

IMPACT COATINGS AB (PUBL), INTERIM REPORT APRIL-JUNE 2020

FINANCIAL RESULTS SECOND QUARTER 2020

- Net revenue amounted to SEK 5,016 thousand (22,560)
- Total income amounted to SEK 9,726 thousand (17,452)
- Operating profit amounted to SEK -6,305 thousand (-4,185)
- Operating profit after financial items amounted to SEK -6,305 thousand (-4,191)
- Cash flow amounted to SEK -2,299 thousand (-12,413)
- Equity-to-assets ratio amounted to 282% (130)
- Coating system order backlog at period end amounted to EUR 3,765 thousand (2,084)

FINANCIAL RESULTS JANUARY-JUNE 2020

- Net revenue amounted to SEK 10,039 thousand (25,507)
- Total income amounted to SEK 16,301 thousand (23,903)
- Operating profit amounted to SEK -12,188 thousand (-14,505)
- Operating profit after financial items amounted to SEK -7,150 thousand (-21,098)
- Cash flow amounted to SEK -12,190 thousand (-14,514)
- Equity-to-assets ratio amounted to 282% (130)

SIGNIFICANT EVENTS SECOND QUARTER 2020

- Coating system order for radomes received from HELLA Group
- Coating system order for fuel cells received from Hyundai Motor Company

SIGNIFICANT EVENTS AFTER THE PERIOD

- No significant events have occurred after the end of the period

CEO'S COMMENTARY

Impact Coatings had a good order intake for coating systems during the first half of the year - in terms of orders the strongest start to the year in the company's history. Our sales organization has handled the corona pandemic's challenges and closed several well-advanced system deals. The order backlog for systems was roughly EUR 3.8 million as of the period end.

We have won important orders within strategic business segments. During the second quarter, we signed an order agreement with automotive component supplier HELLA for the delivery of a coating system for radomes – radar-transparent automotive emblems – which form part of a vehicle safety system.

In June, Hyundai Motor Company ordered a coating system for fuel cells – a result of the Joint Development Agreement (JDA) signed during 2019, when Hyundai also became a shareholder in Impact Coatings. The establishment of a local office in South Korea for development and sales – also a part of the JDA – has been prepared pending eased travel restrictions. In the meantime, development work together with Hyundai has proceeded remotely.

The development of a hydrogen society with fuel cells has received substantial media attention during the summer. First, Germany adopted an aggressive national hydrogen strategy, which was followed by a hydrogen strategy for the broader EU, in which the European Commission estimates substantial industry investments in renewable hydrogen. Even the Swedish government, finally, has decided to create a strategic plan for hydrogen. In South Korea, where our partner Hyundai is active, hydrogen-based mobility is an important part of the "Korea New Deal," which president Moon Jae-in has proposed to help lift the country from the corona crisis through investment. Hyundai has in conjunction with this proposal presented plans for the development of next-generation, more durable fuel cells, and an aggressive rollout of both heavy and light fuel cell vehicles.

The company's operating loss for the first half of 2020 improved somewhat from 2019 as a result of cost savings, despite the lower revenues. No coating system was shipped during the first six months of 2020, commensurate with the order development of 2019. By comparison, two system deliveries were completed during H1 2019.

Revenues for Q2 2020 include SEK 2,151 thousand from an advance payment by China Hydrogen Energy for a system order in 2016 that Impact Coatings in 2018 declared no longer valid. In connection with the order being declared no longer valid, the company communicated that we aimed to retain the advance payment to cover costs. Following a legal review, the advance that was previously booked as a liability has during Q2 2020 been recognized as income, a positive conclusion to the situation.

An additional positive development connected to China is the agreement we have entered into with the technology and service provider NET, which will represent Impact Coatings in China for system maintenance, first-line support, and the distribution of consumable materials and spare parts. Offering local service in this potentially significant market is important for both existing customers and for future sales.

The strong system order backlog, in spite of COVID-19, means we have had a full utilization during H1 2020. The pandemic has not adversely affected our projects for delivery, but continued restrictions during the autumn can affect our ability to install systems at customer premises according to plan. Minor supply chain disruptions have been handled and we continue to closely monitor the situation. As for many other export companies, COVID-19 impedes sales work, which affects our pipeline for future system sales. Even aftermarket service and the Coating Services segments are affected to some degree by travel restrictions and customers' closed factories.

During the coming months, we will focus fully on producing and delivering the coating systems on order, and on intensifying the development efforts with Hyundai and other customers. Provided the world continues to open up, there is a continued high potential in our sales pipeline and we view favorably market developments in, above all, fuel cells and metallization of plastic including radomes and other automotive components. We are preparing ourselves for a busy second half of the year.

Torbjörn Sandberg

The full report is attached, and can be retrieved on the company's website at www.impactcoatings.com/finansiella-rapporter-arkiv/.

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About Impact Coatings AB

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.