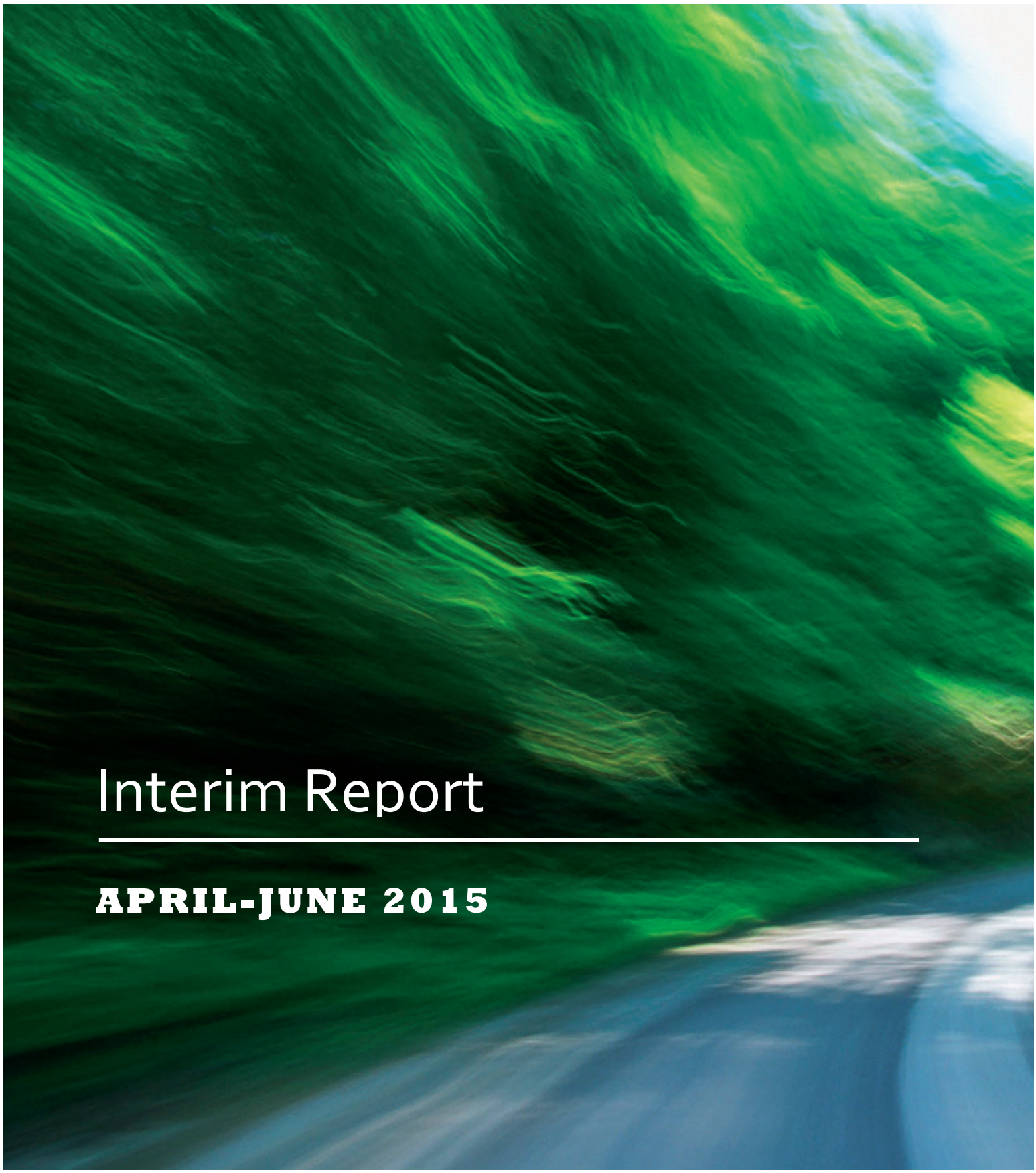
PowerCell



Interim Report

APRIL-JUNE 2015

Interim Report for April to June 2015 PowerCell Sweden AB (Publ) First North at Nasdaq Stockholm, PCELL

