



IMPACT COATINGS AB (PUBL), YEAR-END REPORT 2019

FINANCIAL RESULTS FULL YEAR 2019

- Net revenue amounted to SEK 49 084 thousand (20 194)
- Total income amounted to SEK 39 366 thousand (30 609)
- Operating profit amounted to SEK -26 368 thousand (-37 568)
- Operating profit after financial items amounted to SEK -26 387 thousand (-37 593)
- Cash flow amounted to SEK 32 116 thousand (-18 717)
- Equity-to-assets ratio amounted to 666% (159)
- Order backlog at period end amounted to EUR 289 thousand
- No dividend is proposed

FINANCIAL RESULTS FOURTH QUARTER 2019

- Net revenue amounted to SEK 20 574 thousand (7 570)
- Total income amounted to SEK 8 069 thousand (14 140)
- Operating profit amounted to SEK -3 986 thousand (-9 183)
- Operating profit after financial items amounted to SEK -3 990 thousand (-9 187)
- Cash flow amounted to SEK 59 693 thousand (-10 290)

SIGNIFICANT EVENTS FOURTH QUARTER 2019

- Joint Development Agreement (JDA) signed with Hyundai Motor Company
- Resolution by the Board of Directors on directed new share issue to Hyundai Motor Company and Accendo Capital, and nomination of board member by Hyundai
- Extraordinary General Meeting approves the directed share issue, and appoints Sukhwan Yun as new board member
- 9,257,143 newly issued shares are registered with the Swedish Companies Registration Office
- Memorandum of Understanding (MoU) signed with Hyundai during the Swedish Prime Minister's visit to South Korea in December

SIGNIFICANT EVENTS AFTER THE PERIOD

- Order for coating system from Zanini Auto Group

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 Nasdaq First North Growth Market. The company's Certified Adviser is Redeye AB, reachable via Certifiedadviser@redeye.se or +46 8 121 576 90.

For more information visit www.impactcoatings.com.

CEO'S COMMENTARY

The company entered 2019 with the strategy to establish a position among leading companies in the fuel cell (FC) segment and to re-focus our efforts on the decorative, metallization and reflector (DMR) segments. We have executed well on this strategy and enter 2020 well-positioned for further success.

As the year progressed, partnering with Hyundai became our primary objective, requiring extraordinary efforts from the organization that were ultimately successful. One of the world's largest auto manufacturers investing in and partnering with Impact Coatings is a testament to our expertise and professionalism in the field of fuel cell coatings, but it also has relevance for other automotive industry applications. The relationship gives us immediate access to industrial competence and credibility vis á vis other automotive customers.

Interest among most potential customers in the DMR segments remains, despite system orders not reaching our expectations in 2019, which will have a negative effect on revenue during the first half of 2020. Our focus on DMR has resulted in a strategic order at the beginning of the new year: Zanini Auto Group ordered a coating system for radar-transparent automotive emblems, also called radomes. Radomes are one of several plastic components in new safety functions for vehicles, "Internet of Things" (IoT) and 5G that require cost-effective coating solutions. We are following these developments carefully and are working with customers in their development of effective production solutions.

The company has developed well financially, even if there is much left to do. Sales for the full year 2019 reached almost SEK 50 million, the highest in the company's history, while the operating profit is still negative – an indication that we have work yet to be done with sales and additional efficiency in production before we reach profitability. We have during the latter part of 2019 reduced our running costs and have clearly tightened working capital management. The whole team has a more financial mindset now in every work task.

We built and shipped four coating systems during 2019, of which one system was installed at the customer site during the first days of the new year. Among the four delivered systems are the first delivery in the fuel cell segment. The Coating Services business grew and achieved good margins. With respect to both Coating Services and system sales, structuring and industrialization of the operations have created capacity for increased future production. The company was awarded ISO 9001 certification during the year and is working continuously with quality, efficiency, and reducing lead times.

Beyond the capital inflow of ca SEK 65 million, the directed share issue carried through in the fourth quarter gives Impact Coatings two stable owners: a global industrial owner in Hyundai Motor Company with just over 10% of shares and an active financial owner in Accendo Capital with 12%. The attention connected with the transaction has also contributed to the addition of approximately 1000 new shareholders. I would like to offer you all a warm welcome to Impact Coatings.

