



Interim Report

APR-JUN 2017

Interim Report for April-June 2017

PowerCell Sweden AB (publ) First North at Nasdaq Stockholm, PCELL

Important events in April-June 2017

- The quarter's net sales amounted to TSEK 5 996, which is more than twice as much compared to the second quarter of 2016.
- Continued increase of customer interest and a constantly increasing number of requests from companies that want to test PowerCell products and prototypes.
- PowerCell's work to create products based on the company's unique fuel cell technology continues. At the Hannover fair on 24-28 April, the company presented its new product PowerCell PS-5.
- PowerCell in joint venture with Nel ASA and Hexagon Composites to create a one-stop shop for customers who want to utilize hydrogen technology across the entire value chain: From renewable hydrogen production, storage and distribution, to generating electricity via fuel cells.
- Completed a MSEK 225 share issue aimed at Swedish and international investors.
- Focused market activities in the Chinese market, including participation in the Swedish business delegation together with representatives for the Swedish government.
- PowerCell has received a letter of intent from the German Ministry of Transport and Digital Infrastructure, to develop a fuel cell platform with partners in a strong consortium, including BMW, Daimler, Ford and Volkswagen. The project AutoStack-Industrie aims, among other things, at further developing the PowerCell S3 as a common technology platform for the German automotive industry together with mass manufacturing technologies for automotive stacks.

Highlights April-June 2017

| | 2017 | 2016 | 2017 | 2016 |
|---------------------|----------------|----------------|----------------|----------------|
| All numbers in TSEK | Apr-Jun | Apr-Jun | Jan-Jun | Jan-Jun |
| Net sales | 5 996 | 2 402 | 9 936 | 4 614 |
| Operating profit | -17 960 | -18 287 | -33 883 | -31 785 |
| Profit after tax | -17 962 | -17 839 | -33 885 | -31 339 |
| Operative cash flow | 3 996 | -12 768 | -8 268 | -26 913 |
| Cash flow | 215 926 | -14 281 | 203 205 | 38 278 |

Important events after period end

- The first delivery of the newly launched PowerCell PS-5.

The CEO's comments

The quarter's sales efforts and successful financing, which included a capital injection of MSEK 225 before issue costs, confirm the transition that PowerCell implements: From a technology-oriented start-up company focused on development, into an innovative commercial pioneering company with products designed for mass production.

There is a great deal of interest in reducing dependence on fossil fuels. The continued heat records that are set around the world remind us that it is urgent to switch to environmentally friendly alternatives and to focus on hydrogen and fuel cell technology.

Germany is focusing on fuel cell technology

In Germany, after dieselgate, the development of renewable alternatives in the automotive industry is not just a sustainability issue, but also a critical issue for the country's car manufacturers. In the second quarter of 2017, Germany presented a major effort to develop a common fuel cell technology platform that is intended to provide competitive advantages for the country's automotive industry. It is therefore with great pleasure we could communicate that PowerCell is a party in the AutoStack-Industrie project, which includes a consortium of automotive manufacturers (BMW, Daimler, Ford and Volkswagen) as well as outstanding component suppliers. The ASI project will be based on the PowerCell S3 fuel cell stack technology and in parallel develop mass production technologies for automotive stack production. This will involve larger volumes, improved economies of scale and lower production costs for all participants of the project. For PowerCell's part, participation in ASI confirms the high quality of our fuel cell technology, as well as the excellent skills of our employees.



PowerCell products are demanded in China

When Prime Minister Stefan Löfven and three other ministers visited China in June, PowerCell participated in a delegation of companies that in different ways deal with sustainability issues. In China, the population is suffering from serious health problems as a result of the extensive use of non-renewable energy sources. Therefore, the authorities have allocated considerable resources to support sustainable energy sources. The support that aims at increasing the sales of vehicles powered by renewable fuel is substantial and it is changing the composition of the fleet. So far, the support has focused on battery-powered electric vehicles. The limited capacity of the country's grid and the insight that China will not be able to build charging posts for all vehicles, have contributed to changing the aid in favor of fuel cell vehicles. It is in China that the proportion of cars, trucks and buses driven by electricity and hydrogen is increasing fastest. For PowerCell China is a very interesting market where the company's environmental technology is highly demanded. The fuel cell stack PowerCell S2 is the product mostly demanded by Chinese automotive customers now.