Important events from April to June 2015

- First order of S1 platform for an energy smart house - a house with electricity from its own fuel cells, free from the grid and with self-produced hydrogen from solar cells. Will be delivered in autumn 2015.
- First order of S2 platform. A German company has ordered two fuel cell stacks of model S2, 25kW each. The fuel cell stacks will be delivered in autumn 2015.
- Continued successful development of the S3 platform, a 100 kW fuel cell stack platform for automotive applications, within an EU project (Autostack Core) with partners such as BMW, VW, and a number of large suppliers and research institutes. The design is based on industrial components that are suitable for volume production.
- Unique collaboration initiated with GORD (Gulf Organization for Research & Development) by Midroc New Technology (one of PowerCell's main shareholder, which in turn is owned by Mohammed Al-Amoudi). The cooperation is carried out with the purpose that PowerCell will be the first choice in terms of fuel cells/ PowerPac for GORD's catchment area, which basically consists of the entire Gulf region.
- Per Wassén, the new CEO starting from 5 June 2015. Former Chairman of PowerCell Sweden since the company started in 2008 and Investment Director at Volvo Group Venture Capital, AB Volvo.
- Magnus Jonsson, the new Chairman of the Board of the company from 5 June 2015. Former Member of the Board of PowerCell Sweden since 2012. Previous position as Senior Vice President, Product Development at Volvo Cars. Great experience in the automotive industry.
- Karin Nilsson, the new CFO, starting from 10 August 2015. Most recently from KVD Kvarndammen AB, where she has served as CFO since 2010.

Highlights April-June 2015

All numbers in TSEK	**2015 Apr-Jun**	**2014 Apr-Jun**	**2015 Jan-Jun**	**2014 Jan-Jun**
Net sales	161	251	490	640
Operating profit	-15 346	-11 027	-32 301	-23 636
Profit after tax	-15 339	-11 252	-32 280	-23 830
Cash flow	-13 371	-9 106	-35 410	-23 780

Important events after period end.

- Large interest from customers and politicians during Almedalsveckan in Sweden when PowerCell Sweden, along with the organization Hydrogen Sweden and Sweco, Sandvik, AGA, Wallenstam and Hyundai, conducted three seminars together.

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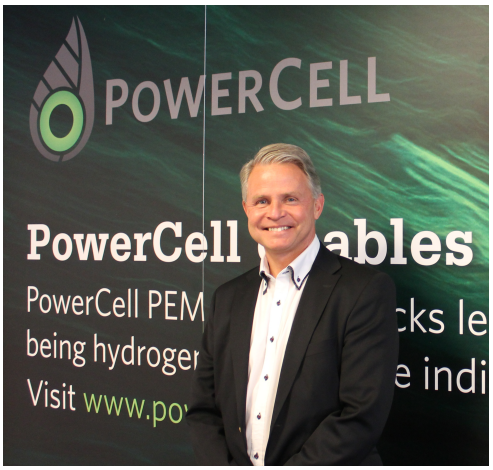
The CEO's comments

PowerCell Sweden AB is a leading-edge company that develops, manufactures and sells fuel cells, fuel reformers and systems for the global market. The company is an industrial spinoff from the Volvo Group that has been researching and developing fuel cells for various applications over the last 15-20 years.



Yet another customer cooperation - PowerPac (Fuel cell S2 is powered by reformed hydrogen from diesel fuel)

The interest in PowerCell's main product PowerPac is very large, and the company will initially focus on the telecommunications industry, whilst we are very responsive to market signals from other application areas. At present there are agreements on three test projects during autumn 2015, and a continuation of the cooperation with Vodacom in South Africa as well as the establishment of test operations of cooling systems for vehicles with ASKO in Norway.

The third project, which was completed in Q2, included PowerCell in a unique collaboration between Midroc New Technology (one of PowerCell's main shareholder, which in turn is owned by Mohammed Al-Amoudi) and GORD (Association for research and development for the six Gulf states). In a special full-scale plant in Qatar's capital Doha, PowerCell's PowerPac will be evaluated in late 2015/2016. In the long term, this can mean that a wide range of Gulf countries will choose PowerCell's technology in major investments in sustainable development.

