

Strong sales and gross margin development

July – September 2022

- Net sales SEK 55.6m (45.1), growth of 23% compared to previous year
- Gross profit SEK 19.8m (14.6) with a gross margin of 35.5% (32.5)
- Operating loss SEK -24.5m (-12.2)
- Income after tax SEK -19.9m (-9.4)
- Operating cash flow SEK -11.0m (-40.0)
- Diluted earnings per share SEK -0.37 (-0.17)

January – September 2022

- Net sales SEK 142.9m (103.0), growth of 39% compared to previous year
- Gross profit SEK 55.2m (34.1) with a gross margin of 38.6% (33.1)
- Operating loss SEK -77.7m (-56.6)
- Income after tax SEK -61.7m (-51.8)
- Operating cash flow SEK -82.8m (-45.6)
- Diluted earnings per share SEK -1.15 (-0.97)

Significant events in and after the end of the period

- Agreement signed with ZeroAvia for serial delivery of hydrogen fuel cell stacks potentially worth up to SEK 1.51 billion
- Order received from U.S. based Amogy for fuel cell systems to an ammonia powered work boat
- Chief Operating Officer Torbjörn Gustafsson assumed the position as CFO
- PowerCell Sweden AB invited to take part in contract negotiations by the EU's Clean Aviation Joint Undertaking, which aims to develop the next generation of sustainable aircraft

Key performance indicators

SEK million, unless other stated	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Net sales	55.6	45.1	142.9	103.0	159.8
Gross profit	19.8	14.6	55.2	34.1	49.0
Gross margin, %	35.5	32.5	38.6	33.1	30.7
Operating income before items affecting comparability	-24.5	-12.2	-77.7	-56.6	-80.5
Operating income	-24.5	-12.2	-77.7	-57.9	-81.7
Net income	-19.9	-9.4	-61.7	-51.8	-75.1
Earnings per share (basic and diluted), SEK	-0.37	-0.17	-1.15	-0.97	-1.50
Shareholder equity ratio, %	69.8	75.2	69.8	75.2	73.6
Operating cash flow	-11.0	-40.0	-82.8	-45.6	-66.3

The CEO's comments

Another quarter with continued growth and industry leading gross margin

We are reporting strong progress in the quarter with 23 percent growth and an improved, industry leading gross margin. The stability of the gross margin is proof of our capability to scale up production while achieving improved efficiency and productivity. In the quarter, sales were especially positively impacted by the marine industry. Our first serial production of systems for marine and stationary applications is to start in the fourth quarter 2022.

In the third quarter sales improved 23 percent to SEK 55.6 million compared with the same quarter last year. We have a number of projects ongoing with the marine industry and in the quarter we signed a deal with US-based Amogy. Amogy reforms ammonia to hydrogen, making it an attractive fuel source enabling emission-free, high-performance mobility. Amogy will integrate several PowerCell Marine System 200 in a workboat to demonstrate how to build an emission-free propulsion system. The start-of-production of our 200 kW systems for marine and stationary applications is in the final stages and serial production will ramp up in the fourth quarter 2022.

The gross margin increased in the quarter to 35.5 percent. With a 12-months rolling gross margin above 35 percent (below 25 percent 18 months ago), we clearly see the effects from recent investments into industrialization. The ability to scale up volumes while achieving improved efficiency and productivity is important when growing in a technology shift.

Industrialized Innovation...

...is a term that summarizes our offering and positioning in the rapidly growing hydrogen economy. The strategy to minimize technical risk, investment, and time-to-market for our customers by doing customized adaption on industrialized core technology is gaining reputation in the industry. Generating strong growth and improved gross margin for PowerCell and for customers, products that are easy to integrate and optimized for their operational performance. We see a growing demand from customers in all segments, replacing alternative solutions for PowerCell solution.

Driving innovation

Besides improving our operational abilities in all parts of the organization we continue to drive innovation. We have been invited to negotiate participation in the EU's Clean Aviation Undertaking to develop a multi-megawatt fuel cell system. A strong confirmation that PowerCell is driving innovation in one of the most demanding segments.

Record contract signed in October with ZeroAvia

Another proof of our strong position is the deal with zero-emission aviation company ZeroAvia. The agreement comprises 5,000 hydrogen fuel cell stacks with deliveries planned to start in 2024. The total order value of SEK 1.51 billion is conditional on ZeroAvia obtaining necessary certifications of its powertrain.

