

INTERIM REPORT JAN-MAR 2018



Interim Report for January-March 2018

Important events in January-March 2018

- The sales of the quarter doubled compared to the same period 2017.
- Received an order for PowerCell S2 fuel cell stacks from a Chinese customer, worth MSEK 6,5.
- Was granted a new Swedish patent for an innovation that provides higher fuel efficiency when fuel cell stacks are powered by reformat gas.
- Started developing a portable fuel cell system that is plug-and-play, through the EU financed project EVERYWH2ERE.
- Started developing technology that will lower costs for hydrogen, through the EU financed project HYDRAITE.
- Registered a patent in China, Canada, and South Korea for an innovation that will make production of PowerCell S2 more cost effective, while at the same time increasing the energy density of the product.

Financial highlights

	2018	2017	2017
All numbers in TSEK	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	7 814	3 940	36 738
Operating profit	-18 809	-15 923	-66 697
Profit after tax	-18 957	-15 923	-66 704
Operative cash flow	-10 198	-12 264	-51 324

Important events after period end

- Received a prototype order from an international Tier 1 supplier for PowerCell S3 fuel cell stacks worth MSEK 6.9.
- Received a repeat order, worth MSEK 2.3 from a Chinese customer within commercial vehicles.
- Has been selected, through the Norwegian joint venture Hyon, to participate in the development of emission-free vessels.
- Signed agreement with Dana Inc. that secures deliveries of bipolar plates of high quality.

The CEO's comments

More marketing activities than ever before

With structure and strategy, we are building PowerCell. We are continuing the transition from a development focused organisation to a customer oriented, commercial pioneering company.

Our market strategy is firm, with full focus on developing our prioritised segments, while at the same time continuing to devote attention to the growing Chinese demand. We are building brand, delivering high-performance stacks with premium quality, and we have a solid reputation, which is confirmed by the many requests and repeat customers.



Sales during the quarter amounted to MSEK 7.8, which is a twice as much as the corresponding quarter of previous year. The industry is characterized by long sales processes, whereafter customers have to test and evaluate before placing serial orders. We can see, however, that the market is changing and that lead times are getting shorter. Also, the quality of the increasing number of requests that we receive is higher today. Temporarily, we have a lower margin on a few prototypes that we have sold during the quarter, as we wanted to secure a strategically important customer in a specific case. Development costs follow plan and the process to start mass production is ongoing. Also, we have started to invest in our laboratories in order to test and develop larger stacks. This affects the cash flow of the quarter by approximately 11 MSEK.

Our important AutoStack-Industrie project, with partners like VW, BMW, Daimler, and Ford, develops according to plan. The work that we do for Nikola Motor Company, together with Bosch, has been intensified. As previously communicated, we expect suborders from Wuhan Tiger later this year if their tests are developing well. In conclusion, we have never had more marketing activities than we had in the first quarter of 2018. The number of orders that we have offered customers and potential customers has never been higher.

There is still intense activity in China where we have received several orders on the PowerCell S2 stacks for tests in customers' vehicles during the quarter. One of the orders is a repeat order, worth MSEK 6.5, from an existing customer.

In addition, we have entered two new EU-funded projects during the quarter. In the EVERYWH2ERE project, we are developing fuel cell systems that can be used for power supply in urban environments, where there is temporary need for electricity, for example at construction sites, music festivals and other events. The HYDRAITE project aims to reduce the cost of quality assurance of fuel and hence the cost of hydrogen. Furthermore, we have also registered two new patents during the quarter which further consolidates PowerCell as a cutting edge company in fuel cell technology.

All external factors coincide to make fuel cells and hydrogen as energy carrier (from sun and wind) the winning concept. After diesel-gate, city after city will introduce emission-free zones. China and Japan have already realised that their limited grid capacity and lack of charging poles, makes it impossible to rely solely on electrical vehicles. Now they are investing heavily in fuel cells and hydrogen infrastructure. PowerCell is strategically well positioned for this transition. Together with our well-founded strategy with scalable and modular products, and strong partner relationships with large global suppliers, we have great opportunities to quickly scale up as demand is growing.

Per Wassén
VD, PowerCell Sweden AB

Financial report January-March 2018

Revenues and profits

Sales for the period January to March 2018 amounted to TSEK 7 814 (3 940¹). The strong increase is mainly attributable to an increased delivery rate to Chinese customers, including e.g. PowerCell S2 fuel cell stacks to Wuhan Tiger.

Other operating income, which mainly consists of grant funding, amounted to TSEK 2 816 (2 359) for the period.

Operating profit was TSEK -18 953 (-12 721) for the period January to March. As part of the ongoing industrialisation and commercialisation phase, sales and administration costs have increased during this period as planned.

Cash Flow

The operating cash flow for the period was TSEK -20 993 (-12 721). During the reporting period, investments have been made in our laboratory to enable testing and developing of larger stacks, which has affected the cash flow with TSEK -10 795.

Financing

On-going cooperation projects, financed by the Swedish Energy Agency and the EU, amount to a total of approximately MSEK 60 from which payments in the period January to March have been received at TSEK 9 525 (4 110).

Accounting principles

The interim report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012: 1 Annual Report and consolidated financial statements (K3). The accounting policies are more fully described in the company's annual report for fiscal year 2017.

Significant risks in brief

Operational risks

PowerCell is through its business activities, exposed to risks and uncertainties. The company's activities have so far been mainly product development. The company has also delivered a number of products, which are currently being evaluated by customers. Risks are associated with the progress of the development activities and that this process doesn't suffer from major delays, increased costs or other difficulties. Risks are also associated with customer reviews precipitating as desired, and that the company's sales can begin on a larger scale within the time frame that the board has assessed as probable.

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 start on 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.