Influencing public opinion in Sweden

Through the interest organization Vätgas Sverige, PowerCell participated in the Almedalsveckan, where the need for fossil-free transports was discussed intensively. In Sweden, electrified battery vehicles are still in focus. For PowerCell, electric cars with batteries are an interesting market, as fuel cell systems can complement battery operation, thus increasing the range of electric vehicles. However, this is only the first step in the ongoing change in the automotive industry.

If battery-powered electric vehicles will constitute a significant part of the vehicle fleet, there will be a need for investments in charging stations amounting to billions. Also, the power grid is not prepared to supply the entire car fleet with energy. Japan, China, California and cities in central Europe have made the assessment that fuel cell vehicles therefore are the long-term solution.

We are pleased that politicians at regional and local levels take the initiative to make this possible also in Sweden. For example, the Västra Götaland region has previously contributed to support the hydrogen station for hydrogen located near the PowerCell facility in Gothenburg. The Västra Götaland region has also helped to implement the hydrogen station that Mariestad municipality has built. The region of Gävleborg has correspondingly contributed to the hydrogen station located in Sandviken. Today, another eight stations are planned in Sweden, which means that the total number of hydrogen stations will reach fourteen in 2020.

I am convinced that further opinion formation will engage more regions, but also politicians at national level, in the development of the hydrogen society and diesel free cities. It is a prerequisite for the long-term remedy of the threats posed by using non-renewable energy.

Well positioned to create value

During the second quarter, PowerCell has deployed intensive marketing efforts including participated in a number of international fairs and seminars. During the Hannover Trade Fair in Germany, the PowerCell PS-5 was launched. PS-5 is a quiet, reliable and sustainable fuel cell system that generates electricity for households, real estate, telecom and traffic systems. PowerCell also exhibited at the WindPower fair in Malmö and participated in the marine conference in Valencia.

In the marine sector, interest in fuel cells is high. We have formed a joint venture with Norwegian Nel ASA and Hexagon Composites to develop integrated hydrogen solutions.

During the quarter we have successfully completed a directed share issue, which resulted in a capital injection of MSEK 225 before issue costs by which we continue to build the company. Partly through the continued industrialization of the PowerCell S3 fuel cell stack, partly by further development of the organization by expanding the sales department so that we now have business managers for the different customer segments marine, automotive, stationary as well as the Asian market. In addition, we have strengthened the finance function and recruited a finance manager. Industrialization and product development costs follow the planned assumptions.

We are on the so-called S-curve of a game changing technology and through our modular platform strategy, which is based on products that easily can be adapted and used in different customer applications, we are well positioned to meet the upcoming growth and thus able to create value for the environment and society as well as for customers and PowerCell's shareholders.

Per Wassén
VD, PowerCell Sweden AB

Financial report April-June 2017

Revenues and profits

The sales for the period April to June 2017 amounted to 5 996 (2 402¹). This increase is primarily attributable to sales of prototypes and other customer-adapted product development.

Other operating income, which mainly consists of grant funding, amounted to TSEK 2 926 (2 191) for the period.

The operating profit was TSEK -17 960 (-18 287) for the period from April to June. As part of the ongoing industrialization and commercialization phase, sales and administration costs also during this period increased according to plan.

Cash Flow

The operating cash flow for the period was TSEK 3 996 (-12 768). The positive cash flow of the business is primarily attributable to increased operating liabilities arising in connection with the rights issue. Total cash flow for the period amounted to TSEK 215 926 (-14 281). The strong positive effect during the period comes from the new share issue of MSEK 225, which was completed in May.

Financing

The company completed a MSEK 225 issue aimed at Swedish and international investors. PowerCell has on-going collaborative projects with funding from the Swedish Energy Agency and the EU totaling about MSEK 60 of which payments for the period from April to June has been obtained for TSEK 4 866 (6 837).

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 2016.

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

¹ Figures between brackets relates to the same period of the fiscal year 2016.

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 surpasses 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 Company has a stock option program for senior executives and staff. It comprises 369 600 warrants, where each warrant gives the right to subscribe for one new share at a subscription price of SEK 12.25 per share during the period 1 January 2017- 31 December 2017. The dilution from this amounts to a maximum of 0.7 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 at June 30, 2017 to SEK 1 133 017.82 and is divided into 51 500 810 shares with a par value of SEK 0.022.

