Fourth quarter and full year report for 2018

POWERCELL

Full year report 2018

Fourth Quarter, October-December 2018
(last year's figures within brackets)

- Net sales amounted to 28,102 (15,819) thousand SEK
- Operating income amounted to -11,147 (-17,420) thousand SEK
- Income after tax amounted to -11,451 (-17,463) thousand SEK
- Operating cash flow amounted to -30,163 (-17,626) thousand SEK
- Diluted earnings per share amounted to -0.2 (-0.3) SEK

Full Year, January - December 2018

- Net sales amounted to 60,513 (36,684) thousand SEK
- Operating income amounted to -60,893 (-64,772) thousand SEK
- Income after tax amounted to -61,862 (-64,941) thousand SEK
- Operating cash flow amounted to -99,981 (-50,412) thousand SEK
- Diluted earnings per share amounted to -1.2 (-1.3) SEK.

FINANCIAL HIGHLIGHTS

Thousand SEK	**Oct-Dec 2018**	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Net sales	28,102	15,819	60,513	36,684
Operating income	-11,147	-17,420	-60,893	-64,772
Income after tax	-11,451	-17,463	-61,862	-64,941
Basic earnings per share, SEK	-0.2	-0.3	-1.2	-1.3
Diluted earnings per share, SEK	-0.2	-0.3	-1.2	-1.3
Net debt/equity ratio, %	58,6%	68.1%	58,6%	68.1%
Operating cash flow	-30,163	-17,626	-99,981	-50,412

Definitions, please see page 27.

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Important events in October-December 2018

- Established a term sheet with Robert Bosch GmbH concerning PowerCell S3 for the automotive segment

- Announced a joint project together with Scania and Renova to build a refuse truck running on fuel cells

- Received an order for a fuel cell system from a global bus manufacturer

- Started a cooperation with Semcon on automated manufacturing of fuel cells

- Inaugurated one of the world's most powerful fuel cell laboratories

- Received a follow-on order for a PowerCell S3 fuel cell stack from a global automotive OEM

Important events after period end of fourth quarter and the fiscal year

- Received an order for two MS-100 fuel cell systems from a global construction equipment manufacturer, for a joint fuel cell feasibility study

- Received a follow-on order for fuel cell stacks from a leading European vehicle manufacturer at a value of 5.3 MSEK

- Received an order for two MS-30 fuel cell systems from a global automotive Tier 1 supplier

The CEO’s comments

Firm conviction and a great sense of commitment

Usually, a CEO will never be satisfied, but when it comes to 2018 I will allow myself to feel somewhat pleased. 2018 was the year in which we celebrated our tenth anniversary, and the year in which the world finally recognised the vital importance of PowerCell’s fuel cell technology to achieve the phasing-out of fossil fuels. It was the year in which global manufacturers of cars, buses, trucks and construction equipment became our customers, and in which we almost doubled our turnover and commenced exciting new cooperations with industrial giants such as Siemens AG and Robert Bosch GmbH.

When PowerCell was started up ten years ago, electrified vehicles were still more or less science fiction and climate problems lay so far ahead in time that they were not considered to be an immediate challenge. Only the most passionate enthusiasts could see a scenario in which fuel cells and hydrogen gas would soon come to play a key role in the propulsion of vehicles and vessels and in the stationary production of electricity for residential and industrial use. At that time, PowerCell was a small group of enthusiastic, highly- trained technical experts in a small, very marginal department of the major automotive Group, AB Volvo. There were no products, and definitely no markets or thoughts about the product segment. On the other hand, there was plenty of firm conviction and a great sense of commitment.

Looking back on the past year gives a good understanding of how different the situation today is. In 2018, the UN Intergovernmental Panel on Climate Change published a report which concluded that we only have around ten years to reverse climate development before it risks entering into an irreversible stage beyond human control. 2018 was also the year that the UN body, the World Meteorological Organization, WMO, noted that the average global temperature during the year was the fourth highest ever measured, and that 20 of the 22 warmest years registered by the organisation so far have now all occurred after 1996. Also in 2018, the European Parliament responded to the need for change and challenged the automotive industry’s lobby organisations, as well as the European Commission, by voting for a strong reduction of carbon dioxide emissions from cars, vans, trucks and buses.

For PowerCell, the year entailed broad recognition of our mission to save our planet, and of our technology and expertise. Large, global and very well-established customers among manufacturers of cars, trucks and buses, as well as construction equipment, increased their purchases and testing of our products and engineering services. We sold more stacks and engineering hours, and received more enquiries, than ever before.

“During 2018, we also established MOUs and declarations of intent with the German industrial giants Siemens AG and Robert Bosch GmbH.”

During the year, we also continued the structured strategic work of building up PowerCell from a small research company into a globally active commercial and industrial operator. On the product side, we streamlined by discontinuing our PowerCell S1 and modifying our two remaining fuel cell platforms, S2 and S3, and related fuel cell systems. Based on these platforms, we can now address prioritized customers throughout the power range from 1kW up to 125kW. This reduces the number of components and provides greater economy of scale, for the benefit of industrialization and profitability. At our premises in Hisingen, Gothenburg, we commenced to install production robots in order to gradually progress from low volumes and manual production to higher volumes and greater automation. In geographical terms, our focus was still on Europe, US and Asia, where on the sales and marketing side we have now formulated a clear product and service offering for the automotive, marine, and stationary segments.

We are no longer alone in these efforts, but work in close cooperation with large and resourceful partners. During 2018, we also established MOUs and declarations of intent with the German industrial giants Siemens AG and Robert Bosch GmbH. In the case of Siemens, this concerns the joint development and marketing of fuel cell-based power and propulsion systems for the maritime market, in which Siemens already has a leading position. Robert Bosch GmbH is the world’s largest supplier to the automotive industry and has been buying our stacks for their prototype systems. Now we are discussing how together, based on our S3 automotive stack, we can best meet the global automotive industry’s growing need for fuel cell. In both cases, we can see major shared opportunities for commercial success.

The work with Nikola Motors continued and during the year we completed tests of our S3, based on test cycles specially developed to resemble the conditions in the American market. The new fuel cell laboratory that we have inaugurated has given us new and clearly better opportunities for long-term testing of our stacks in considerably more realistic conditions. The new laboratory is one of the world’s most powerful fuel cell laboratories and will play a decisive role to fulfil the requirements of manufacturers of heavy-duty vehicles such as trucks and buses.

The German Autostack Industrie project also continued as planned. Plans for phase 2 are now being laid, whereby, during the coming years, and together with Germany’s leading automotive manufacturers (BMW, Daimler, Ford and Volkswagen) and the German state, we will take the next steps in developing a fuel cell stack that can be launched after 2021.

Yet none of this would have been achieved without the dedication and hard work of all our staff. From procurement to production, development, sales and administration – across the board – everyone has worked hard to take the company to the position it holds today. A look in the rear view mirror both at the past year and at PowerCell’s achievements since its beginning fills me with pride and gives me great energy for the future.

It is, and will always be, an honor to be the CEO of PowerCell.

