PowerCell

Interim Report

JAN-MAR 2016

Interim Report for January - March 2016 PowerCell Sweden AB (Publ) First North at Nasdaq Stockholm, PCELL

Important events in January-March 2016

- Continued increase in customer interest with many outstanding quotations and improved sales.
- Several completed sales of prototypes. The PowerCell S2 REX (range extender) for automotive applications and PowerCell S1 for stationary applications.
- The first orders for the PowerCell S3 platform were received. A 100 kW prototype fuel cell stack for automotive applications will be delivered to a European customer and two more PowerCell S3 fuel cell stack prototypes were ordered by a strategically important global customer.
- Powertech System Integrator Ltd. becomes PowerCell Sweden's distributor in Africa, with responsibility for sales and integration as well as for parts, service and maintenance.
- 99.1 percent of all stock options from the T01 subscription period had exercised its right to subscribe for shares at the end of December 30, 2015, resulting in a capital injection of SEK 68.7 million to PowerCell. The company's cash position is strong and amounted to SEK 93.6 million on March 31, 2016.

Highlights January-March 2016

All numbers in TSEK	**2016 Jan-Mar**	**2015 Jan-Mar**	**2015 Jan-Dec**
Net sales	2 212	329	5 100
Operating profit	-13 498	-16 955	-64 763
Profit after tax	-13 500	-16 941	-65 188
Cash flow	-14 145	-22 038	-64 544

Important events after period end.

- Order for a prototype of the PowerCell S2 from a strategically important global customer that will use the prototype in a micro CHP (Combined Heat and Power) for residential application in South Korea.

- Collaboration – An with Swiss Hydrogen, with the intention to cooperate in developing and selling complete fuel cell based systems.

- PowerCell exhibited and the CEO spoke at the Hannover Messe, Europe's largest trade fair for hydrogen, fuel cells and batteries. Both Obama and Merkel highlighted the importance of technology development in this sector with their presence.

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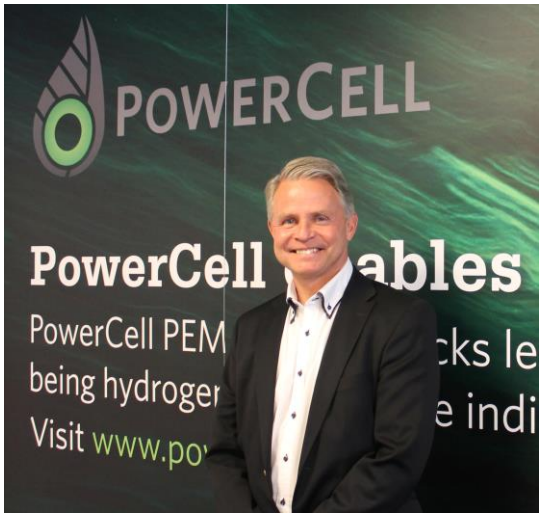

The CEO's comments

Increased customer focus resulted in increased sales revenue
PowerCell increased revenues during the first quarter of 2016 mainly due to the sale of prototypes for testing by customers in various applications. Furthermore, the platforms were launched to a wider market at the same time the company continues with its ongoing industrialization process and development towards serial production according to plan. Costs for these activities will impact profits as planned. Successes include numerous quotation requests, continued sales of the PowerCell S1 and S2 for testing by customers as well as sales start of PowerCell S3 prototypes.

PowerCell's test/demonstration and reference facilities
The PowerCell PowerPac B prototype is being tested by Vodacom in Pretoria, South Africa, Telia in Partille, Sweden and ASKO in Trondheim, Norway. The evaluation tests will be completed according to plan during the year. Tests of the PowerCell S1 in the self-sufficient, low-energy - offgrid system in Angered, Sweden, are progressing as planned.

Fossil free energy generation
In the transition from fossil fuels to renewable energy, the need for a flexible grid increases, where storage capability is a natural component for balancing the grid. This flexibility becomes even more important as nuclear power starts being phased out. Renewable energy sources such as solar and wind produce electricity in a non-adjustable manner. The electricity that solar cells/wind mills produce meets the continuous demand for electricity, while excess electricity can be converted to hydrogen through electrolysis and stored in a tank. The hydrogen can then later be used in a fuel cell (modules such as the PowerCell S2 or S3) 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.

