



Interim Report

APR-JUN 2016

Interim Report for April - June 2016

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

Important events in April-June 2016

- Continued increase in customer interest and significant improvement in net sales
- Several completed sales of PowerCell S1 for stationary applications, a prototype of PowerCell S2 REX (Range Extender) and prototypes of PowerCell S3 for automotive and truck applications
- A strategically important global customer placed an order of a prototype of PowerCell S2 and will use the prototype to micro-CHP (Combined Heat and Power) for housing in the South Korean market
- An agreement of cooperation - MOU with Swiss Hydrogen, where the intention is cooperation in the development and sales of complete systems, with initial focus on the transportation sector
- The tests with Telia, which were completed during the summer, have been successful and are now being evaluated together with the customer in order to outline the next steps
- The Autostack Core project has progressed according to plan

Highlights April-June 2016

	2016	Apr- Jun	2015	2016	2015	2015
All numbers in TSEK			Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales		2 402	161	4 614	490	5 100
Operating profit		-18 287	-15 346	-31 785	-32 301	-64 763
Profit after tax		-17 839	-15 339	-31 339	-32 280	-65 188
Cash flow		-12 768	-13 371	-26 913	-35 410	-64 544

Important events after period end.

- PowerCell delivered its first prototype of a 100 kW PowerCell S3 fuel cell stack for a truck application to a European transport company
- The management team was strengthened with Charlotta Sahlin as Director Marketing & Communication (formerly employed at SAAB Automobile Global Marketing) and with Karl Samuelsson (formerly employed at Volvo Cars, Research & Development, Engine Engineering) as Director of Product Development, to increase the customer focus with professionalism in marketing and to enhance the product development process



The CEO's comments

Sense of urgency – It is critical now!

The US space agency NASA and the World Meteorological Organization WMO announced that the world's average temperatures during May and June were the highest ever recorded on Earth. The whole year of 2015 was the warmest ever recorded and 2016 will most likely be even warmer. Some of it is explained by the weather phenomenon El Nino, but for most part this is due to emissions of greenhouse gases, mainly carbon dioxide, related to human activities. The carbon dioxide content in the atmosphere is increasing every day at an accelerating rate and will during 2016 likely be above the critical limit of 400 parts per million (ppm) of carbon dioxide. The world has probably not experienced this in the last 400 million years. When carbon dioxide levels remained steadily over 400 parts per million the last time, the Earth's average temperature was about 3 degrees warmer and the sea level about 20 meters higher!

To quickly bring down carbon emissions, a transition towards hydrogen fuel cell is necessary. Hydrogen gas contains no carbon atoms, as opposed to fossil fuels as methane and ethanol. In the fuel cell, hydrogen gas is converted to clean electricity and heat. The only exhaust gas (waste product) is pure water. This is why hydrogen is the next century's fuel.

PowerCell's platform and modular strategy

PowerCell, a cutting-edge company that has researched and developed within the Volvo Group for over 20 years, is ready to meet the future need to solve the climate targets by a wide range of scalable modular fuel cells for automotive applications and stationary solutions. PowerCell's fuel cells have the advantages of being able to be used in several segments that create industrial volumes, economies of scale and competitive advantages.

The offer covers the power range of 1-100 kW with the fuel cell platforms PowerCell S1 and S2 and S3, which is under development. The fuel cell platform PowerCell S1 (1-5 kW) can be used in numerous applications, for example for housing, real estate and transport along with natural/biogas reformers to create electricity. The PowerCell S2 (5-25 kW) is designed for a higher power range and for high volume production. The PowerCell S2 will be made very cost effective with rising volumes in multiple customer applications, including as a Range Extender for electric cars. Finally, the PowerCell S3 (20-100 kW) is a platform designed for automotive applications, such as the power train, and will from the beginning be based on industrial components that are suitable for volume production. The S3 can also be used to generate electricity in stationary installations of hydrogen-produced wind and solar power.

Hydrogen-powered fuel-cell cars are now being launched

The world's largest car manufacturer Toyota is launching its hydrogen car – the Mirai. Hyundai and Honda already have cars in production and other vehicle manufacturers need to follow the ongoing developments. PowerCell has entered into technology partnerships with a number of these vehicles manufacturers. The important thing is that over time there is a possibility to reach large volumes, causing the price of fuel cells to drop. It is increasingly clear that the transition to electric cars is a must to cope with the climate challenges. Batteries have major disadvantages with range anxiety, while hydrogen gas, in our opinion, is the future fuel. The cars are refuelled with hydrogen, that is converted in a fuel cell into electricity, which means that these cars only emit water vapour. Hydrogen produced from renewable energy sources is a completely fossil-free vehicle fuel. The refuelling takes about 3 minutes and the range is approx. 500-700 kilometres. A fuel cell can also be combined with a battery in

the vehicle and act as a REX, a so-called Range Extender, for electric hybrid cars, hybrid buses and light hybrid trucks for city traffic, where zero emission vehicles is an important step towards a better environment.