Per Wassén

President and CEO PowerCell Sweden AB

Income and financial position

THE GROUP

Total sales and income for the fourth quarter 2018

Sales for the period October to December 2018 amounted to 28,102 (15,819) thousand SEK. The strong increase is mainly attributable to increased deliveries of PowerCell S3 fuel cell stacks and customer adaptations of fuel cell systems.

Other operating income for the period, which mainly consists of grant funding, amounted to 11,773 (2,500) thousand SEK.

Operating income amounted to -11,147 (-17 420) thousand SEK for the period October – December. The improvement in operating income was attributable to an improvement in gross profit driven by increased sales and a favourable product mix.

Liquidity and cash flow

The operating cash flow for the period amounted to -30,163 thousand SEK compared to -17,626 thousand SEK for the same period last year. The weakened cash flow is mainly attributable to increases in inventories and receivables. The increase in inventories is largely explained by lower than expected deliveries to Wuhan Tiger during the year and the increase in receivables by large deliveries to customers towards the end of the period.

The Group's financial position and liquidity are satisfactory. Cash and cash equivalents at December 31, 2018 amounted to SEK 98.3 million.

Investments

Total investments of 2,005 (6,438) thousand SEK were made in the laboratory and the production facilities during the period.

THE PARENTAL COMPANY

Sales and operating income for the fourth quarter 2018

Sales for the period October to December 2018 amounted to 28,102 (15,873) thousand SEK. The strong increase is mainly attributable to increased deliveries of PowerCell S3 fuel cell stacks and customer adaptations of fuel cell systems.

Other operating income for the period, which mainly consists of grant funding, amounted to 11,670 (2,362) thousand SEK.

Operating income was -11,752 (-17,323) thousand SEK for the period October – December. The improvement in operating income was attributable to an improvement in gross profit driven by increased sales and a favourable product mix.

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Significant risks in brief for the group and the parental company

Through its operations, PowerCell is exposed to risks and uncertainties. In the next year, the Company intends to continue with the development, the industrialization and the commercialization of fuel cell platforms and modules. The most significant risks and uncertainties for the Group can be divided into operational and financial risks:

Operational risks

Market related risks

The Company's products are based on fuel cell technology, which is rather new in a commercial context. This might lead to, in spite of the Company's products exceeding competing technology as regards performance and commercial aspects, that the customers will change their systems at a slower pace than expected.

Customer risks

To date, the Company's operations have primarily comprised product development. In addition to this, the Company has delivered several products that are currently evaluated by customers. Therefore, risks are attributable to the development operations continuing according to plan, with no significant delays, cost increases or other issues. They are also depending on the customers' evaluations being satisfactory and that the Company sales increase in line with the commercialization within the timeframe as deemed probable by the Board of Directors.

Supplier risks

Powercell is dependent on supplies of purchased components being delivered on time and with the right quality. Should problems arise in the deliveries, there is a risk that deliveries to customers will be delayed and a risk that the Group will suffer from both financial and operational problems.

Limited resources

Powercell is a small company with limited resources in terms of management, administration and capital. For the implementation of the strategy, it is important that the resources are used in an optimal manner. There is a risk that the company's resources will not suffice and thus will suffer both financial and operational problems.

Growth capacity

The business will grow organically in the future. As the business grows and the workforce grows, Powercell needs to ensure that the company constantly has efficient planning and management processes in order to be able to implement the business plan in a market that is developing rapidly. In order to manage growth, investments and allocation of valuable management resources are required. If Powercell does not manage growth efficiently, this can adversely affect the result.

Personnel

Powercell's future development is dependent on the company's ability to retain and recruit staff with relevant experience, knowledge and commitment. The company is working to mitigate dependence on key personnel through good documentation of routines and working methods. However, there is still a risk that any person who is a member of the executive management, or another key person, terminates his employment with the company, which at least short-term risks risking a material adverse effect on the company's operations, results and financial position.

Financial risks
The company is financed by external capital in the form of equity and loans and will remain so until the sales of the products will reach a larger scale. With increasing sales, the company will be exposed to currency risks as the majority of the revenues and costs are expected to be received and paid in currencies other than Swedish Kronor.

Market-related risks
The company's products are based on fuel cell technology, which is relatively new in a commercial context. This may mean, even though the company's products' performance and business surpass competing technologies, that customers are replacing their systems at a slower pace than expected.
Forward-looking statements PowerCell is working with a technology and within an area with a huge future potential. The great need to change to a more sustainable use of energy, not the least against the back of the climate crisis and the increased focus on hazardous emissions to air from road traffic, is driving a continuously raising demand for our products and knowledge. The increased attention on the climate issue and the emissions from road traffic, has resulted in demands for stricter emission requirements from both legislators and the general public. An electrification of road transports is widely seen as important solution to these problems, but today's battery technology has such shortcomings that it will not be able to meet the needs of a swift and far-reaching transformation.
The shortcomings are evident in many areas, from availability of raw materials for battery production, to the energy density of the batteries; the lack of charging infrastructure and grid capacity to the problems with recycling. For mass market cars and commercial vehicles these shortcomings are so significant that more and more countries and manufacturers are beginning to explore the possibilities to use hydrogen and fuel cells for their electrification. One such example is China where the Government has decided to stop subsidizing battery operated vehicles from 2020 and to implement large subsidies for fuel cell vehicles instead. We notice this shift in the view of technology for electrification through a steady increase in sales and requests for information.
Another development that has driven an increased interest in our products and our technology is the increased investments in large parts of the world in renewable energy production. Renewable energy sources will greatly contribute to a change-over to a more sustainable use of energy, but these sources are currently characterized by something of a paradox: when they produce the most, the demand is at its lowest. This results in a significant excess production that, in lack of an available technology for energy storage, is not being used. Hydrogen could play an important role in addressing this since it is easy to use the excess energy to produce hydrogen from electrolysis. Hydrogen produced this way could be both stored and transported and used in fuel cells to produce fully sustainable energy. Hydrogen production and fuel cells are currently not only a good combination to facilitate the transformation to a more sustainable production and use of energy, but also a prerequisite for such a transformation to have an as big and positive impact as possible.

Forecasts
PowerCell does not provide any forecasts for results or sales. PowerCell does not provide any total market forecasts.

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Transaction with related parties

The following related party transactions have been performed:	Q4 /18	Q4 /17	2018	2017
Purchases of services (thousand SEK)				
André Martin Consulting	31	92	149	347
Total:	31	92	149	347

The above transactions are deemed to constitute related party transactions, as the principal of the related party companies is a member of the Company's Board of Directors. The purchased services during 2017 and 2018 comprises in fully to consultancy services.

Services are purchased from and sold to related parties at arm's length and are in accordance with the current transfer pricing policy. Services are purchased at full cost, and are, too, regulated by the valid current transfer pricing policy.

Personnel At year-end, the Group had 36 employees (32).
The Group implemented a stock option program for senior executives in June 2018. The program comprises 273,624 options where each warrant gives the right to subscribe to one new share at the subscription price SEK 33.21 during the period May 1, 2020 to May 31, 2020. The dilution from the program amounts to a maximum of 0.5 percent.