Ownership per June 30, 2017*

| | No. of shares | Ownership |
|-----------------------------|----------------------|------------------|
| Midroc New Technology | 9 172 670 | 17,8% |
| Fouriertransform | 9 172 670 | 17,8% |
| Finindus | 6 489 836 | 12,6% |
| Volvo Group Venture Capital | 2 937 426 | 5,7% |
| Avanza Pension | 3 280 654 | 6,4% |
| Other | 20 447 554 | 39,7% |
| Total | 51 500 810 | 100,0% |

* Source: Euroclear

Upcoming reports

Interim report Q3, November 1, 2017

Göteborg den 18 augusti 2017

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

Per Nordberg
Director of the Board

Per Wassén
CEO/Director of the Board

The company's auditor has not audited this report.

| INCOME STATEMENT | 2017 | 2016 | 2017 | 2016 |
|--|----------------|----------------|----------------|----------------|
| | Apr-Jun | Apr-Jun | Jan-Jun | Jan-Jun |
| Net sales | 5 996 | 2 402 | 9 936 | 4 614 |
| Cost of goods/services sold | -3 608 | -1 795 | -6 129 | -3 688 |
| Gross profit/loss | 2 388 | 607 | 3 807 | 926 |
| Selling and administrative expenses | -3 749 | -739 | -6 958 | -1 038 |
| Research and development costs | -19 442 | -20 319 | -35 901 | -36 820 |
| Other operating income | 2 926 | 2 191 | 5 284 | 5 178 |
| Other operating costs | -83 | -27 | -115 | -31 |
| Operating profit/loss | -17 960 | -18 287 | -33 883 | -31 785 |
| <i>Financial items</i> | | | | |
| Interest income | - | - | - | - |
| Interest expenses | -2 | 448 | -2 | 446 |
| Profit/Loss after financial items | -17 962 | -17 839 | -33 885 | -31 339 |
| Tax on profit for the year | - | - | - | - |
| NET PROFIT/LOSS | -17 962 | -17 839 | -33 885 | -31 339 |

| BALANCE SHEET, TSEK | 2017 Jun-30 | 2016 Jun-30 | 2016 Dec-31 |
|---|------------------------|------------------------|------------------------|
| ASSETS | | | |
| Intangible assets | 803 | - | 736 |
| Fixed assets | 16 091 | 20 456 | 17 691 |
| Financial assets | 1 858 | 234 | 234 |
| Total non-current assets | 18 752 | 20 690 | 18 661 |
| Inventories, etc. | 8 802 | 2 206 | 3 364 |
| Short-term receivables | 16 036 | 8 623 | 12 917 |
| Cash and bank balances | 264 409 | 79 286 | 61 204 |
| Total current assets | 289 247 | 90 115 | 77 485 |
| Total assets | 307 999 | 110 805 | 96 146 |
| LIABILITIES AND EQUITY | | | |
| Share capital | 1 133 | 942 | 985 |
| Other restricted equity | 803 | - | 736 |
| Unrestricted equity | 249 141 | 77 321 | 100 437 |
| Year loss | -33 885 | -31 339 | -65 653 |
| Total equity | 217 192 | 46 924 | 36 505 |
| Pensions provisions and similar commitments | 330 | 1 000 | 668 |
| Long-term liabilities | 39 987 | 39 987 | 39 987 |
| Short-term liabilities | 50 490 | 22 894 | 18 986 |
| Total liabilities | 90 807 | 63 881 | 59 641 |
| Total equity and liabilities | 307 999 | 110 805 | 96 146 |

