coating machines was at the end of the period EUR 4 059 thousand. Two of the machines included in the order backlog were delivered after the period end.

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

As we communicated in the year-end report for 2018, we will disclose the period end order backlog, starting with this 2019 first quarter report, which investors and other stakeholders can then follow from quarter to quarter.

EVENTS DURING THE FIRST QUARTER

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, ordered a coating system that will 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 that together amount to 90% of the order value. Payment of the remaining 10% will be received after machine installation and final customer approval. Delivery is planned for the third quarter of 2019.

An additional order for a coating system was disclosed on February 19. A Scandinavian eyewear manufacturer has ordered a customer-adapted INLINECOATER™D that will be used for decorative coatings. The order value is approximately SEK 10.8 million and delivery is planned for the fourth quarter 2019.

On March 19, Marie Dhayer Teikmans started as permanent CFO for the company. Marie has extensive experience in financial management and industrial production from Sweden, Italy, and France. Her most recent role was as CFO of Twister Group, an international, fast-growing company owned by Polaris Private Equity. Previously, Marie was Head of Business Controlling at Alstom Power/GE Power Services in Sweden, CFO of Whirlpool Sweden, and has a total of ten years' experience in financial leadership and control positions with Whirlpool Corporation. Marie replaced Rosina Gartz who was interim CFO during the recruiting period.

Focused quality efforts over a long period of time have resulted in Impact Coatings now being certified under ISO 9001:2015. The certification audit and certification of the company's quality systems were completed during the first quarter by Det Norske Veritas.

EVENTS AFTER PERIOD END

Two coating systems were delivered to customers during April, for orders both made during the third quarter 2018. One INLINECOATER™FC for coating fuel cell plates was delivered to Henan Yuqing Power Co., Ltd. (China). The other machine, an INLINECOATER™D for decorative coatings, was delivered to a well-known Swiss watch manufacturer.

AUDIT AND ACCOUNTING POLICIES

This interim report has not been subject to auditor review.

UPCOMING FINANCIAL EVENTS

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

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

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 April 25, 2019, at 8:00 a.m. CEST.

INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net revenue	2 947	6 443	20 194
Capitalized work for own account	0	0	5 323
Change of work in progress	3 437	0	3 199
Other operating income	68	697	1 893
Total income	6 452	7 141	30 609
Raw materials	-2 962	-3 026	-19 322
Gross profit	3 490	4 115	11 287
Gross margin %	54%	58%	37%
Other external cost	-5 633	-4 217	-22 803
Personnel cost	-7 162	-5 187	-20 938
Write off and depreciation of tangible and intangible assets	-873	-452	-2 264
Other operating expenses	-142	-360	-2 850
Operating profit	-10 320	-6 101	-37 568
Interest income and similar items	0	0	0
Interest expenses and similar items	-3	-19	-24
Operating profit after financial items	-10 323	-6 121	-37 593
Tax expenses on profit in the period	0	0	0
Net income for the period	-10 323	-6 121	-37 593
Earnings per share (kr)	Neg	Neg	Neg
Average shares outstanding during the period	42 551 908	42 551 908 ¹	42 551 908 ¹
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.

BALANCE SHEET

<i>(All amounts in SEK 000)</i>	2019-03-31	2018-03-31	2018-12-31
ASSETS			
Long term assets			
Capitalized development expenditures	4 375	5 620	4 686
Machines and technical equipment	18 557	7 094	19 118
Inventory, tools and finished goods	0	0	0
Financial assets	0	0	0
Shares in subsidiary	100	100	100
Total long term assets	23 031	12 814	23 904
Short term assets			
Raw materials	11 878	10 881	10 451
Work in progress	6 259	697	2 822
Finished goods	7 956	0	7 956
Accrued revenue	0	0	0
Other short term receivables	4 391	38 039	5 308
Cash and liquid assets			
Unrestricted cash	34 059	61 620	33 713
Restricted cash	3 925	0	12 956
Total short term assets	68 467	111 237	73 206
TOTAL ASSETS	91 498	124 051	97 111
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholder equity	54 001	95 796	64 324
Pre-payment from customers			
Paid	25 078	16 531	22 004
Invoiced but not paid	2 664	0	0
Deferred revenue	0	0	0
Short term liabilities	9 756	11 724	10 783
Short term liabilities interest bearing	0	0	0
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	91 498	124 051	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	-10 323	-6 121	-37 593
Closing Balance	54 001	95 796	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

	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
<i>(All amounts in SEK 000)</i>			
Operating profit after depreciation	-10 320	-6 102	-37 568
Financial items (net)	-3	-19	-24
Adjustments for non cash items	873	452	6 044
Cash flow from operations before change in working capital	-9 450	-5 669	-31 548
Change in working capital	765	1 973	18 229
Cash flow from operations	-8 685	-3 696	-13 319
Cash flow from investments	0	0	-5 327
Cash flow from financing activities	0	-70	-70
Cash flow for the period	-8 685	-3 767	-18 717
Liquid assets, opening balance	46 669	65 386	65 386
Liquid assets ending balance	37 984	61 619	46 669
Liquid assets ending balance, %	113	697	159

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January to March 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-Mar				
Net revenue		2 928	20 194	25 014	24 201	22 496
Operating profit		-10 320	-37 568	-30 111	-6 912	-12 039
Result after financial items (net)		-10 323	-37 593	-29 887	-6 917	-12 524
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		4 375	4 686	5 931	2 091	40
Tangible assets		18 557	19 118	7 235	4 664	7 087
Financial assets		100	100	100	100	100
Inventory		26 093	21 229	9 895	9 627	7 243
Pre payment from customers		25 900	22 004	0	0	0
Short term liabilities		4 391	5 308	24 390	17 251	5 285
Cash and liquid assets		37 984	46 669	65 386	22 147	1 956
Shareholder equity		54 001	64 324	101 987	37 206	14 551
Long term liabilities		0	0	0	0	0
Short term liabilities		11 598	10 783	20 317	18 674	7 160
Total assets		91 498	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		59,0%	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	%	113	159	442	211	101
Employees		33	31	21	19	18
Investments						
Intangible assets		0	0	4 151 ⁵	2 077 ³	0
Tangible assets		0	12 902 ⁷	3477	2091	-2 708 ²
Financial assets		0	0	0	0	0
Earnings per share	SEK	-0,24	-0,88	-0,70	-0,22	-4,15
Average shares outstanding during the period		42 551 908	42 551 908	32 479 180	31 193 526	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>