The share
The share is listed on First North at Nasdaq Stockholm (PCELL, ISIN code: SE 000 642 5815, LEI code 54930075IJ7TGOK3VC02). The share capital of PowerCell amounts per December 31, 2018 to SEK 1,141,113.82 and is divided into 51,868,810 shares with a par value of SEK 0.022.

Ownership per December 31, 2018*

	No of shares	Ownership
Midroc New Technology	7 695 220	14.8%
Fouriertransform	7 695 220	14.8%
Finindus	5 444 736	10.5%
Avanza Pension	3 702 588	7.1%
Other	27 331 046	52.8%
Total	51 868 810	100,0%

* Source: Euroclear

Dividend
The board proposes that no dividend will be paid for the 2018 fiscal year.

Annual General Meeting
The Annual General Meeting for PowerCell AB is scheduled to be held on March 27, 2019 at 3:00 P:M in the company's premises at Ruskvädersgatan 12 in Gothenburg. The Company's Annual Report is scheduled to be published no later than February 27.

Upcoming reports
Interim report, Q1, 6 May 2019
Interim report Q2, 22 August 2019
Interim report Q3, 31 October 2019

FINANCIAL REPORTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in Thousand SEK		**Financial period**			
	Note	**Oct-Dec 2018**	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Net sales	4	28,102	15,819	60,513	36,684
Cost of goods sold		-14,936	-12,039	-37,175	-25,716
Gross profit		**13,166**	**3,780**	**23,338**	**10,968**
Selling and administrative costs	5	-9,806	-8,107	-30,829	-18,996
Research and development costs	5	-26,150	-15,196	-73,857	-66,134
Other operating income		11,773	2,500	23,080	10,070
Other operating costs		-249	-136	-1,316	-336
Portion of profit after tax from associated companies recognized in accordance with the equity method		119	-261	-1,309	-344
Operating profit (loss)		**-11,147**	**-17,420**	**-60,893**	**-64,772**
Financial income		-	-	-	-
Financial expenses		-237	-25	-818	-98
Net financial items		**-237**	**-25**	**818**	**-98**
Profit (loss) before tax		**-11,384**	**-17,445**	**-61,711**	**-64,870**
Income tax		-67	-18	-151	-71
Profit (loss) for the year		**-11,451**	**-17,463**	**-61,862**	**-64,941**
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Exchange differences from foreign operations		-86	-55	-37	-11
Other comprehensive income for the year		**-86**	**-55**	**-37**	**-11**
Total comprehensive income for the year		**-11,537**	**-17,518**	**-61,899**	**-64,952**

Profit (loss) for the year and total comprehensive income are, in their entirety, attributable to shareholders of the Parent Company.

Earnings per share, calculated on profit (loss) for the year attributable to Parent Company shareholders of ordinary shares:

Amounts in SEK		**Oct-Dec 2018**	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Earnings per share, basic	7	-0,2	-0,3	-1.2	-1.3
Earnings per share, diluted	7	-0,2	-0,3	-1.2	-1.3

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CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

Amounts in Thousand SEK

	Note	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
ASSETS				
Non-current assets				
Intangible assets		1,143	967	736
Tangible fixed assets		40,886	24,405	21,613
Financial assets		1,623	1,230	-
Total non-current assets		**43,652**	**26,602**	**22,349**
Current assets				
Inventories		32,723	6,398	3,364
Current receivables		42,488	26,088	12,072
Cash and cash equivalents		98,254	218,121	61,397
Total current assets		**173,465**	**250,607**	**76,833**
TOTAL ASSETS		**217,117**	**277,209**	**99,182**

Amounts in ThousandSEK

	Note	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
EQUITY AND LIABILITIES				
Equity attributable to Parent Company shareholders				
Share capital		1,141	1,137	985
Ongoing new share issue		-	4	-
Other contributed capital		625,926	625,488	406,564
Reserves		-42	-5	6
Retained earnings (including profit (loss) for the year)		-499,776	-437,914	-372,973
Total equity attributable to Parent Company shareholders		**127,249**	**188,710**	**34,582**
LIABILITIES				
Non-current liabilities	6	46,586	42,171	42,678
Current liabilities	6	43,282	46,328	21,922
Total liabilities		**89,868**	**88,499**	**64,600**
TOTAL EQUITY AND LIABILITIES		**217,117**	**277,209**	**99,182**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in KSEK	Note	Attributable to shareholders of the Parent Company					
		Share capital	Ongoing new share issue	Other contributed capital	Reserves	Retained earnings incl. profit (loss) for	Total equity
Opening balance at January 1, 2017		**985**	**-**	**406,564**	**6**	**- 372,973**	**34,582**
Profit (loss) for the year		-	-	-	-	- 64,941	-64,941
Other comprehensive income for		-	-	-	-11	-	-11
Total comprehensive income for the year		**-**	**-**	**-**	**-11**	**-64,941**	**-64,952**
Transactions with shareholders in their role as							
New share issue		152	4	218,924	-	-	219,080
Closing balance at December 31		**1,137**	**4**	**625,488**	**-5**	**- 437,914**	**188,710**
Opening balance at January 1, 2018		**1137**	**4**	**625,488**	**-5**	**- 437,914**	**188,710**
Profit (loss) for the year		-	-	-	-	-61,862	-61,862
Other comprehensive income for the year		-	-	-	-37	-	-37
Total comprehensive income for the year		**-**	**-**	**-**	**-37**	**-61,862**	**-61,899**
Transactions with shareholders in their role as owners							
Registered new share issue		4	-4	-	-	-	-
Option proceeds		-	-	438	-	-	438
Closing balance at December 31		**1,141**	**-**	**625,926**	**-42**	**-499,776**	**127,249**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Amounts in Thousand SEK	Note	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
		Financial period			
Cash flow from operating activities					
Operating profit (loss)		-11,147	-17,420	-60,893	-64,772
Adjustments for non-cash items		1,445	913	8,792	6,884
Interest received		-	-	-	-
Interest paid		-235	-24	-818	-97
Income taxes paid		-	-	-	-
Cash flow from operating activities before changes in working capital		**-9,937**	**-16,531**	**-52,919**	**-57,985**
Cash flow before changes in working capital					
Increase/decrease of inventories		-8,401	793	-26,326	-3,034
Increase/decrease of trade receivables		-13,633	-10,488	-5,041	-10,774
Increase/decrease of other receivables		1,890	-934	-11,252	-3,406
Increase/decrease of advance payments to		3,867	3,295	-218	6,383
Increase/decrease of trade payables		-922	5,765	-1,588	9,958
Increase/decrease of operating liabilities		-3,027	474	-2,637	8,446
Total changes in working capital		-20,226	-1,095	-47,062	7,573
Cash flow from operating activities		**-30,163**	**-17,626**	**-99,981**	**-50,412**
Cash flow from investing activities					
Acquisitions of subsidiaries, after adjustments for acquired cash and cash equivalents		-	-	-1,702	-1,574
Changes in tangible and intangible assets		-2,005	-6,438	-17,097	-9,390
Cash flow from investing activities		**-2,005**	**-6,438**	**-18,799**	**-10,964**
Cash flow from financing activities					
New share issue		-	4,508	-	219,080
Repayment of leasing liability		-548	-217	-1,525	-848
Repayment of debt		-	-	-	-133
Option proceeds		-	-	438	-
Cash flow from financing activities		**-548**	**4,291**	-1,087	218,099
Decrease/increase of cash and cash equivalents		**-32,716**	**-19,773**	**-119,867**	**156,724**
Opening cash and cash equivalents		130,970	237,894	218,121	61 397
Exchange rate differences in cash and cash equivalents		-	-	-	-
Closing cash and cash equivalents		**98,254**	**218,121**	**98,254**	**218,121**

