IMPACT COATINGS IN BRIEF

ANNUAL REPORT 2019 IN SUMMARY

IMPACT COATINGS

2019 IN BRIEF

Impact Coatings has positioned itself among fuel cell industry leaders by partnering with Hyundai Motor Company. The company's net revenue reached a record-high SEK 49 million during 2019.

The year in summary

- First customer delivery of INLINECOATER™FC production system for fuel cell metal bipolar plates
- Coating system orders from Beijing Shouhang Resources Saving Co., Ltd. (China), and from a Scandinavian eyewear manufacturer
- Joint Development Agreement (JDA) signed with Hyundai Motor Company for fuel cell coatings
- Directed equity issue to Hyundai Motor Company and Accendo Capital, providing gross liquidity of SEK 65 million.

"The evolution towards a hydrogen society is moving faster than we expected just a year ago."

Torbjörn Sandberg
CEO, Impact Coatings AB

Events after the period

- Strong order intake during Q1 2020 in the Decorative, Metallization and Reflector segments
- First system order for radome coatings, from a Southern European automotive component supplier

Impact Coatings delivers world-class PVD technology for environmentally friendly surface coatings in growing business areas. Many customers are active in the automotive industry, and the company is strategically positioned in the international market for hydrogen-powered fuel cell vehicles.

Founded: 1997

Employees: 32

Head office: Linköping, Sweden

Listed on: Nasdaq Stockholm, First North Growth Market (IMPC)

Financial summary

(SEK Thousand)	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
Total assets	114 213	97 111	122 304	55 880	21 711
Liquidity ratio (%)	666	159	442	211	101
Employees	32	31	21	19	18
Earnings per share (SEK)	-0,5	-0,9	-0,7	-0,2	-0,4
Shares outstanding at period end	51 809 051	42 551 908	42 551 908	32 136 764	30 250 288

WORLD-CLASS PVD PRODUCTS AND SERVICES

Coating equipment

Impact Coatings develops and sells PVD coating equipment for highly efficient industrial applications under the brand INLINECOATER™. A unique patented system architecture allows small batches of objects to be coated with short cycle times. High coating quality, versatility, quick and easy maintenance, and the possibility to integrate INLINECOATER systems into production flows make the machine architecture and performance attractive in many industrial contexts.

System solutions

The company supports customers with highly cost-efficient PVD system solutions that include equipment, coating technology and coating materials optimized for customer requirements.

For electrical applications, including metal bipolar plates for fuel cells and electrical connectors, the company has developed unique coatings that are marketed under the MAXPHASE™ brand.

Coating services

Coating services operations complement the sales of equipment and system solutions. Coating production in larger volumes serves applications including fuel cells, decorative coatings, medical technology and electrical contacts.

In addition to generating ongoing revenue, the in-house coating function is strategically important for the sale of coating equipment. The capability is used for initial customer samples, but also for supporting customer-tailored solution development, and for initial capacity in advance of the customer's own production coming online. Within the emerging fuel cell segment, this pioneering production capability is particularly important.

SEVERAL GROWING BUSINESS AREAS

Decorative (D) coatings

Superior decorative coatings are critical for any producer of consumer products, particularly luxury brands. The trend is for manufacturers to insource decorative PVD to take full control of production and quality.

Impact Coatings' production solutions provide superior coating quality, such as color consistency and scratch resistance, in combination with cost-efficiency. The company's technology for decorative finishes has for years been chosen by leading eyewear and watch brands, as well as manufacturers of other luxury products.

Plastic Metallization (M) and Reflector (R) coatings

PVD metallization of plastic is a growing application across many industries, including automotive. Typical applications are decorative finishing, lighting reflectors, and electrical components.

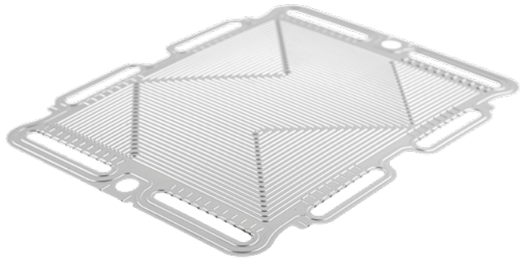
New safety and autonomous vehicle systems provide significant opportunities. Examples are radomes – radar-transparent emblems – and metallized plastic antennas.

Impact Coatings offers highly efficient production solutions for plastic metallization, allowing integration of PVD with plastic injection molding in compact, automated production cells. The customer's initial investment is limited and capacity can be scaled easily by adding production cells.

Fuel cells (FC)

Impact Coatings has facilitated the fast-growing fuel cell industry with coating solutions for metal bipolar plates for more than a decade. The patented Ceramic MAXPHASE™ coating for LT-PEMFC provides superior power output and durability for fuel cell electric vehicles and other applications. Independent testing lab ZBT has verified the superior performance of Ceramic MAXPHASE™.