| CASH FLOW STATEMENT, TSEK | 2017 Apr-Jun | 2016 Apr-Jun | 2017 Jan-Jun | 2016 Jan-Jun |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Operating activities | | | | |
| Operating profit/loss | -17 960 | -18 287 | -33 883 | -31 785 |
| Adjustment for non-cash items | 1 354 | 1 279 | 2 671 | 2 500 |
| Interest received | - | - | - | - |
| Interest paid | -2 | -2 | -2 | -4 |
| Income tax paid/received | -164 | -177 | -401 | -353 |
| Changes in working capital | | | | |
| Change in inventories | -5 354 | -465 | -5 438 | -503 |
| Change in operating receivables | -2 005 | 3 203 | -2 678 | 3 172 |
| Change in operating liabilities | 28 127 | 1 681 | 31 463 | 60 |
| Cash flow from operating activities | 3 996 | -12 768 | -8 268 | -26 913 |
| Investment activities | | | | |
| Investments in non-current assets | -1 018 | -1 513 | -1 475 | -1 806 |
| Cash flow from investing activities | -1 018 | -1 513 | -1 475 | -1 806 |
| Financing activities | | | | |
| Investments in subsidiaries and associated companies | -1 624 | - | -1 624 | - |
| New share issue | 214 572 | - | 214 572 | 66 997 |
| Cash flow from financing activities | 212 948 | - | 212 948 | 66 997 |
| The period's cash flow | 215 926 | -14 281 | 203 205 | 38 278 |
| Cash and cash equivalents at beginning of year | 48 483 | 93 567 | 61 204 | 41 008 |
| Cash and cash equivalents at year-end | 264 409 | 79 286 | 264 409 | 79 286 |
| Adjustment for non-cash items | | | | |
| Depreciation | 1 519 | 1 464 | 3 009 | 2 870 |
| Other items not affecting cash flow | -165 | -185 | -338 | -370 |
| | 1 354 | 1 279 | 2 671 | 2 500 |

STATEMENT OF CHANGES IN EQUITY, TSEK

| | <i>Restricted equity</i> | | | <i>Unrestricted equity</i> | | |
|--|--------------------------|-------------------------|---------------------------|----------------------------|-------------------------|----------------|
| | Share capital | Ongoing new share issue | Fund development expenses | Share capital | Ongoing new share issue | |
| 2016-01-01 | 785 | - | - | 236 372 | -225 891 | 11 266 |
| Activation of development costs | - | - | 736 | - | -736 | - |
| New share issue | 200 | - | - | 90 692 | - | 90 892 |
| Net loss for the year | - | - | - | - | -65 653 | -65 653 |
| 2016-12-31 | 985 | - | 736 | 327 064 | -292 280 | 36 505 |
| 2017-01-01 | 985 | - | 736 | 327 064 | -292 280 | 36 505 |
| Capitalization of development expenses | - | - | 80 | - | -80 | - |
| Capitalization of development expenses | - | - | -13 | - | 13 | - |
| Rights issue | 148 | - | - | 214 424 | - | 214 572 |
| Net loss for the year | - | - | - | - | -33 885 | -33 885 |
| 2017-06-30 | 1 133 | 0 | 803 | 541 488 | -326 232 | 217 192 |

| KEY FIGURES | 2017 Apr-Jun | 2016 Apr-Jun | 2017 Jan-Jun | 2016 Jan-Jun |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Profitability (%) | | | | |
| Return on average total capital | neg. | neg. | neg. | neg. |
| Return on average equity | neg. | neg. | neg. | neg. |
| Capital structure | | | | |
| Solidity | 71% | 42% | 38% | 42% |
| Data per share (SEK) | | | | |
| Outstanding shares | 51 500 810 | 42 833 872 | 51 500 810 | 42 833 872 |
| Average of outstanding shares | 48 142 601 | 42 833 872 | 48 142 601 | 39 266 132 |
| Earnings per share | -0,3 | -0,4 | -0,7 | -0,7 |
| Earnings per share after full dilution | -0,3 | -0,4 | -0,7 | -0,7 |
| 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) is the leading fuel cell company in the Nordics, which develops and produces environment friendly power systems for stationary and mobile customer applications. PowerCell has developed a modular system of fuel cell platforms, powered by clean environment friendly produced hydrogen where only electricity, heat and water are emissions. The fuel cells are also designed to handle the reformed hydrogen from e.g. biogas, natural gas, biodiesel or standard diesel.

In case hydrogen infrastructure is missing, PowerCell has combined its leading fuel cell and reformer technology and developed a fuel cell system, PowerPac, which converts standard diesel, with hydrogen, into electricity. This is done in an energy-efficient and environmentally friendly way, in which emissions of carbon monoxide, nitrogen oxides and particles are completely eliminated and the carbon dioxide is greatly reduced compared with a conventional diesel engine.

PowerCell Sweden AB (publ) is listed on First North at Nasdaq Stockholm and is an industrial spinout from the Volvo Group. G&W Fondkommission is appointed Certified Adviser by the Company. Among the largest owners are Midroc New Technology, Fouriertransform, Finindus and Volvo Group Venture Capital.

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