Finally, if 2018 was characterized by restructuring, cleaning up the business and a changed strategy, then our progress in 2019 is illustrated by implementing the strategy, strengthened commercial processes, and strict financial management and internal controls. Impact Coatings enters 2020 well-prepared for growth and for the next phase in our industrialization process together with our partner Hyundai.

Torbjörn Sandberg

FINANCIAL RESULTS

Full year 2019

Net revenue for the full year 2019 amounted to SEK 49 084 thousand and increased compared to the previous year (20 194). Total income amounted to SEK 39 366 thousand (30 609).

Operating expenses amounted to SEK -65 734 thousand (-68 178).

Financial items amounted to SEK -19 thousand (-24).

Operating profit after financial items amounted to SEK -26 387 thousand (-37 593).

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

Fourth quarter 2019

Net revenue for the fourth quarter 2019 amounted to SEK 20 574 thousand (7 570), which includes revenue from the delivery of the coating system to Beijing Shouhang Resources Saving Co., Ltd, as well as revenue in conjunction with the shipment of the coating system to a Scandinavian eyewear manufacturer. Net revenue also includes Coating Services revenue, after sales and lease revenue.

The delivery of the coating system to Beijing Shouhang Resources Saving Co., Ltd. was completed during the fourth quarter 2019. The installed system had mutually agreed modifications compared to the original configuration, and the final order value was therefore agreed in conjunction with final acceptance to be 90% of the original order value.

Revenue at shipment of the coating system to the Scandinavian eyewear manufacturer amounted to 75% of the order value, as the remaining 25% of the order value for the installation was considered a separate commitment. The installation was finalized during the first quarter of 2020.

Total income amounted to SEK 8 069 thousand (14 140).

Operating expenses amounted to SEK -12 054 thousand (-23 323). During the third quarter, we implemented a cost reduction program in line with our efficiency improvement work. The main effects come from restrictive new hiring and reduced IT and sales consulting costs, with full effect in the fourth quarter.

Financial items amounted to SEK -5 thousand (-4). Operating profit after financial items amounted to SEK -3 990 thousand (-9 187).

Financial position and liquidity

Cash and liquid assets at period-end amounted to SEK 78 785 thousand (46 669). Equity-to-assets ratio amounted to 666% (159).

Cash flow from operations for the full year 2019 amounted to SEK -31 780 thousand (-13 319). Cash flow from investments amounted to SEK -172 thousand (-5 327). Cash flow from financing activities amounted to SEK 64 069 thousand (-70) from the directed share issue to Hyundai and Accendo Capital. The capital raised amounted to SEK 64 800 thousand and the costs related to the transaction amounted to SEK 731 thousand. Total cash flow for the period was SEK 32 116 thousand (-18 717).

The company will have the liquidity needed to continue operations for at least the next 12 months.

Order book coating systems

The value of the order backlog for coating machines was at the end of the period EUR 289 thousand, which includes 25% of the order to the Scandinavian eyewear manufacturer.

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 FOURTH QUARTER

On October 30, it was announced that the company had signed a joint development agreement with Hyundai Motor Company on coating technology for metal bipolar flow plates, a key component for hydrogen-powered fuel cell vehicles.

It was also announced that the Board of Directors had resolved on a directed new share issue of 5,400,000 shares to Hyundai Motor Company and 3,857,143 new shares to Accendo Capital. Hyundai had also nominated Sukhwan Yun to become a board member of Impact Coatings. The equity issue and election of a board member required the approval of an Extraordinary General Meeting (EGM).

The EGM was held in Stockholm on November 22. The shareholders approved the directed share issue resolved by the board. It was further decided that the number of board members would be increased from five to six, and that Sukhwan Yun should be elected to the company's Board of Directors.

9,257,143 newly issued shares were registered with the Swedish Companies Registration Office during December. After registration, the total number of shares and votes outstanding in Impact Coatings amounts to 51,809,051.