The beginning of a new energy society

In the transition from fossil to renewable energy, the need for a flexible power grid increases. Storage is an important part to be able to balance the power grid. This is due to renewable energy sources such as solar and wind producing electricity in a non-adjustable manner. The electricity that solar cells/windmills generates satisfies the continuous demand for electricity and the excess can be used to produce hydrogen through electrolysis that is stored in a tank. The hydrogen can later be used in the same fuel cells as the car industry uses (type modules of PowerCell S2 or S3's) to generate new electricity and heat when needed. Since hydrogen can be produced in a renewable way, from water and electricity, it is natural to connect the power grid with the production of hydrogen for storage and/or to the filling stations for cars. Discussions are underway with a number of actors and locations. Biogas can also be converted into hydrogen, which PowerCell in corporation with Cortus is about to develop according to the MOU.

Increased customer focus resulted in increased sales revenues

PowerCell increased the revenues also in the second quarter of 2016, mainly through the sale of prototypes for testing by customers in various customer applications. Successes include many quote requests, continued sales of the PowerCell S1 and S2 for tests at customers and the start of sales of the S3 prototypes for both passenger cars and delivery trucks. There is much internal effort in the on-going process of industrialization and development phase to serial production in 2017/2018. Costs for this affect the financial result, as planned.

PowerCell's test/demonstration and reference facilities

The PowerCell PowerPac B prototype (with diesel reformer) is tested together with Telia in Partille, Sweden, with ASKO/Thermoking in Trondheim, Norway and with Vodacom in Pretoria, South Africa. The tests with Telia, which were completed during the summer, have been successful and are now being evaluated together with the customer in order to outline the next steps. The tests with ASKO/Thermo King and Vodacom are to be completed in the fall. Testing of the PowerCell S1 in the low-energy self-sufficient house - off grid - in Angered is proceeding as planned. Discussions are ongoing with a number of actors on hydrogen production from wind/solar power.

PowerCell is strategically positioned to create value

What is now happening in our world to address the global warming, the technology shift in the automotive industry and PowerCell's products being strategically positioned at the starting point of the growth phase of technology development curve, means that we can look forward to a very exciting future that will create large values for the customers, the environment and our shareholders.

Per Wassén / CEO, PowerCell Sweden AB

Financial report April - June 2016

Revenues and profits

Sales for the period April to June 2016 amounted to 2 402 (161¹) TSEK. The increase is a result of that the company during the period has delivered several customer orders of the S1- and S2 fuel cell stacks and sales of S3 prototype fuel cell stacks.

Other operating income, which mainly consists of grant funding, for the period amounted to 2 191 (697) TSEK.

Operating profit amounted to -18 287 (-15 346) TSEK for the period April to June. A high level of activity in several of the development projects is the contributor to the planned increase of cost.

Cash Flow

The operating cash flow for the period was -12 768 (-13 371) TSEK. Total cash flow for the period amounted to -14 281 (-13 035) TSEK.

¹ Figures between brackets relates to the fiscal year 2015.

The new issue during January to June of 66 997 (2 398) relates to the payment of the T01 warrants issued in connection with the initial public offering in December 2014.

Financing

The company secured next year's funding in conjunction with redemption of 99.1% of the T01 warrants in January, a total of 68.7 MSEK before issue costs.

The company has on-going collaborative projects with funding from the Swedish Energy Agency and the EU totalling about 60 MSEK of which payments for the period from April to June have been obtained for 6 837 (660) TSEK.

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 2015.

Significant risks in brief

Operational risks

PowerCell's business activities are 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 development activities, that they proceed according to plan and do not suffer from major delays, costs or other difficulties. And that customer reviews precipitates as desired, and that the Company's sales can begin on a larger scale in 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 sale of the products will start on a larger scale. With increasing sales, the company will be exposed to currency risk 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 competitive 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 programs

The Company has a stock option program for senior executives and staff. It comprises 380 800 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 0.9 percent.

The Company has a stock option program for senior executives, staff and board members. It covers 1 950 520 warrants where each warrant gives the right to subscribe for one new share at a subscription price of SEK 12.25 during the period October 1, 2016 - December 31, 2016. The dilution from this program amounts to a maximum of 4.4 percent.

The Share

The share is listed on First North at Nasdaq Stockholm (P CELL, ISIN code: SE 000 642 5815).

The share capital of PowerCell amounts at June 30, 2016 to SEK 942 345,18 and is divided into 42 833 872 shares with a par value of SEK 0.022.

Ownership per June 30 2016*

	No. of shares	Owner-ship
Midroc New Technology	9 172 670	21,4%
Fouriertransform	9 172 670	21,4%
Finindus	6 489 836	15,2%
Volvo Group Venture Capital	4 079 713	9,5%
Avanza Pension	2 357 457	5,5%
Others	11 561 526	27,0%
Total	42 833 872	100,0%

* Source: Euroclear

Dividend

The AGM on April 11, 2016 decided not to pay any dividend for the financial year 2015.