This order is the largest in PowerCell's history and indicates a shift in the industry. Going from technology exploration in 2021 to customer field-test and now the first contract for serial delivery confirms that our industry as such is maturing. I'm excited that PowerCell is setting the standard in this sustainable journey where many industries now accelerate their plans to become emission-free. The deal with ZeroAvia will impact revenues in the fourth quarter 2022 with approximately SEK 25 million.

Solid position for continued growth

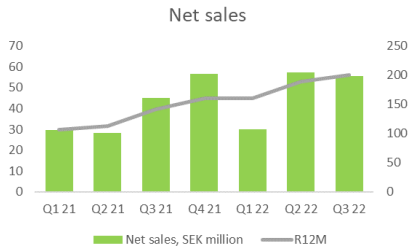
Our recent success and strong development shows that we are in a solid position to take advantage of the megatrends where more and more industries are moving towards zero emissions. This makes me very confident about PowerCell's growth opportunities and ability to create long-term value.



Richard Berkling
CEO

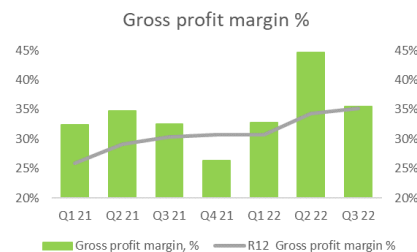
Financial performance July to September

Net sales



Sales in the quarter increased 23% to SEK 55.6m (45.1) compared to the same period last year. All customer segments showed growth with the strongest contribution from the marine industry. In the quarter, three customer projects have entered a new phase, where production of systems has started and the degree of completion of the projects increases and effects net sales through revenue recognition. Royalty fees of SEK 1.5m from Robert Bosch GmbH is reported as net sales in the quarter.

Gross profit and operating income/loss



Gross profit amounted to SEK 19.8m (14.6), with a gross margin of 35.5% (32.5). The product mix in the quarter includes more sales from large projects, which effects the margin negatively. Gross profit was positively impacted by the inclusion of royalty fees from Robert Bosch GmbH.

Operating expenses amounted to SEK 43.3m (32.6), which reflects recent quarters planned scale up to prepare the organisation for continued growth. This includes increasing resources in several functions that support the company's growth and development. Compared to 2021, some activities have increased as a result of easing of Covid restrictions, such as events and travel. The third quarter result is negatively effected by a severance pay of SEK 1.8m related to change in management. The operating loss in the quarter was SEK -24.5m (-12.2).

Net income

Net financial items amounted to SEK 4.6m (2.8) and mainly related to revaluation effects in bank accounts denominated in foreign currency, primarily EUR. Net loss in the third quarter was SEK -19.9m (-9.4).

+35.5%

Gross margin July - September 2022

Cash flow

Cash flow was SEK -22.2m (-44.8) impacted by the operational result and a decrease in working capital, primarily in account receivables following payments from customers. Inventory increased during the quarter in line with the decision to keep a higher level of inventory to prepare for growth and increased production. Securing components is especially important to us in these times where supply chain challenges are common.

Financial position

PowerCell's financial position and liquidity are satisfactory. Cash and cash equivalents amounted to SEK 239.4m at 30 September 2022.

Financial performance January to September

Net sales

Sales year to date increased with 39% to SEK 142.9m (103.0) compared to the same period last year. Most customer segment showed strong growth with the majority of the sales generated by the aviation and marine industries. The business mix continued to improve with more commercial customers as well as products and services with a higher value add. Royalty fees of SEK 4.4m from Robert Bosch GmbH is reported as net sales.

Gross profit and operating income/loss

Gross profit amounted to SEK 55.2m (34.1). The gross margin increased to 38.6% (33.1). Gross profit was positively impacted by the inclusion of royalty fees from Robert Bosch GmbH.

Operating expenses amounted to SEK 134.2m (105.7), which reflects recent quarters planned scale up to prepare the organisation for continued growth. Compared to 2021, some activities have increased as a result of easing of Covid restrictions. The result is negatively effected by a severance pay of SEK 1.8m related to a change in management. The operating loss in the nine-month period was SEK -77.7m (-57.9).

Net income

Net financial items amounted to SEK 15.9m (6.1) and mainly related to revaluation effects in bank accounts denominated in foreign currency, primarily EUR. Net loss in nine-month period was SEK -61.7m (-51.8).

Cash flow

Cash flow was SEK -110.1m (-65.9), impacted by the operational result and increase in working capital, mainly in inventory.

Other information

Employees

At 30 September 2022, the Group had 105 (75) employees measured as full-time equivalents, FTE.