Storing energy in hydrogen

One exciting area is the storage of energy from small-scale solar and wind power in electrolytic hydrogen. The excess electricity that the solar/wind turbines generate above current demand can be converted to hydrogen gas and then stored in a tank. The latter can be used in a fuel cell to generate new electricity when needed. The interest in solving the energy supplies locally is increasing sharply since energy network providers charge high fees so the desire to have a self-sufficient house increases. In 2020 there will be a requirement that all new buildings shall be nearly zero energy, which means they will have to produce almost as much energy as they consume.

First orders for a low-energy house

PowerCell signed its first order in Q2 to deliver an FC (UPS Fuel Cell - Uninterrupted System), based on the S1 fuel cell platform to a self-sufficient 'off grid' - low energy house in Angered, Gothenburg. The solar cells on the house roof will produce electricity during daylight hours and the electricity will be used to produce hydrogen from water using an electrolyzer. During evenings and nights and during the winter season it will use electricity from the fuel cell, which runs on stored hydrogen. The fuel cell produces not only electricity, but also heat that is channelled into the house's hot water tanks and will be used for heating and hot water. The hydrogen in the tanks will also be used as a filling station for the household's planned hydrogen car. The project will be implemented in autumn 2015 and will be a reference plant for future projects that have great potential for different types of property owners.

Hydrogen powered cars are the future

Fossil fuels like gasoline and diesel have for more than 100 years been the dominating fuel sources. Emissions from fossil fuels have caused damage to both the environment and people, and created enormous challenges for the future climate threats.

Hydrogen may be the solution that everyone is looking for. When Toyota's fuel cell vehicle Mirai was presented in Los Angeles in 2014, Toyota's Chairman Takeshi Uchiyamada said; "Hydrogen is the fuel for the next century".

Toyota has also noted that the future is not in the battery, where its technology is at the forefront, but in hydrogen fuel cells. It is not far-fetched that other major vehicle manufacturers will follow Toyota. PowerCell is part of a technology partnership with a number of these manufacturers, including Volkswagen and BMW. Any series deliveries for the automotive industry can only be expected after 2020. The important thing is to eventually reach larger manufacturing volumes, causing the price to drop and the technology to become more attractive.

Hydrogen filling station next to PowerCell

What is needed for this to happen is a hydrogen infrastructure, which is being rolled out on a larger scale in e.g. US, Japan and Germany. Within the organization Hydrogen Sweden, about thirty gas stations is mentioned in the long term in Sweden. During autumn 2015, a filling station will be built next to PowerCell's premises in Gothenburg, one at Arlanda Airport, one in Sandviken and there is already one built in Malmö.

First orders of the fuel cell platform S2

As previously reported, the company's new fuel cell platform S2 was launched at the Hannover Fair in April. The reception and the interest were very positive and during the fair we established several new contacts regarding potential supplies. PowerCell received the first order of the S2 platform in June. A German company ordered two fuel cell stacks of model S2, 25kW each. The fuel cell stacks will be delivered during autumn 2015.

The S2 is a complement to PowerCell's first-generation fuel cell stack, the S1 (1-5 kW), as it includes major outputs from 5 kW up to 25 kW. PowerCell S2 stack of 25 kW will be tested as a so-called Range Extender in the Volvo Cars hydrogen demonstrator during autumn/winter 2015/2016.

The S3 platform

The continued successful development of the S3 platform, a 100 kW fuel cell stack platform for automotive applications, within an EU project (Autostack Core) with the 13 partners including BMW, VW, and a number of large suppliers and research institutes (including DANA, Freudenberg, SolviCore). The design is based on industrial components that are suitable for volume production.

We have the advantage that we can use the same technology in many different segments, which means that our sales will be made to several areas simultaneously. It provides industrial scale and reduces risks.

To summarize, the on-going process of industrialization and intensive development phase, to create the conditions for serial production, which according to the plan is charged to earnings Q2, has characterized the quarter. There has been a clear increased focus on customer projects that will generate revenues in the coming quarters.

With the above said, I look forward to an exciting future for PowerCell and our shareholders.

Per Wassén
CEO

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PowerCell Sweden AB

Financial report April-June 2015

Revenues and profits
Sales for the period from April to June 2015 were 161 (251[1]) TSEK. A moderate decline, but the company has shown an improved gross margin of 65 (-418) TSEK, mainly due to reduced quality costs.