To demonstrate the potential of fuel cells and hydrogen, PowerCell has signed a partnership agreement with real estate company Wallenstam AB, with wind power interests, with Midroc Automation AB, a comprehensive partner within real estate, construction, industry and environment, and with the association Hydrogen Sweden. The partnership concerns a feasibility study to develop energy storage systems that will be funded by Västra Götaland Region.

Hydrogen powered cars are the future
It is increasingly clear that a transition towards electric cars is instrumental to meet the climate challenges. Unfortunately, batteries have major drawbacks while hydrogen, in our opinion, is the fuel of the future. Cars powered by hydrogen, which is converted to electricity through a fuel cell, emit only water vapour. Hydrogen produced from renewable energy sources is a completely fossil-free fuel. The refuelling takes approx. 3 minutes and the driving distance is about 500-700 kilometres. A fuel cell can also be combined with a battery in the vehicles and act as a REX, a so-called Range Extender, for hybrid electric cars, hybrid buses and light trucks for city traffic, where zero emission vehicles is an important step towards a better environment. PowerCell has entered into several technology cooperations with a number of vehicle manufacturers. It is important to note that eventually it will be possible to reach large production volumes, which reduces the price of fuel cells and makes the PEM (Polymer Electrolyte Membrane) technology more attractive.

The world's countries must now move from words to action - Fuel cells are a 'Game Changer' to reach climate goals
The global climate agreement adopted at the Paris climate conference (COP21) in December 2015, is a milestone for the world and joint cooperation for sustainable development. The legally binding agreement means that the world's countries now have a common goal to reduce climate emissions. The agreement states that the global temperature increase must be kept well below 2 degrees Celsius and that the aim is to limit it to 1.5 degrees Celsius. All countries must now move from words to action and work to replace fossil fuels.
PowerCell is ready to meet the future need to solve the climate goals through a wide range of scalable modular fuel cells.

The offer covers 1-100kW
PowerCell's fuel cells have the advantage of being able to be used in several segments that create industrial scale and competitive advantages. The product offer covers a power range of 1-100 kW through fuel cell platforms PowerCell S1 and S2, as well as S3, which is under development. The fuel cell platform PowerCell S1 can be used in numerous applications, e.g. for housing, real estate and transport as well along with a natural/biogas reformer to produce electricity. PowerCell S2 is intended for a higher power range and designed for high volume production. PowerCell S2 will be manufactured very cost effectively with increasing volumes in multiple customer applications such as a Range Extender for electric cars. Finally, PowerCell S3 is a platform designed for automotive applications such as a powertrain, and from the start based on industrial components that are suitable for volume production. The S3 can also be used in stationary facilities alongside wind and solar power.

Strategically positioned
The main task ahead is to further increase customer focus, deliver prototypes for customer testing in 2016, and to prepare and ensure quality for the planned series production of our platforms and systems from 2017/2018.

With what is now happening in the world around us, the shift in technology and PowerCell's position, it means that we can look forward to a very exciting future, which will create substantial value for the environment, the company and its shareholders.

Per Wassén /CEO, PowerCell Sweden AB

Financial report January - March 2016

Revenues and profits
Sales for the period January to March 2016 amounted to 2 212 (329[1]) TSEK. The sharp increase is a result of that the company during the period received and delivered several customer orders and sales of prototypes.

Other operating income, which mainly consists of grant funding, for the period amounted to 2 988 (3 185) TSEK.

Operating profit amounted to -13 498 (-16 955) TSEK for the period January to March. The earnings improvement is mainly attributable to lower development costs and a positive contribution from higher sales.

Cash Flow
Operating cash flow for the period was -14 145 (-22 038) TSEK. Total cash flow for the period amounted to 52 559 (-21 681) TSEK. The new issue during January to March of 66 997 (1 487) TSEK 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 ongoing collaborative projects with funding from the Swedish Energy Agency and the EU totalling about 60 MSEK of which payments for the period from January to March have been obtained for 2 456 (4 790) 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. 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.

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.

[1] Figures between brackets relates to the same period of the fiscal year 2015.

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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 March 31, 2016 to SEK 942 345,18 and is divided into 42 760 593 shares with a par value of SEK 0.022.

Ownership per March 31 2016*

	No. of shares	**Owner-ship**
Midroc New Technology	9 172 670	21,5%
Fouriertransform	9 172 670	21,5%
Finindus	6 489 836	15,2%
Volvo Group Venture Capital	4 079 713	9,5%
Avanza Pension	2 369 757	5,5%
Others	11 475 947	26,8%
Total	**42 760 593**	**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 Q2, August 16, 2016
- Interim Report Q3, November 1, 2016
- Year End Report 2016, March 7, 2017

Gothenburg, Sweden May 10, 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.

