



IMPACT COATINGS AB (PUBL), INTERIM REPORT APRIL-JUNE 2019

FINANCIAL RESULTS SECOND QUARTER 2019

- Net revenue amounted to SEK 22 560 thousand (2 612)
- Total income amounted to SEK 17 452 thousand (2 648)
- Operating profit amounted to SEK -4 185 thousand (-13 527)
- Operating profit after financial items amounted to SEK -4 191 thousand (-13 527)
- Cash flow amounted to SEK -12 413 thousand (-11 698)
- Equity-to-assets ratio amounted to 130% (284)
- Order backlog at period end amounted to EUR 2 084 thousand

FINANCIAL RESULTS JANUARY-JUNE 2019

- Net revenue amounted to SEK 25 507 thousand (9 055)
- Total income amounted to SEK 23 903 thousand (9 788)
- Operating profit amounted to SEK -14 505 thousand (-19 628)
- Operating profit after financial items amounted to SEK -14 514 thousand (-19 647)
- Cash flow amounted to SEK -21 098 thousand (-15 464)
- Equity-to-assets ratio amounted to 130% (284)

SIGNIFICANT EVENTS SECOND QUARTER 2019

- Delivery of coating system to Henan Yuqing Power Co., Ltd.
- Delivery of coating system to a Swiss watch manufacturer
- Annual General Meeting held on May 15th

SIGNIFICANT EVENTS AFTER THE PERIOD

- Shipment of coating system to Beijing Shouhang Resources Saving Co., Ltd.

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

The second quarter of 2019 shows that Impact Coatings is on the right path. As CEO, it is gratifying to see that the past year's focused strategy and increased operational efficiency are beginning to bear fruit. We see that the FC (fuel cell) segment and D/M/R (decorative, metallization and reflective coatings) are both contributing to system and services revenues.

Net revenue for the second quarter was higher than for the whole year 2018. System sales continue to vary from quarter to quarter but compared to previous years the trend is positive. We also see a continued improvement in coating services revenues, and after-market sales help to stabilize further the business.

Since last summer, we are using our system for fuel cell coatings in our coating services business. Both coating services and development projects for customers show that our technical solutions in the segment are at the forefront. We also see that electrification in transportation is moving quickly, driving the development of both batteries and fuel cells. In April, we delivered our first coating system to a fuel cell customer. The machine was installed in China's Henan province and the customer, Henan Yuqing Power Co., Ltd., is now integrating our Ceramic MAXPHASE™ coating into the production of bipolar fuel cell plates for the rail industry.

Three of five system orders since mid-2018 have come from existing systems customers, all within the D/M/R segment. One of the existing customers is the Swiss watch manufacturer that in April received its second coating system from Impact Coatings. We continue to nurture existing customer relationships while intensifying and broadening market development within the D/M/R segment, with the clear goal to increase system sales.

As CEO, I am proud to receive customers' positive feedback about Impact Coatings' professionalism in connection with the first half-year's system deliveries. Now during August, an additional coating system is on its way to China, to Beijing Shouhang Resources Saving Co., Ltd., and the installation team is making its final trip preparations.

We have today a strong pipeline of potential customers, confirming our view that we have an attractive offering of coating systems and services, as well as the right customer focus.

The 2019 annual general meeting of shareholders was held in Linköping on May 15. It was for me the first chance to meet many of Impact Coatings' engaged shareholders. The board of directors and I are thankful for the owners' trust and look forward to driving the company's development forward.

Torbjörn Sandberg

FINANCIAL RESULTS

Second quarter 2019

Net revenue for the second quarter 2019 amounted to SEK 22 560 thousand (2 612) and includes revenue recognition from the delivery of two coating systems. Total income amounted to SEK 17 452 thousand (2 648). From 2019 forward, revenue for coating machines is normally recognized upon delivery to the customer.

Operating expenses amounted to SEK -21 636 thousand (-16 175). The increase is driven by raw materials for the coating systems delivered, as well as higher personnel costs and depreciation, which reflect investments that Impact Coatings has made to develop as an industrial company. Financial items amounted to SEK -6 thousand (1). Operating profit after financial items amounted to SEK -4 191 thousand (-13 527).

In 2018, we announced that a coating system had been reclassified from earnings to inventory at a value of SEK 7 956 thousand following invalidated orders from China Hydrogen Energy and Huaqing Power Technology. This value included manufacturing costs (materials and labor), but did not include any gain nor cost for customer-specific modifications for Henan Yuqing Power Co., Ltd.