Other operating income, which mainly consists of grants funding for the period amounted to SEK 697 (2,200) TSEK. The change is primarily attributable to the fact that the projects have been in various intensive phases between the years. Accumulated over the year reported is still a strong increase, 3 872 (2 533) TSEK.

Operating profit was -15 346 (-11 027) TSEK for the period from April to June. The change in earnings is mainly attributable to the intense development around the S2, PowerPac and the company's cooperation projects.

Cash Flow
Operating cash flow for the period was -13 371 (-9 106) TSEK. Total cash flow for the period amounted to -13,035 (5,792) TSEK. New issue during the period of 910 TSEK (0) refers to the payment of the final items of the subscribed shares in connection with the initial public offering in December 2014.

Financing
The company secured the coming year's financing in connection with the new share issue of 108 MSEK before issue expenses, which was conducted prior to the listing on First North at Nasdaq Stockholm in December 2014.

The Company has ongoing collaborative projects with funding from the Swedish Energy Agency and the EU totaling about 60 MSEK of which payments for the period from April to June has been obtained about 660 (2 200) 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 2014.

Significant risks in brief

Operational risks
PowerCell's 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 development activities, that they proceed according to plan and do not suffer from major delays, costs or other difficulties. Risks are also associated with customer reviews precipitates 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.

[1] Figures relates to the fiscal year 2014.

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 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 encompasses 840,000 warrants, where each warrant gives the right to subscribe one new share at a subscription price of 12.25 SEK per share during the period 1 January 2017- 31 December 2017. The dilution from this amounts to a maximum of 2.4 percent.

The company has a stock option program for executives, staff and board members. It comprises 1,950,520 warrants where each warrant gives the right to subscribe one new share at a subscription price of 12.25 SEK during the period 1 October 2016 to 31 December 2016. The dilution from this program amounts to a maximum of 5.5 percent.

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

The share capital of PowerCell amounts at June 30, 2015-785 364.62 SEK and is divided 35,698,392 shares with a quota value of 0.022 SEK.

In connection with the IPO were issued warrants which the subscribers received free of charge. The program comprises 14,394,092 warrants which two warrants giving right to subscribe to one new share at a subscription price of 9.63 during the period 1 December 2015 to 31 December 2015. The warrants are listed on First North at NASDAQ Stockholm (P CELL T01, ISIN code: SE0006425823). Total dilution from this program can be a maximum of 20.3 per cent.

Ownership per June 30, 2015

	No. of shares	**Owner-ship**
Midroc New Technology	8 279 000	23,2 %
Fouriertransform	8 279 000	23,2 %
Finindus	5 857 464	16,4 %
Volvo Group Venture Capital	3 962 562	11,1 %
Avanza Pension	1 884 566	5,3 %
Others	7 435 800	20,8 %
Total	**35 698 392**	**100,0 %**

Dividend
The AGM on 6 May 2015 decided not to pay any dividend for the financial year 2014.

Upcoming reports

- Interim Report Q3, November 2, 2015
- Year-end Report 2015 7 March 2016

Gothenburg, August 17, 2015

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	Per Wassén CEO	

The company's auditor has not audited this report.

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KEY RATIOS	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun
Profitability (%)				
Return on average total capital	Neg.	Neg.	Neg.	Neg.
Return on average equity	Neg.	Neg.	Neg.	Neg.
Capital structure				
Solidity	41%	Neg.	41%	Neg.
Data per share (SEK)				
Outstanding shares	35 698 392	1 065 215	35 698 392	1 065 215
Earnings per share	-0,4	-10,6	-0,9	-22,4
Earnings per share after full dilution	-0,3	-10,2	-0,7	-21,5
Dividend per share	-	-	-	-

INCOME STATEMENT	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun
Net sales	161	251	490	640
Cost of goods sold	-96	-669	-399	-1 668
Gross profit/loss	**65**	**-418**	**91**	**-1 028**
Administrative expenses	-236	-142	-293	-232
Research and development costs	-15 872	-12 629	-35 971	-24 861
Other operating income	697	2 200	3 872	2 533
Other operating costs	-	-38	-	-48
Operating profit/loss	**-15 346**	**-11 027**	**-32 301**	**-23 636**
Financial items				
Interest income	7	21	21	52
Interest expenses	-	-246	-	-246
Profit/Loss after financial items	**-15 339**	**-11 252**	**-32 280**	**-23 830**
Tax on profit for the year	-	-	-	-
NET PROFIT/LOSS	**-15 339**	**-11 252**	**-32 280**	**-23 830**