Coating services and industrial production solutions support customers from initial pre-series volumes up to full-scale production, helping the fuel cell industry and a hydrogen society reach maturity.



EVOLUTION OF A HYDROGEN SOCIETY

Impact Coatings' offering and growth potential within the fuel cell segment are directly linked to the rapid development of the hydrogen and fuel cell industry, and to the growth of a sustainable society not dependent upon fossil fuels.

Hydrogen is identified by many as the energy carrier with the best potential for storing and transporting large quantities of renewable energy. Electricity from renewable sources is used to produce so-called "green hydrogen" from water, while hydrogen can also be produced by other methods. When the energy is needed, a fuel cell transforms the hydrogen and oxygen from the air into electricity, with clean water as the only waste product.

Large fossil fuel-dependent industrial countries such as Japan, South Korea, China and Germany have developed national hydrogen strategies. Their governments and industry allocate vast amounts of capital to the build-up of hydrogen production, and to infrastructure and application development.

The European Commission has initiated the Clean Hydrogen Alliance, to be launched in 2020 to promote green hydrogen production in Europe, part of the goal of making Europe climate-neutral by 2050. In March of 2020, it was announced that leading automotive and industrial companies, including BMW, Daimler, Honda, Hyundai and Toyota, joined forces to invest in hydrogen trucks to achieve the EU's climate goals.

Today, the transport sector accounts for a quarter of climate-affecting emissions within the EU. By 2050, these shall be reduced by 90% according to the European Commission's roadmap to a climate-neutral EU. To succeed, drastic measures are required where the entire trucking sector needs to be free from fossil fuels. Here, hydrogen-powered trucks are expected to play a key role as they can replace fossil-fueled models without sacrificing range or fast refueling.

Battery and hydrogen-electric vehicles are believed to complement each other in the transition of the transport sector away from fossil fuels. For small, light vehicles and short distances, battery operation has advantages, provided batteries can be sustainably manufactured and recycled in sufficient volume, and that there is an electricity grid that is not overloaded. With longer distances and heavier vehicles, the greater the benefits of hydrogen. Hydrogen refueling infrastructure is a prerequisite and in many countries this expansion is now taking place rapidly, for example in Germany, where new hydrogen fueling stations open every month.

Alliances in the automotive industry have begun to form in the hydrogen and fuel cell segment. Much goes on behind closed doors, with talks among parties that one would not expect. Examples of official collaborations are Faurecia-Michelin, Hyundai-Audi, Toyota-BMW, and Daimler Trucks and Volvo.

Hyundai, Toyota and Honda all have serial production of fuel cell passenger cars, albeit small volumes, and several of the major European manufacturers are developing fuel cell technology and have launched prototypes. Common to the companies is that they invest heavily in fuel cell development for heavy vehicles, such as buses and trucks, where the benefits of hydrogen are greatest and where an adapted infrastructure can quickly come into use. For heavy-duty vehicles that will operate daily for many years, reliable and cost-effective technology is required, such as energy efficient, durable fuel cells with PVD-coated flow plates.

SHARE AND FINANCIAL INFORMATION

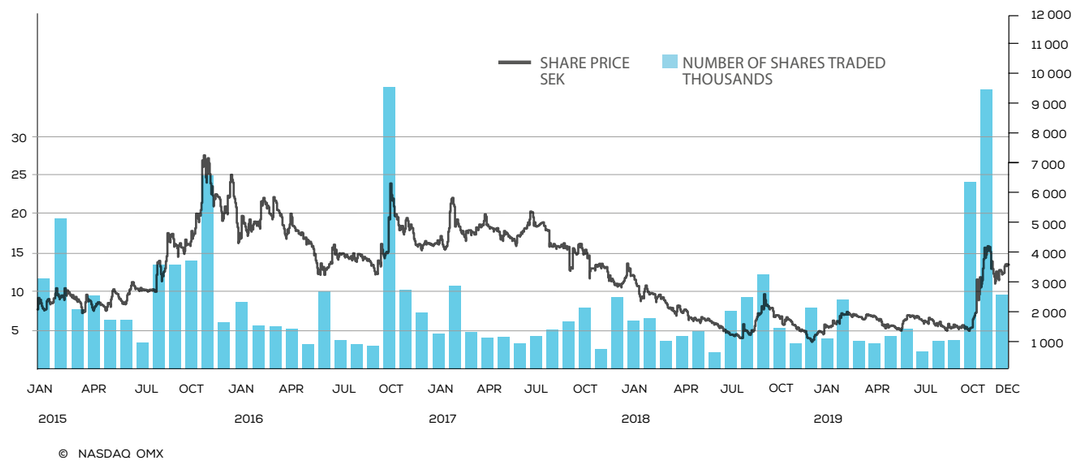
Impact Coatings AB (publ), ticker IMPC, is listed in Stockholm on the Nasdaq First North Growth Market.