CONDENSED PARENT COMPANY INCOME STATEMENT

Amounts in Thousand SEK		**Financial period**			
	Note	**Oct-Dec 2018**	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Net sales		28,102	15,873	60,513	36,738
Cost of goods sold		-14,936	-12,039	-37,175	-25,716
Gross profit		**13,166**	**3,834**	**23,338**	**11,022**
Selling and administrative costs		-10,189	-8,242	-31,677	-19,384
Research and development costs		-26,150	-15,141	-73,857	-66,097
Other operating income		11,670	2,362	22,977	9,932
Other operating costs		-249	-136	-1,316	-336
Operating profit (loss)		**-11,752**	**-17,323**	**-60,535**	**-64,863**
Profit (loss) from financial items					
Other interest income and similar items		-	-	-	-
Interest costs and similar items		-153	-3	-610	-7
Total profit (loss) from financial items		**-153**	**-3**	**-61,145**	**-64,870**
Profit (loss) after financial items		**-11,905**	**-17,326**	**-61,145**	**-64,870**
Tax on profit (loss) for the year		-	-	-	-
Profit (loss) for the year		**-11,905**	**-17,326**	**-61,145**	**-64,870**

In the Parent Company, there are no items recognized as other comprehensive income, which is why total comprehensive income corresponds to profit (loss) for the year.

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CONDENSED PARENT COMPANY BALANCE SHEET

Amounts in Thousand SEK	Note	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
ASSETS				
Non-current assets				
Intangible assets		1,143	967	736
Tangible fixed assets		30,536	20,644	17,691
Financial assets		3,560	1,858	234
Total non-current assets		**35,239**	**23,469**	**18,661**
Current assets				
Inventories		32,723	6,398	3,364
Current receivables		42,868	26,396	12,917
Cash and bank		97,461	217,809	61,204
Total current assets		**173,052**	**250,603**	**77,485**
TOTAL ASSETS		**208,291**	**274,072**	**96,146**

Amounts in Thousand SEK	Note	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
EQUITY AND LIABILITIES				
Restricted equity				
Share capital		1,141	1,137	985
Ongoing new share issue		-	4	-
Total restricted equity		**1,141**	**1,141**	**985**
Non-restricted equity				
Share premium reserve		545,988	545,988	327,064
Retained loss		-358,248	-293,378	-227,725
Profit (loss) for the year		-61,145	-64,870	-65,653
Total non-restricted equity		**126,595**	**187,740**	**33,686**
Total equity		**127,736**	**188,881**	**34,671**
LIABILITIES				
Non-current liabilities		39,854	39,854	39,854
Current liabilities		40,701	45,337	21,621
Total liabilities		**80,555**	**85,191**	**61,475**
TOTAL EQUITY AND LIABILITIES		**208,291**	**274,072**	**96,146**

Notes to the consolidated statements

1 General

PowerCell Sweden AB (publ) (PowerCell), Corp. Id. No 556759-8353 is a Parent Company registered in Sweden and domiciled in Gothenburg, with address Ruskvädersgatan 12, 418 34 Gothenburg, Sweden.

The Board has approved this consolidated financial statement for publication on the 27 February 2019.

All amounts are stated in SEK thousand (KSEK) unless stated otherwise. Amounts in brackets refer to the comparative year.

2 Summary of significant accounting policies

Included in the Note is a list of significant accounting policies applied in the preparation of these consolidated financial statements. The policies have been applied consistently for all year presented, unless otherwise stated. The consolidated financial statements cover the Parent Company PowerCell Sweden AB (publ) and its subsidiaries.

Basis of Preparation

This interim report contains PowerCell Sweden AB's first published consolidated financial statements. The consolidated financial statements for PowerCell have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 *Supplementary rules for groups,* and International Financial Reporting Standards (IFRS) and interpretations from IFRS Interpretations Committee (IFRS IC), as endorsed by the EU. The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act. The consolidated financial statements were prepared in accordance with the cost method.

The reason why no consolidated financial statements have been prepared and published in accordance with previously applied accounting policies is that the Group's operations, in all significant aspects, have comprised the Parent Company PowerCell Sweden AB (publ). See below comments regarding the choices made at the preparation of the opening balance for recognition in accordance with IFRS as per January 1, 2017.

The preparation of annual accounts in accordance with IFRS requires that qualified estimates and assessments be used for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Areas that comprise a high level of assessments, that are complex, or areas where estimates and assessments are significant for the consolidated financial statements, are presented in Note 3.

First time adoption of International Financial Reporting Standards (IFRS)

These are the first consolidated financial statements published by PowerCell Sweden AB (publ), and the accounting policies chosen are IFRS. The accounting policies found below, have been applied at the preparation of the consolidated financial statements as of December 31, 2018, as well as for the comparative figures presented as of December 31, 2017 and i the preparation of the statement of the opening financial position for the period (opening balance sheet) as of January 1, 2017.

In accordance with IFRS 1, the Group shall present a reconciliation of equity and total comprehensive income presented in accordance with previous accounting policies for previous periods, with corresponding items in accordance with IFRS. This is the first time PowerCell publishes consolidated financial statements and, therefore, there are no previously presented annual accounts including previously presented consolidated financial statements in accordance with previously applied accounting policies, against which a reconciliation can be made. Consequently, no reconciliations between previously applied principles and IFRS are presented for the PowerCell Group. IFRS 15 and IFRS 9 have been applied early as of January 1, 2017.

Choices made at the preparation of the opening balance for recognition in accordance with IFRS

The first time IFRS are applied in the consolidated financial statements, accounting should be performed in accordance with IFRS 1, First time adoption of IFRS. The main rule is that all applicable IFRS and IAS standards, that have entered into force and been endorsed by the EU, should be applied retroactively. However, IFRS 1 includes transitional provisions, giving companies certain choices.