During the second quarter of 2019, we reported revenue of SEK 12 320 thousand for the delivery to Henan Yuqing Power Co., Ltd. The profit on the project was lower than the expected profit from ordinary sales of coating systems, mainly because the machine's inventory value of SEK 7 956 thousand included capitalized costs for own account from 2016 and 2017.

January-June 2019

Net revenue for the first half of 2019 amounted to SEK 25 507 thousand (9 055). Total income amounted to SEK 23 903 thousand (9 788).

Operating expenses amounted to SEK -38 408 thousand (-29 417). The increase is driven by raw materials for the coating systems delivered, as well as higher personnel costs and depreciation. Financial items amounted to SEK -9 thousand (-19). Operating profit after financial items amounted to SEK -14 514 thousand (-9 647).

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 amounted to SEK 25 571 thousand (49 922). Interest-bearing debt at period-end amounted to SEK 0 (0). Equity-to-assets ratio amounted to 130% (284).

Cash flow from operations during January-June amounted to SEK -20 926 thousand (-15 394). Cash flow from investments amounted to SEK -172 thousand (0). Cash flow from financing activities amounted to SEK 0 thousand (-70). Total cash flow for the period was SEK -21 098 thousand (-15 464).

Cash flow in the third quarter is expected to be higher than in the second quarter. The final payments from Henan Yuqing Power Co., Ltd. and from the Swiss watch manufacturer are scheduled for after period-end and will therefore be reported during the third quarter.

Impact Coatings has received an Irrevocable Letter of Credit corresponding to 40% of the order value from the listed company Beijing Shouhang Resources Saving Co., Ltd., whose release is expected to have a positive effect on cash flow during the third quarter.

The financial status and liquidity position are good, as the company has the liquidity needed to continue operations according to plan.

Order book

The value of the order backlog for coating machines was at the end of the period EUR 2 084 thousand.

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

EVENTS DURING THE SECOND QUARTER

Two coating systems were delivered and installed at customer sites during the second quarter. In both cases the orders were communicated in September 2018, with planned deliveries during the first half of 2019.

One INLINECOATER™FC system, dedicated to coating fuel cell plates, was delivered to Henan Yuqing Power Co., Ltd. (China). The customer, who paid 80% of the order value in advance in connection with order placement, will initially use the system for fuel cells for the rail transport industry. The system type was launched in 2018 and Impact Coatings has been using it since last year in the production of fuel cell coatings. The Henan Yuqing deal represents the first system delivery to a customer for fuel cell applications.

A second system delivery was made to a well-known Swiss watch manufacturer, who had ordered an INLINECOATER™D for decorative coatings. The customer with this delivery is integrating a second system from Impact Coatings into its production of watch components, with the first system delivered in 2017.

In April, as every year since 2014, Impact Coatings exhibited at the world's largest industrial fair, Hannover Messe. The group exhibit H2+FC during the Hannover Messe is the most important annual meeting point for the European fuel cell industry, a good opportunity to position Impact Coatings, and this year to introduce the company's partly new organization. The company also participated in the hydrogen and fuel cell conference f-cell + HFC in Vancouver, Canada, at the end of May.

The annual general meeting of shareholders (AGM) was held in Linköping on May 15. The AGM re-elected the Board of Directors: Mark Shay, Tanja Vainio, Lars-Gunnar Skötte, Jan-Eric Sundgren, and Christian Sahlén. Mark Shay was elected Chairman of the Board. The Board of Directors and the CEO Torbjörn Sandberg were granted release from liability. The former CEO Henrik Ljungcrantz was not granted release from liability.

EVENTS AFTER PERIOD END

In early August, a coating system was shipped to Beijing Shouhang Resources Saving Co., Ltd. (China). The order was communicated via a press release on February 4, 2019.

AUDIT AND ACCOUNTING POLICIES

This interim report has not been subject to auditor review.

UPCOMING FINANCIAL EVENTS

Interim report for the third quarter 2019	October 25, 2019
Year-end report 2019	February 14, 2020

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This information was delivered, via the contact persons named above, for publication on August 16, 2019, at 8:00 a.m. CEST.

INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Net revenue	22 560	2 612	25 507	9 055	20 194
Capitalized work for own account	0	0	0	0	5 323
Change of work in progress	-5 626	0	-2 189	0	3 199
Other operating income	518	36	585	733	1 893
Total income	17 452	2 648	23 903	9 788	30 609
Raw materials	-7 137	-5 445	-10 099	-8 471	-19 322
Gross profit	10 315	-2 798	13 805	1 317	11 287
Gross margin %	59%	-106%	58%	13%	37%
Other external cost	-5 595	-4 672	-11 228	-8 889	-22 803
Personnel cost	-8 540	-5 246	-15 702	-10 433	-20 938
Write off and depreciation of tangible and intangible assets	-877	-452	-1 750	-904	-2 264
Other operating expenses	512	-359	370	-720	-2 850
Operating profit	-4 185	-13 527	-14 505	-19 628	-37 568
Interest income and similar items	0	0	0	0	0
Interest expenses and similar items	-6	1	-9	-19	-24
Operating profit after financial items	-4 191	-13 527	-14 514	-19 647	-37 593
Tax expenses on profit in the period	0	0	0	0	0
Net income for the period	-4 191	-13 527	-14 514	-19 647	-37 593
Earnings per share (kr)	Neg	Neg	Neg	Neg	Neg
Average shares outstanding during the period	42 551 908	42 551 908	42 551 908	42 551 908	42 551 908 ¹
Shares outstanding at period end	42 551 908	42 551 908	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>	2019-06-30	2018-06-30	2018-12-31
ASSETS			
Long term assets			
Capitalized development expenditures	4 063	5 309	4 686
Machines and technical equipment	18 163	6 953	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	22 326	12 362	23 904
Short term assets			
Raw materials	11 430	10 798	10 451
Work in progress	8 589	1 686	2 822
Finished goods	0	0	7 956
Accrued revenue	0	0	0
Other short term receivables	6 758	38 674	5 308
Cash and liquid assets			
Unrestricted cash	25 571	49 922	33 713
Restricted cash	0	0	12 956
Total short term assets	52 348	101 079	73 206
TOTAL ASSETS	74 674	113 441	97 111
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholder equity	49 810	82 270	64 324
Pre-payment from customers			
Paid	12 250	16 531	22 004
Invoiced but not paid	0	0	0
Deferred revenue	0	0	0
Short term liabilities	12 614	14 640	10 783
Short term liabilities interest bearing	0	0	0
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	74 674	113 441	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	-14 514	-19 647	-37 593
Closing Balance	49 810	82 270	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

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
<i>(All amounts in SEK 000)</i>					
Operating profit after depreciation	-4 185	-13 526	-12 316	-19 628	-37 568
Financial items (net)	-6	0	-9	-19	-24
Adjustments for non cash items	1 324	3 232	2 197	3 684	6 044
Cash flow from operations before change in working capital	-2 866	-10 294	-10 128	-15 963	-31 548
Change in working capital	-9 375	-1 404	-8 609	569	18 229
Cash flow from operations	-12 241	-11 698	-18 737	-15 394	-13 319
Cash flow from investments	-172	0	-172	0	-5 327
Cash flow from financing activities	0	0	0	-70	-70
Cash flow for the period	-12 413	-11 698	-18 909	-15 464	-18 717
Liquid assets, opening balance	37 984	61 620	46 669	65 386	65 386
Liquid assets ending balance	25 571	49 922	27 760	49 921	46 669
Liquid assets ending balance, %	130	284	130	284	159

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB for the period January to June 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-Jun				
Net revenue		25 507	20 194	25 014	24 201	22 496
Operating profit		-14 505	-37 568	-30 111	-6 912	-12 039
Result after financial items (net)		-14 514	-37 593	-29 887	-6 917	-12 524
Operating margin	%	Neg	Neg	Neg	Neg	Neg
Intangible assets		4 063	4 686	5 931	2 091	40
Tangible assets		18 163	19 118	7 235	4 664	7 087
Financial assets		100	100	100	100	100
Inventory		20 019	21 229	9 895	9 627	7 243
Pre payment from customers		10 408	22 004	0	0	0
Short term liabilities		6 758	5 308	24 390	17 251	5 285
Cash and liquid assets		25 571	46 669	65 386	22 147	1 956
Shareholder equity		49 810	64 324	101 987	37 206	14 551
Long term liabilities		0	0	0	0	0
Short term liabilities		14 456	10 783	20 317	18 674	7 160
Total assets		74 674	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		66,7%	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	%	130	159	442	211	101
Employees		35	31	21	19	18
Investments						
Intangible assets		0	0	4 151 ⁵	2 077 ³	0
Tangible assets		172,038	12 902 ⁷	3477	2091	-2 708 ²
Financial assets		0	0	0	0	0
Earnings per share	SEK	-0,34	-0,88	-0,70	-0,22	-0,41
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>