Following a directed equity issue at the end of 2019, Accendo Capital and Hyundai Motor Company are the two largest single shareholders of Impact Coatings, with 12.0% and 10.4% of the shares and votes, respectively. Both companies are represented on the Impact Coatings Board of Directors.

MAJOR OWNERS, DECEMBER 31, 2019

Name	Number of shares	Share of capital and votes (%)
Accendo Capital SICAV SIF	6 238 096	12.04
Försäkringsaktiebolaget. Avanza Pension	6 064 800	11.71
Hyundai Motor Company	5 400 000	10.42
Nordnet Pensionsförsäkring AB	2 082 029	4.02
Henrik Ljungcrantz	1 322 010	2.55
Torsten Rosell	1 041 282	2.01
Svenska Handelsbanken AB FOR PB	909 965	1.76
Österberg. Hans	630 035	1.22
Clearstream Banking S.A.. W8IMY	533 279	1.03
Hultgren. Alexander	445 000	0.86
Other owners	27 142 551	52.38

SHARE PRICE DEVELOPMENT



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CONSOLIDATED INCOME STATEMENT

(SEK Thousand)	2019 Jan-Dec	2018 Jan-Dec
Revenue		
Net revenue	49 084	20 194
Capitalized work for own account	0	5 323
Change of work in progress	-10 617	3 199
Other operating income	899	1 893
Total Income	**39 366**	**30 609**
Operating expenses		
Raw materials	-14 520	-19 322
Other external cost	-18 781	-22 803
Personnel cost	-29 100	-20 938
Write-off and depreciation of tangible and intangible assets	-3 502	-2 264
Profit on exchange rate	168	0
Other operating expenses	0	-2 850
Total operating expenses	**-65 734**	**-68 178**
Operating result	**-26 368**	**-37 569**
Interest expenses and similar items	-19	-24
Total financial items	**-19**	**-24**
Operating profit after financial items	**-26 387**	**-37 593**
Tax expenses on profit in the period	0	0
Net result for the period	**-26 387**	**-37 593**
Earnings per share (kr)	-0,5 1	-0,88
Average shares outstanding during the period	43 008 425	42 551 908
Shares outstanding at period end	51 809 051	42 551 908

CONSOLIDATED BALANCE SHEET

(SEK Thousand)	2019-12-31	2018-12-31
ASSETS		
Non-current assets assets		
Capitalized development expenditures	3 440	4 686
Machines and technical equipment	11 018	13 103
Assets under construction	6 015	6 015
Financial assets	100	100
Total long-term assets	**20 574**	**23 904**
Current assets		
Raw materials	12 211	10 451
Work in progress	161	2 822
Finished goods	0	7 956
Accounts receivable	1 306	2 687
Other short-term receivables	492	1 253
Pre-paid expenses and accrued income	685	1 368
Total short-term assets	**14 855**	**26 537**
Cash and liquid assets	78 785	46 669
Total current assets	**93 640**	**73 207**
TOTAL ASSETS	**114 213**	**97 111**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Non-current liabilities		
Share capital	6 476	5 319
Reserves	10 584	10 584
Development expenditure fund	3 440	4 686
Total non-current liabilities	**20 500**	**20 589**
Other contributed capital	368 858	305 947
Result brought forward (incl. Result for the year)	-287 353	-262 212
Total unrestricted equity	**81 505**	**43 735**
Total shareholders' equity	**102 005**	**64 324**
Current liabilities		
Pre-payment from customers	2 350	22 004
Accounts payable	2 563	3 851
Current tax liabilities	296	99
Other liabilities	881	804
Accrued expenses and deferred income	6 118	6 029
Total current liabilities	**12 208**	**32 787**
TOTAL EQUITY AND LIABILITIES	**114 213**	**97 111**

CONSOLIDATED STATEMENT OF CASH FLOWS

(SEK Thousand)	2019 Jan-Dec	2018 Jan-Dec
Operating activities		
Operating profit after depreciation	-26 368	-37 568
Adjustments for non cash items		
Amortization and depreciation	3 502	2 264
Other items	881	3 780
Interest paid	-19	-24
Cash flow from operations before change in working capital	**-22 004**	**-31 548**
Change in working capital		
• increase (-) / decrease (+) in inventories	7 977	-15 320
• increase (-) / decrease (+) in accounts receivable	-17 165	26 668
• increase (+) / decrease (-) in operating liabilities	-589	6 880
Cash flow from operations	**-31 781**	**-13 320**
Investing activities		
Acquisition of tangible assets	-172	-5 327
Cash flow from investments	**-172**	**-5 327**
Financing activities		
New share issues	64 069	-70
Cash flow from financing activities	**64 069**	**-70**
Cash flow for the period	**32 116**	**-18 717**
Liquid assets, opening balance	46 669	65 386
Liquid assets, ending balance	**78 785**	**46 669**
Liquid assets, ending balance, %	666	159

Financial information
All financial information is published on
the Impact Coatings website:
www.impactcoatings.com/investor-relations

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