The following exemptions from a full retrospective application of IFRS 1 have been applied by the Company at the preparation of the opening balance sheet to IFRS as of January 1, 2017:

Exemptions from government loans

IFRS 1 states that a first time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with IAS 32 Financial Instruments: Classification. Subsequently, the requirements of IFRS 9 Financial instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance should be applied on existing government loans at the transition to IFRS. Furthermore, the company shall not recognize the corresponding benefit of the government loan with an interest rate that falls below the market rate as a government grant. Consequently, if a first time adopter, in accordance with its previously applied accounting policies did not recognize and measure a government loan at a marker rate under the market rate in accordance with the requirements in IFRS, it shall use the value, in accordance with previously applied accounting policies, at the date of the transition to IFRS as the opening carrying value of the loan in the balance sheet.

Exemption for accumulated translation differences

IFRS 1 allows for accumulated translation differences recognized in equity to be set at zero at the date of the transition to IFRS. This is an easing-off compared to establishing accumulated translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date when PowerCell's subsidiaries were acquired. PowerCell has chosen to set at zero all accumulated exchange differences in the translation reserve and to reclassify these to retained earnings at the date of the transition to IFRS as of January 1, 2017.

New and amended standards not yet applied by the Group

IFRS 16 *Leases* enters into force for financial year beginning on the January 1, 2019, and has not been applied in the preparation of these financial statements. Below is a preliminary assessment of the effect for the Group at the transition to IFRS 16:

In January 2016, IASB published a new leasing standard that will replace IAS 17 *Leases* and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, are recognized in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset during a specific period of time and at the same time has an obligation to pay for this right. Reporting for the lessor will, in all significant aspects, be unchanged. The standard is applicable from financial years beginning on January 1, 2019 or later. Early application is permitted.

The Group has chosen to apply the simplified transition method and no revaluation of comparative figures has been done. Right of use will therefore be valued according to the remaining leasing debt at the opening of 2019. The Group expects that the implementation of IFRS 16 will result in increased leasing liabilities of approximately SEK 36 million and increased rights of use of approximately SEK 36 million as per January 1, 2019. These additional leases due to IFRS 16 are mainly attributable to rented premises.

Parent company accounting principles

The Parent Company applies RFR 2 *Accounting for legal entities* and the Swedish Annual Accounts Act. The application of RFR 2 implies that the Parent Company in the interim Report for the legal entity applies the IFRS and related statements, as endorsed by the EU, to the largest extent possible under the Swedish Annual Accounts Act, the Act respecting retirement pensions and with consideration taken to the connection between accounting and taxation.

In connection with the transition to accounting in accordance with IFRS in the consolidated accounts, the Parent Company has started applying RFR 2 *Accounting for legal entities*. The transition from previously applied accounting policies to RFR 2 has given rise to an adjustment of social security contributions on, at the date, employee options not yet redeemed. Personnel costs (social security contributions) regarding these employee options attributable to the period before January 1, 2017 of KSEK 1,834 have been adjusted in the retained loss, which results in a decreased opening equity on January 1, 2017. The income statement for 2017 will be adjusted accordingly, as the personnel costs with the above adjustments have been recorded in a previous period. Thus, personnel costs are adjusted by KSEK 1,834, which results in decreased personnel costs for the financial year 2017, and a corresponding increase of the profit for the financial year. All employee options to which the above adjustment was attributable were redeemed as of December 31, 2017. For this reason, no adjustment item attributable to the transition remains in the balance sheet as of December 31, 2017.

The preparation of annual accounts in accordance with RFR 2 requires that qualified estimates and assessments be used for accounting purposes. Furthermore, company management exercises its judgement in the application of the Parent Company's accounting policies. Areas that comprise a high level of assessments, that are complex, or areas where estimates and assessments are significant for the annual report are presented in Note 3 of the consolidated financial statements.

The Parent Company applies other accounting policies than the Group in accordance with the following:

Formats
The income statement and balance sheet are in accordance with the format of the Annual Accounts Act. Statement of changes in equity is in accordance with the Group's format, but should contain the columns stipulated in the Annual Accounts Act. Further, this entails differences in terms, mainly regarding financial income and costs and equity.

Participations in subsidiaries
Participations in subsidiaries are recognized at cost, adjusted for any impairment. In cost are included acquisition related costs and any additional purchase price.

Whenever there is an indication that participations in subsidiaries has decreased in value, a calculation of the recoverable amount is performed. If this is lower than the carrying value, an impairment is made. Impairment is recognized in the item "Performance from participation in Group companies".

Financial instruments
IFRS 9 is not applied in the Parent Company. Instead, the Parent Company applies the points in RFR 2 (IFRS 9 *Financial instruments*, p. 3-10). Financial instruments are valued at cost. In subsequent periods, financial assets acquired as short-term investments will be recognized in accordance in accordance with the principle of the lowest value, to the lowest of cost and market value.

At the calculation of the net sales value of receivables reported as current assets, the principles for impairment tests and provisions for bad debts in IFRS 9 should be applied. For an asset recognized at amortized cost at consolidated level, this implies that the provision for bad debts recognized in the consolidated financial statements should also be recognized in the Parent Company.

Operational leases
All leases are recognized as operational leases.

2.1 Consolidated financial statements
Subsidiaries
Subsidiaries are all companies in which the Group has a controlling influence. The Group has control over a company when it is exposed to or have a right to variable returns from its participation in the company and has the possibility to influence the return through its participation in the company. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to recognize the Group's business combinations. The acquisition price is the consideration paid for a subsidiary and comprise the fair value of the assets transferred, the liabilities incurred by the Group to the previous owner of the company. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred. Inter-company transactions, balance sheet items and unrealized gains and losses on transaction between Group companies are eliminated. The accounting principles for subsidiaries have, when necessary, been revised in order to ensure a consistent application of the Group's accounting principles.

Associated companies
Associated companies are all the companies in which the Group has significant but not controlling interest, which generally derives from a shareholding of between 20 per cent and 50 per cent of the voting rights. Participations in associated companies are recognized in accordance with the equity method.

Equity method
In accordance with the equity method, participations in associated companies are initially recognized at cost. The carrying value is subsequently increased or decreased in order to take into consideration the Group's part of the profit and other comprehensible income from its associated companies after the acquisition date.

When the Group's part of the losses in an associated company are equal to or exceeds the participation in this associated company, the Group does not recognize any further losses, unless the Company has not assumed any liabilities or made any payments on account of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's participation in the associated companies. Unrealized losses are eliminated as well, in case the transaction is not an indication of impairment of the asset which is transferred. The accounting principles for associated companies have, when necessary, been revised in order to ensure consistency with the Group's accounting principles.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments. The CEO of PowerCells is the chief operating decision maker. PowerCell has identified an operating segment which makes up the Group's operation as a whole. The assessment is based on the operations in their entirety being reviewed regularly by the chief executive officer, as a base for allocating resources and assessing the performance.

2.3 Translation of foreign currencies

(i) Functional currency and presentation currency

The entities in the Group have the local currency as their functional currency, as the local currency has been defined as the primary economic environment in which each entity operates. The consolidated accounts are presented in SEK, which is the Parent Company's functional and the Group's presentation currency

(ii) Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates. Foreign exchange-rate profits and losses from such transactions and at the translation of monetary assets and liabilities in foreign currencies using the exchange rates prevailing at the balance sheet date, are recognized in operating profit (loss) in other comprehensive income.