During the visit of Swedish Prime Minister Stefan Löfven and a large Swedish business delegation to South Korea in December, Impact Coatings and Hyundai Motor Company also signed a Memorandum of Understanding (MoU). The MoU, which is non-binding and has no defined economic value, follows the Joint Development Agreement announced in October, and further strengthens the relation between the companies.

EVENTS AFTER PERIOD END

On January 17, 2020 the company announced a system order from Zanini Auto Group (Spain). The order relates to an INLINECOATER™ system for coating radomes (radar emblems) for vehicle safety systems. The order value is EUR 710,000 and delivery is scheduled for the fourth quarter of 2020.

The order from Zanini is the first within the application area radomes. The term "radome" refers to radar-transparent antenna covers. Today's new cars use radar in safety systems that support the driver (advanced driver-assistance systems – ADAS). An automotive radar is often placed behind the front brand emblem, in bumpers, or integrated into side view mirrors or other plastic parts.

PROPOSED ALLOCATION OF NET INCOME

The Board of Directors will propose to the Annual General Meeting that no dividend be paid for 2019.

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 2018 annual report.

UPCOMING FINANCIAL EVENTS

Release of Annual Report for 2019	April 16, 2020
Interim report for the first quarter 2020	April 24, 2020
Annual general meeting 2020	May 14, 2020
Interim report for the second quarter 2020	August 18, 2020
Interim report for the third quarter 2020	October 23, 2020
Year-end report 2020	February 12, 2021

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INCOME STATEMENT

<i>(All amounts in SEK 000)</i>	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net revenue	20,574	7,570	49,084	20,194
Capitalized work for own account	0	5,700	0	5,323
Change of work in progress	-12,463	-276	-10,617	3,199
Other operating income	-43	1,147	899	1,893
Total income	8,069	14,140	39,366	30,609
Raw materials	-1,177	-9,201	-14,520	-19,322
Other external cost	-3,136	-6,754	-18,781	-22,803
Personnel cost	-7,183	-5,993	-29,100	-20,938
Write off and depreciation of tangible and intangible assets	-872	-719	-3,502	-2,264
Profit on Exchange rate	314	0	168	0
Other operating expenses	0	-656	0	-2,850
Operating profit	-3,986	-9,183	-26,368	-37,568
Interest income and similar items	0	0	0	0
Interest expenses and similar items	-5	-4	-19	-24
Operating profit after financial items	-3,990	-9,187	-26,387	-37,593
Tax expenses on profit in the period	0	0	0	0
Net income for the period	-3,990	-9,187	-26,387	-37,593
Earnings per share (kr)	-0.09	-0.22	-0.61	-0.88
Average shares outstanding during the period	44,363,088 ²	42,551,908	43,008,425 ²	42,551,908 ¹
Shares outstanding at period end	51,809,051 ²	42,551,908	51,809,051	42,551,908

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

² Share issuance of 9 257 143 shares, subscribed October 29, 2019, and registered December 13, 2019.

BALANCE SHEET

<i>(All amounts in SEK 000)</i>	12/31/2019	12/31/2018
ASSETS		
Long term assets		
Capitalized development expenditures	3,440	4,686
Machines and technical equipment	5,003	7,088
Assets under construction	6,015	6,015
Financial assets		
Shares in subsidiary	100	100
Total long term assets	14,559	17,889
Short term assets		
Raw materials	12,211	10,451
Work in progress	161	2,822
Finished goods	0	7,956
Other short term receivables	2,483	5,308
Cash and liquid assets		
Unrestricted cash	78,785	33,713
Restricted cash	0	12,956
Total short term assets	93,640	73,206
TOTAL ASSETS	108,198	91,095
SHAREHOLDERS EQUITY AND LIABILITIES		
Shareholder equity	102,006	64,324
Pre-payment from customers		
Paid	2,349	22,004
Short term liabilities	9,858	10,783
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	114,213	97,111

CHANGES IN SHAREHOLDER EQUITY

<i>(All amounts in SEK 000)</i>	12/31/2019	12/31/2018
Opening balance	64,324	101,987
Share issuance	64,069	-70
Period result	-26,387	-37,593
Closing Balance	102,006	64,324
Average shares outstanding during the period	43,008,425 ²	42,551,908 ¹
Shares outstanding at period end	51,809,051	42,551,908

¹ Share issuance of 10 415 144 shares, subscribed December 19, 2017, and registered January 15, 2018

² Share issuance of 9 257 143 shares, subscribed October 29, 2019, and registered December 13, 2019.