The share

The share is listed on Nasdaq First North Growth Market under the ticker PCELL. At 30 September 2022 the total number of outstanding shares were 52,142,434. PowerCell holds no treasury shares.

Ownership per 30 September 2022*

	No of shares	Ownership
Bosch Group	5,848,531	11.2%
Others	46,293,903	88.8%
Total	52,142,434	100.0%

* Source: Euroclear

Financial calendar

Interim report Q4 and full year 2022, 9 February 2023

Annual report, 24 March 2023

Interim report Q1 2023, 26 April

Interim report Q2 2023, 14 July

Interim report Q3 2023, 19 October

Interim report Q4 and full year 2023, 8 February 2024

Risks and uncertainties

Through its operations PowerCell is exposed to risks and uncertainties. For extensive information of the most significant operational and financial risks, please see pages 24-25 and pages 34-36 in the Annual Report for 2021.

The conflict in Ukraine has created great uncertainty about the development of the world economy. PowerCell has a very limited business and exposure to Russia and Ukraine and is not directly affected of the conflict. However, the indirect consequences can be extensive and lead to disruptions in the supply chain and increased costs. PowerCell follows the continued development of the conflict carefully.

For PowerCell, the pandemic has periodically had a specific impact on the level of activity in China and on the supply chain, but overall has not had any significant impact on sales or profitability. PowerCell follows the continued development of the pandemic.

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

Gothenburg, 20 October 2022

Magnus Jonsson

Chairman

Dirk De Boever

Director

Helen Fasth Gillstedt

Director

Riku-Pekka Hägg

Director

Kajsa Ryttberg-Wallgren

Director

Uwe Hillmann

Director

Annette Malm Justad

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Every care has been taken in the translation of this interim report. In the event of discrepancies, the Swedish original will supersede the English translation. The addition of the totals presented may result in minor rounding differences.

About PowerCell

PowerCell develops and produces fuel cell stacks and fuel cell 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. The business is conducted in Sweden, Germany, China and Norway.

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 Growth Market.

PowerCell's Certified Adviser is G&W Fondkommission, Kungsgatan 3, SE-111 43 Stockholm, Sweden. E-mail ca@gwkapital.se, phone +46 (0) 8 503 000 50.

Condensed income statement - Group

SEK thousand	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Net sales	3	55,622	45,055	142,911	102,966	159,757
Costs of goods and services sold		-35,850	-30,417	-87,724	-68,886	-110,723
Gross profit		19,772	14,638	55,187	34,080	49,034
Selling and administrative costs	4	-22,343	-14,458	-69,658	-46,292	-69,084
Research and development costs		-21,040	-18,156	-64,554	-59,364	-80,197
Other operating income	7	7,763	6,655	15,936	19,277	26,760
Other operating costs	8	-8,695	-884	-14,642	-4,274	-6,954
Portion of profit after tax from associated companies recognized in accordance with the equity method		-	-	-	-34	-34
Operating income before items affecting comparability		-24,543	-12,205	-77,731	-56,607	-80,475
Items affecting comparability	6	-	-	-	-1,256	-1,256
Operating profit (loss) after items affecting comparability		-24,543	-12,205	-77,731	-57,863	-81,731
Net financial items		4,629	2,762	15,937	6,055	6,616
Profit (loss) after financial items		-19,914	-9,443	-61,794	-51,808	-75,115
Income tax	14		22	52	9	31
Profit (loss) for the period		-19,900	-9,421	-61,742	-51,799	-75,084
Other comprehensive income:						
Items that may be reclassified to profit or loss						
Exchange differences from foreign operations		-41	-10	-42	2	-47
Other comprehensive income for the period		-41	-10	-42	2	-47
Total comprehensive income for the period		-19,941	-9,431	-61,784	-51,797	-75,131

Profit (loss) for the period 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:

SEK	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Earnings per share, basic	5	-0.37	-0.17	-1.15	-0.97	-1.50
Earnings per share, diluted	5	-0.37	-0.17	-1.15	-0.97	-1.50