Foreign exchange-rate profits and losses attributable to liabilities and cash and cash equivalents are recognized in the statement of comprehensive income as financial income and financial costs. All other foreign exchange-rate profits and losses are recognized under other operating costs and other operating income, respectively.

(iii) Translation of foreign Group companies

Profit (loss) and financial position for all companies with a functional currency other than the reporting currency are translated to the reporting currency of the Group. Assets and liabilities for each of the balance sheets are translated from the foreign operation's functional currency to the Group's reporting currency, using the using the exchange rates prevailing at the balance sheet date. Income and costs for each of the income statements are translated to SEK using the average exchange rate prevailing at each transaction date. Foreign exchange differences arising from the currency translation of foreign operations are recognized in other comprehensive income. Accumulated profit or loss are recognized in profit (loss) for the year when the foreign entity is disposed of, wholly or in part.

2.4 Revenue

The Group's principles for recognition of revenue from customer contracts are presented below.

(i) Sales of goods

The Group develops, manufactures and sells fuel cell stacks, fuel cell systems and hydrogen systems (hardware). In the majority of the cases, PowerCell will sell the hardware without any conditional liabilities associated with installation and support. The sale is recognized as income when the control of the goods is transferred to the customer, which is normally at delivery. Delivery occurs when the goods have been transported to the specific location, when the risk of obsolete or lost goods have been transferred to the customer, and the customer has either accepted the goods in accordance with the agreement, the period of time for objections to the agreement has expired, or the Group has objective evidence that all criteria of acceptance are met. No financing component is deemed existent at the date of sale for the Group's products.

(ii) Sales of services

The Group provides services at variable prices, including:

Technical support in connection with the delivery of fuel cell stacks, fuel cell systems and hydrogen systems
Development services, such as customized fuel cell stacks, fuel cell systems and hydrogen systems
Service agreements

The above services are recognized as separate performance obligations when the customer, separately or in connection with other available resources, can make use of such a service, and it can be contractually separated from other commitments in the agreement. In the case an agreement includes more than one performance obligation, the transaction price is allocated to each separate performance obligation, based on their independent sales prices. Technical support and development services are deemed to make up separate performance obligations, where income is recognized over time. Service agreements are recognized on a straight-line basis over the period of contract.

If the services delivered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services delivered, a contract liability is recognized.

(iii) Interest income

Interest income is recognized with the application of the effective interest method.

2.5 Intangible assets

Capitalized expenditure for development activities

Maintenance costs are expensed as incurred. Development costs directly attributable to the development of fuel cell stacks and fuel cell systems over which the Group has control, are recognized as intangible assets when the following criteria are met:
it is technically feasible to complete them so that they will be available for use;
it is the Group's purpose to complete them so that they will be available for use or sale;
there are prerequisites to make them available for use or sale;
it is possible to prove how they are likely to generate future economic benefits;
there are adequate technical, economic and other resources to fulfill the development and to make them available for use or sale; and
the costs attributable to the assets during development can be reliably calculated.

Directly attributable costs recognized as a component of development work include costs of personnel and external consultants.

Other development costs, that do not meet these criteria, are expensed as incurred. Development expenditure previously carried at cost is not recognized as an asset in a subsequent period.

Capitalized development expenditure is recognized as intangible assets and is depreciated from the date when the asset is ready for use.

The Group's costs of research and development have not been deemed to meet the criteria for capitalization and have instead been expensed in their entirety.

Other intangible assets

Other intangible assets comprise software. The accounting principles of this items are described below.

Software

Software acquired separately, together with related costs for installation, is recognized at cost, less accumulated depreciation. The estimated useful life is 5 years, which corresponds to the estimated period of time during which these assets will generate cash flows.

Useful lives of the Group's intangible assets

Software	5 years

2.6 Leases

The Group as a lessee

The Group only acts in the capacity of lessee. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the lease term (net of any incentives received from the lessor) are expensed in profit or loss on a straight-line basis.

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are transferred to the Group, are classified as financial leases. At the beginning of the lease, the Group recognizes the financial leasing in the balance sheet at the lower of the leased asset's fair value or the present value of minimum lease payments.

Currently, the Group has leases classified as operational leases (rent for premises), as well as classified as financial leases (machinery, equipment and cars).

2.7 Property, plant and equipment

Property, plant and equipment are recognized at cost less depreciation and any impairment. In cost is included expenditure directly attributable to the acquisition of the asset, and the cost of bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the acquisition.
Additional costs are added to the asset's carrying value or are recognized as a separate asset, depending on which is most suitable, only when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. The carrying value of a substituted part is derecognized. All other kinds of reparations and maintenance are recognized at cost in the statement of comprehensive income in the period in which they occur.
Depreciation of assets, in order to allocate their cost to their estimated residual value over their estimated useful lives, is done on a straight-line basis according to the following:
The following depreciation periods apply:

Machinery and vehicles	3–10 years
Equipment, tools and fixtures and fittings	3–10 years

The assets' residual values and useful lives are assessed at the end of each reporting period and adjusted, if needed. The carrying value is immediately written down to its residual value if the asset's carrying value exceeds its estimated residual value. Profit or loss from the disposal of property, plant and equipment is established through a comparison of the profit from the sales and the carrying value and is recognized in "Other operating income" and "Other operating costs", respectively, in the statement of comprehensive income.

2.8 Impairment of non-financial assets

Intangible assets not ready for use (capitalized expenditure for development activities), are not impaired, but tested annually for any indication of impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is made in the amount to which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the greater of an asset's fair value, less selling expenses and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate, identifiable cash flows (CGUs). Assets that have previously been impaired are tested for reversal on each balance sheet date.

2.9 Financial instruments - general information

Financial instruments are recognized in various balance sheet items and are further presented below.

Initial recognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms and conditions of the instrument. Purchases and sales of financial instruments are reported on the trade date, that is, the date on which the Group commits itself to purchase or sell the asset.
Financial instruments are initially valued at fair value plus transaction costs directly attributable to the acquisition or issuance of a financial asset or a financial liability, e.g., fees and commission fees.

Classification

The Group classifies its financial assets and liabilities in the category *amortized cost.* The classification is based on the purpose for acquiring the financial asset or liability.

Financial assets at amortized cost

Assets held with the sole purpose of collecting contractual cash flows, and where these cash flows comprise only principal and interest, are valued at amortized cost. The carrying value of these assets are adjusted for any expected credit losses that have been recognized (refer to impairment below). Interest income from these financial assets are recognized in accordance with the effective interest method and are included in financial income. The Group's financial assets valued at amortized cost comprise the items trade receivables, other receivables, accrued income and cash and cash equivalents.

Financial liabilities at amortized cost

The Group's other financial assets are classified as subsequently valued at amortized cost applying the effective interest method. Other financial liabilities comprise other non-current liabilities, trade payables and a portion of other current liabilities.