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KEY FIGURES	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec	2014 Jan-Dec
Profitability (%)				
Return on average total capital	neg.	neg.	neg.	neg.
Return on average equity	neg.	neg.	neg.	neg.
Capital structure				
Solidity	51%	48%	15%	-6%
Data per share (SEK)				
Outstanding shares	42 760 593	35 698 392	35 698 392	35 419 605
Average outstanding shares	39 229 493	35 558 999	35 558 999	18 242 410
Earnings per share	-0,3	-0,5	-1,8	-1,3
Earnings per share after full dilution	-0,3	-0,4	-1,7	-1,3
Dividend per share	-	-	-	-

INCOME STATEMENT	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec	2014 Jan-Dec
Net sales	2 212	329	5 100	1 492
Cost of goods sold	-1 893	-303	-4 956	-2 086
Gross profit/loss	**319**	**26**	**144**	**-594**
Administrative expenses	-298	-57	-790	-292
Research and development costs	-16 503	-20 099	-73 086	-51 355
Other operating income	2 988	3 185	9 004	6 385
Other operating costs	-4	-10	-35	-54
Operating profit/loss	**-13 498**	**-16 955**	**-64 763**	**-45 910**
Financial items				
Interest income	-	14	26	74
Interest expenses	-2	-	-451	-1 146
Profit/Loss after financial items	**-13 500**	**-16 941**	**-65 188**	**-46 982**
Tax on profit for the year	-	-	-	-
NET PROFIT/LOSS	**-13 500**	**-16 941**	**-65 188**	**-46 982**

BALANCE SHEET	2016 Mar-31	2015 Mar-31	2015 Dec-31	2014 Dec-31
ASSETS				
Non-current assets	20 407	24 797	21 520	25 207
Financial assets	234	-	234	-
Total non-current assets	**20 641**	**24 797**	**21 754**	**25 207**
Inventories, etc.	1 740	913	1 702	689
Short-term receivables	11 651	13 490	11 444	15 326
Cash and bank balances	93 567	84 173	41 008	105 854
Total current assets	**106 958**	**98 576**	**54 154**	**121 869**
Total assets	**127 599**	**123 373**	**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	-13 500	-16 941	-65 188	-46 982
Total equity	**64 763**	**59 514**	**11 266**	**76 454**
Pensions provisions and similar commitments	1 184	1 923	1 368	2 135
Long-term liabilities	39 987	39 987	39 987	39 987
Short-term liabilities	21 665	21 949	23 287	28 500
Total liabilities	**62 836**	**63 859**	**64 642**	**70 622**
Total equity and liabilities	**127 599**	**123 373**	**75 908**	**147 076**

CASH FLOW STATEMENT	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec	2014 Jan-Dec
Operating activities				
Operating profit/loss	-13 498	-16 955	-64 763	-45 910
Adjustment for non-cash items	1 221	1 328	5 387	5 315
Interest received	-	6	26	77
Interest paid	-2	-	-451	-
Income tax paid/received	-176	-176	-7	-8
Changes in working capital				
Change in inventories	-38	-223	-1 013	-385
Change in operating receivables	-31	540	1 491	-4 130
Change in operating liabilities	-1 621	-6 558	-5 214	5 044
Cash flow from operating activities	**-14 145**	**-22 038**	**-64 544**	**-39 997**
Investment activities				
Investments in non-current assets	-293	-1 130	-2 466	-1 234
Cash flow from investing activities	**-293**	**-1 130**	**-2 466**	**-1 234**
Financing activities				
Borrowings	-	-	-	9 987
Obtained bridge loan from shareholders	-	-	-	30 000
Investment subsidiary	-		-234	
Shareholders' contribution received	-	-	-	-
New share issue	66 997	1 487	2 398	82 373
Cash flow from financing activities	**66 997**	**1 487**	**2 164**	**122 360**
The periods cash flow	**52 559**	**-21 681**	**-64 846**	**81 129**
Cash and cash equivalents at beginning of year	**41 008**	**105 854**	**105 854**	**24 725**
Cash and cash equivalents at year-end	**93 567**	**84 173**	**41 008**	**105 854**
Adjustment for non-cash items				
Depreciation	1 406	1 540	6 153	6 084
Other items not affecting cash flow	-185	-212	-766	-769
	1 221	**1 328**	**5 387**	**5 315**

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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 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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