Condensed balance sheet - Group

SEK thousand	2022-09-30	2021-09-30	2021-12-31
ASSETS			
Non-current assets			
Intangible assets	8,707	1,113	864
Right of use assets (leasing)	36,807	41,192	40,376
Tangible fixed assets	34,280	35,295	35,958
Financial assets	6,713	70	93
Total non-current assets	86,507	77,670	77,291
Current assets			
Inventories	76,380	39,157	37,899
Current receivables	65,194	64,637	73,631
Cash and cash equivalents	239,375	357,811	332,507
Total current assets	380,949	461,605	444,037
TOTAL ASSETS	467,456	539,275	521,328
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders			
Share capital	1,147	1,147	1,147
Other contributed capital	635,007	635,007	635,007
Reserves	-313	-205	-271
Retained earnings (including profit (loss) for the year)	-309,497	-230,186	-252,432
Total equity attributable to Parent Company shareholders	326,344	405,763	383,451
LIABILITIES			
Non-current liabilities, interest-bearing	25,683	30,666	29,299
Non-current liabilities	30,543	30,524	30,525
Current liabilities, interest-bearing	7,817	7,404	7,916
Current liabilities	77,069	64,918	70,137
Total liabilities	141,112	133,512	137,877
TOTAL EQUITY AND LIABILITIES	467,456	539,275	521,328

Condensed statement of changes in equity - Group

SEK thousand	Note	Attributable to shareholders of the Parent Company				Total equity
		Share capital	Other contributed capital	Reserves	Retained earnings incl. profit (loss) for the year	
Opening balance 1 January 2022		1,147	635,007	-271	-252,432	383,451
Profit (loss) for the period		-	-	-	-61,742	-61,742
Other comprehensive income for the period		-	-	-42	-	-42
Total comprehensive income for the period		-	-	-42	-61,742	-61,784
Transactions with shareholders						
Share-based compensation to employees		-	-	-	4,677	4,677
Closing balance 30 September 2022		1,147	635,007	-313	-309,497	326,344
Opening balance 1 January 2021		1,147	635,007	-207	-178,387	457,560
Profit (loss) for the period		-	-	-	-51,799	-51,799
Other comprehensive income for the period		-	-	2	-	2
Total comprehensive income for the period		-	-	2	-51,799	-51,797
Transactions with shareholders						
Share-based compensation to employees		-	-	-	-	-
Closing balance 30 September 2021		1,147	635,007	-205	-230,186	405,763

Condensed cash flow - Group

SEK thousand	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Cash flow from operating activities						
Operating profit (loss)		-24,543	-12,205	-77,731	-57,863	-81,731
Adjustments for non-cash items		7,785	770	23,336	12,789	30,393
Interest paid		-225	-241	-704	-769	-1,017
Paid income tax		-	-	-203	-	203
Cash flow from operating activities before changes in working capital		-16,983	-11,676	-55,302	-45,843	-52,152
Cash flow before changes in working capital						
Increase/decrease of inventories		-9,068	2,737	-38,370	667	-7,251
Increase/decrease of current receivables		29,491	-25,455	4,433	-30,125	-41,243
Increase/decrease of current liabilities		-14,419	-5,640	6,458	29,729	34,308
Total changes in working capital		6,004	-28,358	-27,479	271	-14,186
Cash flow from operating activities		-10,979	-40,034	-82,781	-45,572	-66,338
Cash flow from investing activities						
Acquisitions of tangible and intangible assets		-2,720	-2,912	-14,292	-14,355	-17,889
Change in financial assets		-6,551	0	-6,551	-34	-34
Cash flow from investing activities		-9,271	-2,912	-20,843	-14,389	-17,923
Cash flow from financing activities						
Repayment of leasing liability		-1,994	-1,827	-6,464	-5,938	-7,520
Cash flow from financing activities		-1,994	-1,827	-6,464	-5,938	-7,520
Decrease/increase of cash and cash equivalents						
Opening cash and cash equivalents		256,667	399,529	332,507	416,846	416,846
Effects of exchange rate changes on cash and cash equivalents		4,952	3,055	16,956	6,864	7,442
Closing cash and cash equivalents		239,375	357,811	239,375	357,811	332,507

Condensed income statement – Parent Company

SEK thousand	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Net sales		55,539	44,724	142,858	102,168	158,959
Costs of goods and services sold		-35,844	-30,397	-87,717	-68,847	-110,684
Gross profit		19,695	14,327	55,141	33,321	48,275
Selling and administrative costs		-21,503	-13,939	-67,795	-44,823	-66,833
Research and development costs		-21,228	-18,260	-65,109	-59,978	-80,986
Other operating income		7,763	6,804	15,985	19,909	27,464
Other operating costs		-8,710	-900	-14,675	-4,298	-7,049
Operating income before items affecting comparability		-23,983	-11,968	-76,453	-55,869	-79,129
Items affecting comparability		-	-	-	-1,256	-1,256
Operating profit (loss) after items affecting comparability		-23,983	-11,968	-76,453	-57,125	-80,385
Net financial items		4,858	3,017	16,663	6,725	2,133
Profit (loss) after financial items		-19,125	-8,951	-59,790	-50,400	-78,252
Income tax		23	23	70	70	93
Profit (loss) for the period		-19,102	-8,928	-59,720	-50,330	-78,159

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.