¹ Figures between brackets relates to the same period of the fiscal year 2017.

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.

Transactions with related parties

No transaction with related parties has occurred during the period.

Long-term incentive programmes

The stock option program for senior executives and staff expired December 31, 2017. There is currently no active stock option program.

The share

The share is listed on First North at Nasdaq Stockholm (PCELL, ISIN code: SE 000 642 5815, LEI code 549300751J7TGOK3VC02).

The share capital of PowerCell amounts at March 31, 2018 to SEK 1,141,113.82 and is divided into 51,500,810 shares with a par value of SEK 0.022.

Ownership per March 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	3 655 888	6.9 %
Other	27 466 746	53.0 %
Total	51 868 810	100.0 %

* Source: Euroclear

Upcoming reports

- Interim report Q2, August 23, 2018
- Interim report Q3, November 1, 2018

Gothenburg, May 3, 2018

Magnus Jonsson
Chairman of the Board

Göran Linder
Director of the Board

Dirk De Boever
Director of the Board

André Martin
Director of the Board

Åsa Severed
Director of the Board

Mattias Silfversparre
Director of the Board

Hasse Johansson
Director of the Board

Per Wassén
CEO

The company's auditor has not audited this report.

INCOME STATEMENT	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Net sales	7 814	3 940	36 738
Cost of goods/services sold	-6 103	-2 521	-25 716
Gross profit/loss	1 711	1 419	11 022
Selling and administrative expenses	-6 528	-3 209	-19 457
Research and development costs	-16 592	-16 460	-67 858
Other operating income	2 794	2 359	9 932
Other operating costs	-194	-32	-336
Operating profit/loss	-18 809	-15 923	-66 697
<i>Financial items</i>			
Interest expenses	-148	-	-7
Profit/Loss after financial items	-18 957	-15 923	-66 704
Tax on profit for the year	-	-	-
NET PROFIT/LOSS	-18 957	-15 923	-66 704

BALANCE SHEET, TSEK	2018 Mar-31	2017 Mar-31	2017 Dec-31
ASSETS			
Intangible assets	1 026	803	967
Fixed assets	29 711	16 592	20 644
Financial assets	1 858	234	1 858
Total non-current assets	32 595	17 629	23 469
Inventories, etc.	9 946	3 447	6 508
Short-term receivables	20 404	13 785	26 286
Cash and bank balances	196 816	48 483	217 809
Total current assets	227 166	65 715	250 603
Total assets	259 761	83 344	274 072
LIABILITIES AND EQUITY			
Share capital	1 141	985	1 137
Other restricted equity	680	803	725
Unrestricted equity	187 060	34 717	253 723
Year loss	-18 957	-15 923	-66 704
Total equity	169 924	20 582	188 881
Pensions provisions and similar commitments	-	495	-
Long-term liabilities	39 854	39 987	39 854
Short-term liabilities	49 983	22 280	45 337
Total liabilities	89 837	62 762	85 191
Total equity and liabilities	259 761	83 344	274 072

CASH FLOW STATEMENT, TSEK	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Operating activities			
Operating profit/loss	-18 809	-15 923	-66 697
Adjustment for non-cash items	1 668	1 317	5 543
Interest received	-	-	-
Interest paid	-	-	-7
Income tax paid/received	-370	-237	-4
Changes in working capital			
Change in inventories	-3 439	-84	-3 144
Change in operating receivables	6 249	-673	-13 366
Change in operating liabilities	4 503	3 336	26 351
Cash flow from operating activities	-10 198	-12 264	-51 324
Investment activities			
Investments in non-current assets	-10 795	-457	-9 394
Investments in subsidiary and associated companies	-	-	-1 624
Cash flow from investing activities	-10 795	-457	-11 018
Financing activities			
Amortization	-	-	-133
Employee stock options	-	-	4 508
New share issue	-	-	214 572
Cash flow from financing activities	-	-	218 947
The period's cash flow	-20 993	-12 721	156 605
Cash and cash equivalents at beginning of year	217 809	61 204	61 204
Cash and cash equivalents at year-end	196 816	48 483	217 809
<i>Adjustment for non-cash items</i>			
Depreciation	1 668	1 490	6 211
Other items not affecting cash flow	-	-173	-668
	1 668	1 317	5 543

	<i>Restricted equity</i>			<i>Unrestricted equity</i>		<i>Total equity</i>
	Share capital	Ongoing new share issue	Fund development expenses	Share premium reserve	Other un-restricted equity	
2017-01-01	985	-	736	327 064	-292 280	36 505
Capitalization of development expenses	-	-	80	-	-80	-
Dissolvment of development expenses	-	-	-95	-	95	-
Rights issue	148	-	-	214 424	-	214 572
Excercise of warrants	4	4	-	4 500	-	4 508
Net loss for the year	-	-	-	-	-66 704	-66 704
2017-12-31	1 137	4	721	545 988	-358 969	188 881
2018-01-01	1 137	4	721	545 988	-358 969	188 881
Dissolvment of development expenses	-	-	-41	-	41	-
Registration of new shares through warrants	4	-4	-	-	-	-
Net loss for the period	-	-	-	-	-18 957	-18 957
2018-03-31	1 141	-	680	545 988	-377 885	169 924

KEY FIGURES	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Profitability (%)			
Return on average total capital	neg.	neg.	neg.
Return on average equity	neg.	neg.	neg.
Capital structure			
Solidity	65%	25%	69%
Data per share (SEK)			
Outstanding shares	51 868 810	44 784 392	51 678 890
Average of outstanding shares	51 773 850	44 784 392	48 231 641
Earnings per share	-0,4	-0,4	-1,3
Earnings per share after full dilution	-0,4	-0,4	-1,5
Dividend per share	-	-	-

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.

For further information, please contact:

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

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