Derecognition of financial instruments

Derecognition of financial assets

Financial instruments are derecognized from the balance sheet when the contractual rights to receive cash flows from the instruments have expired or been transferred, and the Group has either (i) substantially transferred all of the risks and rewards associated with ownership, or (ii) not substantially transferred all of the risks and rewards associated with ownership and the Group has not retained control of the asset.

Derecognition of financial liabilities

Financial liabilities are derecognized from the balance sheet when the obligations are settled, cancelled or has expired in any other way. The difference between the carrying value of a financial liability (or a portion of a financial liability) that has been extinguished or transferred to another party and the fee paid, including assets transferred, assets that are not cash and cash equivalents or assumed liabilities, are reported in the statement of comprehensive income.

When the terms and conditions are re-negotiated and are not derecognized, a profit or loss is reported in the statement of comprehensive income. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Offsetting of financial instruments

Financial assets and liabilities are offset and recognized with a net amount in the balance sheet only when there is a legal right to offset the recognized amounts and an intention to balance the items with a net amount, or to simultaneously realize the asset and settle the liability. The legal right must not be dependent on future events and it must be legally binding for the Company and the counterparty, both in the normal course of business and in case of suspension of payments, insolvency or bankruptcy.

Impairment of financial assets

Assets recognized at amortized cost

The Group assesses future credit losses associated with assets recognized at amortized cost. The Group recognizes a credit reserve for such expected credit losses on each reporting date. For trade receivables, the Group applies the simplified method of credit reserves, i.e., the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivable are grouped based on credit risk characteristics and days past due. The Group applies forward-looking variables for expected credit losses. Expected credit losses are recognized in the consolidated statement of comprehensive income, in the items sales and administrative costs.

2.10 Inventories

Inventories are reported using the first-in, first-out method at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the on-going course of business, less applicable variable selling expenses.

2.11 Trade receivables

Trade receivables are amounts attributable to customers regarding good or services sold in the on-going course of business. Trade receivables are classified as current assets. Trade receivables are initially recognized at their transaction price. The Group hold the trade receivables in order to collect contractual cash flows, wherefore they are recognized at the subsequent reporting date at amortized cost using the effective interest method.

2.12 Cash and cash equivalents

Cash and cash equivalents include, in the balance sheet as well as in the income statement, cash and bank balances.

2.13 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new ordinary shares are recognized, net of tax, in equity as a deduction for the proceeds of the issue.

2.14 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently recognized at amortized cost and any difference between the amount received (net of transaction costs), and the amount to be repaid is recognized in the statement of comprehensive income, distributed over the term of the loan, using the effective interest method.

The liability is classified as current in the balance sheet, if the company does not have an unconditional right to postpone the settlement of the liability for at least twelve months after the reporting period.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifies assets are recognized as a portion of the cost for these assets. Qualified assets are assets that necessarily take a considerable time to complete for their intended use. Capitalization will cease when all activities needed to complete the asset have, in all significant aspects, been completed.

All other borrowing costs are expensed as incurred.

2.16 Employee benefits

Pension obligations

Within PowerCell, there are both defined-contribution plans and defined-benefit plans. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity. PowerCell has no legal or constructive obligation to pay additional premiums of this legal entity does not have adequate means to pay all benefits to employees, attributable to their service in current or previous periods. The premiums are reported as personnel costs when they fall due.

PowerCell's defined benefits plans comprise the defined pension benefit obligations of the ITP 2 plan. The defined pension benefit obligations of the ITP 2 plan for retirement pensions and survivor's pension are secured through an insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 *Accounting for the pension plan ITP 2 financed through an insurance in Alecta*, this is a defined benefit multi-employer plan. For the financial year 2018, PowerCell have not had access to information in order to be able to report its proportional share of the obligations of the plan, plan assets and costs and, therefore, it has not been possible to recognize the plan as a defined benefit plan. The ITP 2 pension plan, secured through an insurance with Alecta, is therefore reported as a defined contribution plan. The premium of the defined contributions plan for retirement pensions and survivor's pension is calculated individually, and is, among other factors, based on salary, previously earned pension and expected remaining years of service. Expected premiums for the next reporting period for ITP insurances agreed with Alecta is KSEK 2 524.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance obligations in accordance with Alecta's actuarial methods and assessments, which do not comply with IAS 19. The collective consolidation level should normally be allowed to vary between 125% and 155%. If Alecta's collective consolidation level falls below 125% or exceeds 155%, measure should be taken in order for the consolidation level to return to the normal interval. At a low consolidation, one measure might be to increase the price when signing new insurance agreements and an expansion of existing benefits. At a high level of consolidation, one measure might be to introduce lower premiums. At the end of the financial year 2018, Alecta's surplus of the collective consolidation level was, preliminary, 142% (2017 154%).

Short-term benefits:
Liabilities for salaries and remuneration, including non-monetary benefits and paid sick leave, that are expected to be settled within 12 months after the end of the financial year, are recognized as current liabilities at the non-discounted amount expected to be paid when the liabilities are settled. The cost is recognized as the services are rendered by the employees. The liability is recognized as a liability regarding employee benefits in the balance sheet.

2.17 Trade payables

Trade payables are financial instruments and refer to the obligation to pay for goods and services acquired in the normal course of business from suppliers. Trade payables are classified as current liabilities if they fall due within one year. In other cases, they are recognized as non-current liabilities.

2.18 Public grants

Public grants are reported at fair value when there is a reasonable assurance the grants will be received, and the Group will meet the terms and conditions associated with the grants. Grants received before the terms and conditions to recognize them as revenue have been met, is recognized as a liability.

Government grants regarding cost recovery are allocated to and recognized in the statement of comprehensive income in the same periods which the grants are intended to cover.

2.19 Cash Flow Statement

Cash flow statements are prepared in accordance with the direct method. The cash flow recognized comprise only transactions that have given rise to payments to or from the Company.

2.20 Earnings per share

Earnings per share, basic

(i) Earnings per share, basic, is calculated by dividing:

- equity attributable to Parent Company shareholders,
- with a weighted average number of ordinary shares during the period.

(ii) Earnings per share, diluted
For the calculation of earnings per share, diluted, the amounts are adjusted that were used for the calculation of earnings per share, basic, by taking into account:

- the weighted average of the further ordinary shares that would have been outstanding at a conversion of all potential ordinary shares.

3 Significant accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The accounting estimates that result from these wills, as per definition, seldom correspond to the real performance. The estimates and judgements that imply a significant risk of adjustments of carrying values for assets and liabilities for the next financial year are summarized below.

Valuation of inventories
The Group recognizes inventories of Thousand SEK 32,723 (6,398). An obsolescence reserve is recognized if the estimated net sales value is lower than cost, and in connection with this, the Group makes estimates and judgements regarding, among other factors, future market situation and estimated net sales values. The risk of obsolescence arises in periods of a drop in demand, and where the technological development on the markets in which the Group has operations pose a specific risk. An inability to foresee and meet the expectations of the market might result in a future need of making provisions for inventory obsolescence.