Condensed balance sheet – Parent Company

SEK thousand	2022-09-30	2021-09-30	2021-12-31
ASSETS			
Non-current assets			
Intangible assets	8,707	1,113	864
Tangible fixed assets	34,275	35,284	35,949
Financial assets	7,904	4,550	1,252
Total non-current assets	50,886	40,947	38,065
Current assets			
Inventories	76,284	39,157	37,899
Current receivables	71,758	67,578	76,605
Cash and cash equivalents	235,495	356,353	329,785
Total current assets	383,537	463,088	444,289
TOTAL ASSETS	434,423	504,035	482,354
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	1,147	1,147	1,147
Total restricted equity	1,147	1,147	1,147
Non-restricted equity			
Share premium reserve	555,507	555,507	555,507
Retained loss	-169,760	-97,317	-96,278
Profit (loss) for the period	-59,720	-50,330	-78,159
Total non-restricted equity	326,027	407,860	381,070
Total equity	327,174	409,007	382,217
LIABILITIES			
Non-current liabilities	30,000	30,000	30,000
Current liabilities	77,249	65,028	70,137
Total liabilities	107,249	95,028	100,137
TOTAL EQUITY AND LIABILITIES	434,423	504,035	482,354

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 Interim consolidated financial statement for publication on 20 October 2022.

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

2. Accounting policies

PowerCell applies IFRS as endorsed by the EU. The accounting policies and definitions adopted are consistent with those described in PowerCell's Annual Report 2021.

This Interim financial statement has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies RFR 2 Accounting for legal entities and the Swedish Annual Accounts Act.

3. Net sales

Revenue

When income from external parties is reported to the CEO, they are valued in the same way as in the Group's statement of comprehensive income. Sales are reported as revenue when control of the goods is transferred to the customer, which normally coincides with its delivery.

Revenue from external customers

SEK thousand	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Hardware	15,292	38,479	47,049	89,256	133,921
Services	4,099	371	25,693	1,599	5,606
Royalty fees	1,460	-	4,363	-	-
Projects according to percentage of completion	34,771	6,205	65,806	12,111	20,230
Total	55,622	45,055	142,911	102,966	159,757

Revenue from external customers per country, based on where customers are located

Sweden	1,902	127	2,510	394	1,374
Germany	13,793	21,784	53,419	63,661	107,579
Great Britain	543	14,087	6,294	17,000	22,410
Netherlands	5,900	1,496	27,814	8,488	13,729
Other	33,484	7,561	52,874	13,423	14,665
Total	55,622	45,055	142,911	102,966	159,757

From January 2022, royalty fees are reported as net sales instead of other operating income.

4. Related party transactions

No significant transactions have taken place with related parties.

5. Earnings per share

SEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Earnings per share, basic	-0.37	-0.17	-1.15	-0.97	-1.50
Earnings per share, diluted	-0.37	-0.17	-1.15	-0.97	-1.50

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	-19,102	-8,928	-59,720	-50,330	-78,159
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Number

Weighted average number of ordinary shares at the calculation of earnings per share, basic	52,142,434	52,142,434	52,142,434	52,142,434	52,142,434
Adjustment for the calculation of earnings per share, diluted	52,142,434	52,142,434	52,142,434	52,142,434	52,142,434

6. Items affecting comparability

Thousand SEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Costs related to the new brand PowerCellution	-	-	-	-1,256	-1,256
Total	-	-	-	-1,256	-1,256

7. Other operating income

Thousand SEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Currency exchange gains	7,003	364	12,029	3,170	5,177
Grants	756	6,291	3,484	16,107	21,060
Royalty fees and other	4	-	423		523
Total	7,763	6,655	15,936	19,277	26,760

From January 2022, royalty fees are reported as net sales instead of other operating income.

8. Other operating cost

Thousand SEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	2021
Currency exchange losses	-8,695	-884	-14,642	-4,274	-6,681
Loss disposal of fixed assets	-	-	-	-	-273
Total	-8,695	-884	-14,642	-4,274	-6,954

Definitions

Shareholder Equity ratio, %

Equity in relation to total assets

Earnings per share

Profit after tax in relation to the number of shares.

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