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BALANCE SHEET	2015 June 30	2014 June 30	2014 Dec 31	2013 Dec 31
ASSETS				
Non-current assets	23 830	27 570	25 207	30 057
Total non-current assets	**23 830**	**27 570**	**25 207**	**30 057**
Inventories, etc.	971	1 059	689	305
Short-term receivables	11 729	8 404	15 326	8 793
Cash and bank balances	71 138	15 776	105 854	24 725
Total current assets	**83 838**	**25 239**	**121 869**	**33 823**
Total assets	**107 668**	**52 809**	**147 076**	**63 880**
LIABILITIES AND EQUITY				
Share capital	785	213	785	213
Unrestricted equity	75 670	15 992	122 651	54 360
Year loss	-32 280	-23 830	-46 982	-38 368
Total equity	**44 175**	**-7 625**	**76 454**	**16 205**
Pensions provisions and similar commitments	1 731	2 573	2 135	2 904
Long-term liabilities	39 987	30 000	39 987	30 000
Short-term liabilities	21 775	27 861	28 500	14 771
Total liabilities	**63 493**	**60 434**	**70 622**	**47 675**
Total equity and liabilities	**107 668**	**52 809**	**147 076**	**63 880**

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CASH FLOW STATEMENT	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun
Operating activities				
Operating profit/loss	-15 346	-11 027	-32 301	-23 636
Adjustment for non-cash items	1 349	1 302	2 677	2 325
Interest received	4	9	10	19
Interest paid	-	-1	-	-1
Income tax paid/received	-177	-176	-353	-353
Changes in working capital				
Change in inventories	-58	-594	-281	-754
Change in operating receivables	1 031	1 037	1 570	789
Change in operating liabilities	-174	344	-6 732	-2 169
Cash flow from operating activities	**-13 371**	**-9 106**	**-35 410**	**-23 780**
Investment activities				
Investments in non-current assets	-574	-102	-1 704	-169
Cash flow from investing activities	**-574**	**-102**	**-1 704**	**-169**
Financing activities				
Borrowings	-	-	-	-
Obtained bridge loan from shareholders	-	15 000	-	15 000
Shareholders' contribution received	-	-	-	-
New share issue	910	-	2 398	-
Cash flow from financing activities	**910**	**15 000**	**2 398**	**15 000**
The periods cash flow	**-13 035**	**5 792**	**-34 716**	**-8 949**
Cash and cash equivalents at beginning of year	**84 173**	**9 984**	**105 854**	**24 725**
Cash and cash equivalents at year-end	**71 138**	**15 776**	**71 138**	**15 776**
Adjustment for non-cash items				
Depreciation	1 541	1 519	3 081	2 656
Other items not affecting cash flow	-192	-217	-404	-331
	1 349	**1 302**	**2 677**	**2 325**

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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 a leading energy technology company with a unique and patented technology for generating electricity from fuel cells in an efficient and environmentally friendly way. PowerCell develops and distributes advanced fuel cell systems for the transport industry, the telecommunication industry and the military sector.

PowerCell has developed fuel cell technology for more than a decade, and has perfected a unique design that enables the production of a lightweight, versatile and reliable power source for automotive, transport and stationary applications.

PowerCell's fuel cell system converts road diesel to electricity in an energy efficient and environmentally friendly manner, where exhaust fumes and toxic emissions are eliminated and are quiet in operation. The electricity can be used for climate control in trucks and other heavy-duty vehicles and eliminate idling when resting and loading/unloading.

PowerCell is a spinout from the Volvo Group with the objective to develop and produce environmentally friendly power systems based on a unique fuel cell and reformer technology that matches existing fuel infrastructures. PowerCell is based in Gothenburg and is owned by Volvo Group Venture Capital, Fouriertransform, Midroc New Technologies and Finindus.

PowerCell Sweden AB (publ) is based in Gothenburg and is listed on First North at NASDAQ Stockholm.

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