Trade receivables
For trade receivables, the Group applies the simplifies method of credit reserves, i.e., the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivable are grouped based on credit risk characteristics and days past due. The Group applies forward-looking variables for expected credit losses. This method implies that certain judgements need to be made regarding the probability that a trade receivable will flow to the Group.

Deferred tax liabilities and tax assets
Significant judgements are made in order to determine deferred tax liabilities and tax assets, not least regarding deferred tax assets. The Company need to assess the probability that the deferred tax assets will be utilized to offset future taxable profits.

At the end of 2018, the Group had losses carried-forward of approximately KSEK 574,820 (514,340) that had not been valued based on the assessment that a utilization must be probable. Thus, changed assessments for the probability of utilization can impact the performance both negatively as positively.

Intangible assets
Development costs directly attributable to the development of the Group's products are subject to estimates and judgements. The costs are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete them so that they will be available for use;
- it is the Group's purpose to complete them so that they will be available for use or sale;
- there are prerequisites to make them available for use or sale;
- it is possible to prove how they are likely to generate future economic benefits;
- there are adequate technical, economic and other resources to fulfill the development and to make them available for use or sale; and
- the costs attributable to the assets during development can be reliably calculated.

The Group's costs of research and development have not been deemed to meet the criteria for capitalization and have instead been expensed in their entirety.

4 Net sales

Revenue

As revenue from external parties are reoprted to the CEO, it is valued in the same way as in the consolidated statement of comprehensive income. The main part of revenue is recognized at one point in time.

2018

	Oct-Dec 2018	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Revenue from external customers				
Hardware	25,372	13,928	56,278	27,554
Services	2,730	1,891	4,235	9,130
Total	**28,102**	**15,819**	**60,513**	**36,684**

Revenue from external customers per country, based on where customers are located:	**Oct-Dec 2018**	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Sweden	-	489	1,322	7,423
China	681	9,430	19,052	20,328
Germany	22,002	2,847	27,267	4,814
Taiwan	-	1,138	511	1,256
UK	-	-	-	1,059
US	5,001	562	11,011	867
Switzerland	-	-	-	450
Other	418	1,353	1,350	487
Total	**28,102**	**15,819**	**60,513**	**36,684**

5 Related party transactions

Since December 19, 2014, PowerCell Sweden AB (publ) is listed on Nasdaq First North Stockholm. Principal shareholder at December 31, 2018 is Midroc New Technology, Fouriertransform and Finindus who’s participating interest is 40,1%.

The following related party transactions have been performed:	**2018**	**2017**
(a) Purchases of services		
André Martin Consulting	149	347
Total	**149**	**347**

The above transactions are deemed to constitute related party transactions, as the principal of the related party company is a member of the Company’s Board of Directors. Purchased services during 2017 and 2018 comprise solely consulting services. For an account of Directors’ fees, please refer to the Company’s Annual Report. Services are purchased from and sold to related parties at arm’s length and are in accordance with the current transfer pricing policy. Services are purchased at full cost, and are, too, regulated by the valid current transfer pricing policy.

6 Financial instruments

(i) Loan conditions, The Swedish Energy Agency

PowerCell has no financial instruments measured at fair value. Long-term borrowings are measured at amortized cost. Information of these measurements is presented below. The debt to the Swedish Energy Agency consists of two loans received for development of the Group's project regarding fuel cell technology to be included in the Company's operations. The loans are free and with a grace period until the projects start generating revenue. Thereafter, payments of interest and principal will be made based on PowerCell's invoicing for each project. Interest will be charged with 6% over that of the Swedish Central Bank (Riksbanken) at every occasion as regards reference rate.

(ii) Fair value loan from the Swedish Energy Agency

Thus, payments of interest and principal on the abovementioned loans from the Swedish Energy Agency will not be initiated until each project is finalized and start generating revenue for PowerCell. Thereafter, interest and principal are paid based on the projects' development and in relation to PowerCell's invoicing to third parties related to the financed project. Thus, the loan conditions regarding the Swedish Energy Agency are such, that future payment flows regarding the payment of principal and interest are highly uncertain, both with regard to the point in time and the amounts. This uncertainty means that several different outcomes are possible after the repayment of the loans. Therefore, PowerCell considers it impossible to calculate, reliably, fair value of the loans, and has made the decision to report the significant loan conditions instead.

7 Earnings per share

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
SEK				
Earnings per share, basic	-0.2	-0.3	-1.2	-1.3
Earnings per share, diluted	-0.2	-0.3	-1.2	-1.3
Performance measures used in the calculation of earnings per share				
Profit/loss attributable to the shareholders of the Parent Company used in the calculation of earnings per share, basic and diluted				
Profit (loss) attributable to Parent Company shareholders, Thousand SEK	-11,451	-17,463	-61,862	-64,941
Number				
Weighted average number of ordinary shares at the calculation of earnings per share, basic	51,868,810	51,560,170	51,868,810	49,276,844
Adjustment for the calculation of earnings per share, diluted	51,868,810	51,560,170	51,868,810	49,276,844
Options				
Weighted average number of ordinary shares and potential ordinary shares used as the denominator at the calculation of earnings per share, diluted	-	-	-	-

No dilution effect, as the result is negative

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Important events after period end of fourth quarter and the fiscal year

- Received an order for two MS-100 fuel cell systems from a global construction equipment manufacturer, for a joint fuel cell feasibility study
- Received a follow-on order for fuel cell stacks from a leading European vehicle manufacturer at a value of 5.3 MSEK
- Received an order for two MS-30 fuel cell systems from a global automotive Tier 1 supplier

Gothenburg, February 27, 2019

The Board of Directors and Chief Executive Officer warrant and declare that this year-end report for the period January – December 2018 gives a true and fair view of the Parent Company's and Group's operations, financial positions and results, and that it describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

____________________ Per Wassén CEO	____________________ Magnus Jonsson Chairman of the Board
____________________ Dirk De Boever Director	____________________ Göran Linder Director
____________________ Åsa Severed Director	____________________ André Martin Director
____________________ Mattias Silfversparre Director	____________________ Hasse Johansson Director

This report has not been reviewed by the Company's auditor.

Definitions

Return on assets
Profit after tax in relation to average total capital

Return on equity
Profit after tax in relation to average equity

Solidity
Equity in relation to total assets

Earnings per share
Profit after tax in relation to the number of shares

Dividend per share
The dividend per entitled share

PowerCell Sweden AB in brief
PowerCell Sweden AB (publ) develops and produces fuel cell stacks and systems for stationary and mobile applications with a world class energy density. The fuel cells are powered by hydrogen, pure or reformed, and produce electricity and heat with no emissions other than water. As the stacks and systems are compact, modular and scalable, they are easily adjusted to any customer need.

PowerCell was founded in 2008 as an industrial spinout from the Volvo Group. The share (PCELL) is since 2014 subject to trade at Nasdaq First North Stockholm with G&W Fondkommission as Certified Adviser.

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The English version is an in house-translation. In case of any discrepancy, the Swedish text will prevail.