Upcoming reports

- Interim Report Q3, November 1, 2016
- Year End Report 2016, March 7, 2017

Gothenburg, Sweden, August 16, 2016

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 Wassén
CEO/ Director of the Board

The company's auditor has not audited this report.

KEY FIGURES	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Profitability (%)					
Return on average total capital	neg.	neg.	neg.	neg.	neg.
Return on average equity	neg.	neg.	neg.	neg.	neg.
Capital structure					
Solidity	43%	41%	15%	41%	15%
Data per share (SEK)					
Outstanding shares	42 833 872	35 698 392	42 833 872	35 698 392	35 698 392
Average outstanding shares	42 833 872	35 698 392	39 266 132	35 558 999	35 698 392
Earnings per share	-0,4	-0,4	-0,7	-0,9	-1,8
Earnings per share after full dilution	-0,4	-0,3	-0,7	-0,7	-1,7
Dividend per share	-	-	-	-	-

INCOME STATEMENT	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Net sales	2 402	161	4 614	490	5 100
Cost of goods sold	-1 795	-96	-3 688	-399	-4 956
Gross profit/loss	607	65	926	91	144
Administrative expenses	-739	-236	-1 038	-293	-790
Research and development costs	-20 319	-15 872	-36 820	-35 971	-73 086
Other operating income	2 191	697	5 178	3 872	9 004
Other operating costs	-27	-	-31	-	-35
Operating profit/loss	-18 287	-15 346	-31 785	-32 301	-64 763
Financial items					
Interest income	-	7	-	21	26
Interest expenses	448	-	446	-	-451
Profit/Loss after financial items	-17 839	-15 339	-31 339	-32 280	-65 188
Tax on profit for the year	-	-	-	-	-
NET PROFIT/LOSS	-17 839	-15 339	-31 339	-32 280	-65 188

BALANCE SHEET	2016 Jun-30	2015 Jun-30	2015 Dec-31	2014 Dec-31
ASSETS				
Non-current assets	20 456	23 830	21 520	25 207
Financial assets	234	-	234	-
Total non-current assets	20 690	23 830	21 754	25 207
Inventories, etc.	2 206	971	1 702	689
Short-term receivables	8 623	11 729	11 444	15 326
Cash and bank balances	79 286	71 138	41 008	105 854
Total current assets	90 115	83 838	54 154	121 869
Total assets	110 805	107 668	75 908	147 076
LIABILITIES AND EQUITY				
Share capital	942	785	785	785
Unrestricted equity	77 321	75 670	75 669	122 651
Year loss	-31 339	-32 280	-65 188	-46 982
Total equity	46 924	44 175	11 266	76 454
Pensions provisions and similar commitments	1 000	1 731	1 368	2 135
Long-term liabilities	39 987	39 987	39 987	39 987
Short-term liabilities	22 894	21 775	23 287	28 500
Total liabilities	63 881	63 493	64 642	70 622
Total equity and liabilities	110 805	107 668	75 908	147 076

CASH FLOW STATEMENT	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Operating activities					
Operating profit/loss	-18 287	-15 346	-31 785	-32 301	-64 763
Adjustment for non-cash items	1 279	1 349	2 500	2 677	5 387
Interest received	-	4	-	10	26
Interest paid	-2	-	-4	-	-451
Income tax paid/received	-177	-177	-353	-353	-7
Changes in working capital					
Change in inventories	-465	-58	-503	-281	-1 013
Change in operating receivables	3 203	1 031	3 172	1 570	1 491
Change in operating liabilities	1 681	-174	60	-6 732	-5 214
Cash flow from operating activities	-12 768	-13 371	-26 913	-35 410	-64 544
Investment activities					
Investments in non-current assets	-1 513	-574	-1 806	-1 704	-2 466
Cash flow from investing activities	-1 513	-574	-1 806	-1 704	-2 466
Financing activities					
Borrowings	-	-	-	-	-
Obtained bridge loan from shareholders	-	-	-	-	-
Investment subsidiary	-	-	-	-	-234
Shareholders' contribution received	-	-	-	-	-
New share issue	-	910	66 997	2 398	2 398
Cash flow from financing activities	-	910	66 997	2 398	2 164
The periods cash flow	-14 281	-13 035	38 278	-34 716	-64 846
Cash and cash equivalents at beginning of year	93 567	84 173	41 008	105 854	105 854
Cash and cash equivalents at year-end	79 286	71 138	79 286	71 138	41 008
Adjustment for non-cash items					
Depreciation	1 464	1 541	2 870	3 081	6 153
Other items not affecting cash flow	-185	-192	-370	-404	-766
	1 279	1 349	2 500	2 677	5 387

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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