STATEMENT OF CASH FLOWS

	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<i>(All amounts in SEK 000)</i>	2019	2018	2019	2018
Operating profit after depreciation	-3,986	-9,183	-26,368	-37,568
Financial items (net)	-5	-3	-19	-24
Adjustments for non cash items	1,017	1,718	4,383	6,044
Cash flow from operations before change in working capital	-2,973	-7,468	-22,004	-31,548
Change in working capital	-1,403	2,506	-9,777	18,229
Cash flow from operations	-4,376	-4,962	-31,780	-13,319
Cash flow from investments	0	-5,327	-172	-5,327
Cash flow from financing activities	64,069	0	64,069	-70
Cash flow for the period	59,693	-10,290	32,116	-18,717
Liquid assets, opening balance	19,092	56,959	46,669	65,386
Liquid assets ending balance	78,785	46,669	78,785	46,669
Liquid assets ending balance, %	666	159	666	159

SUMMARY OF FINANCIAL DEVELOPMENT

The financial development of Impact Coatings AB (publ) for 2015–2019 is summarized below.

All figures related to the operating years 2015–2018 are based on material from previously published annual reports.

(All amounts in SEK 000)	2019	2018	2017	2016	2015
Net revenue	49,084	20,194	25,014	24,201	22,496
Operating profit	-26,368	-37,568	-30,111	-6,912	-12,039
Result after financial items (net)	-26,387	-37,593	-29,887	-6,917	-12,524
Operating margin	%	Neg	Neg	Neg	Neg
Intangible assets	3,440	4,686	5,931	2,091	40
Tangible assets	17,034	19,118	7,235	4,664	7,087
Financial assets	100	100	100	100	100
Inventory	12,372	21,229	9,895	9,627	7,243
Pre payment from customers	2,350	22,004	0	0	0
Short term liabilities	2,483	5,308	24,390	17,251	5,285
Cash and liquid assets	78,785	46,669	65,386	22,147	1,956
Shareholder equity	102,006	64,324	101,987	37,206	14,551
Long term liabilities	0	0	0	0	0
Short term liabilities	9,858	10,783	20,317	18,674	7,160
Total assets	114,213	97,111	122,304	55,880	21,711
Return on assets	%	Neg	Neg	Neg	Neg
Return on equity		Neg	Neg	Neg	Neg
Equity/asset ratio		89.3%	66.2%	83.4%	66.6%
Debt ratio	<i>ggr</i>	0	0	0.02	0
Interest coverage ratio		Neg	Neg	Neg	Neg
Liquidity ratio	%	666	159	442	211
Employees		31.7	31	21	19
Investments					
Intangible assets		0	0	4 151 ⁴	2 077 ²
Tangible assets		172,038	12,902 ⁵	3477	2091
Financial assets		0	0	0	0
Earnings per share	SEK	-0.61	-0.88	-0.92	-0.22
Average shares outstanding during the period		43,008,425	42,551,908	32,479,180	31,193,526 ³
Shares outstanding at period end		51,809,051 ⁷	42,551,908 ⁶	42 551 908	32 136 764 ³

¹ This year investments include a sale of one production machine.

² Investment of 2 077 TSEK represents a re-classification from development expenses to intangible assets.

³ Share issuance of 1 886 476 shares subscribed March 23, 2016, and registered April 1, 2016.

⁴ Investment of 4 151 TSEK represents a re-classification from development expenses to intangible assets.

⁵ The annual investment includes a reclassification of 7 575 from working capital to machines and technical equipment.

⁶ Share issuance of 10 415 144 subscribed December 19, 2017, and registered January 15, 2018

⁷ Share issuance of 9 257 143 shares, subscribed October 29, 2019, and registered December 13, 2019.

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>