



# Interim Report

---

**JUL-SEP 2016**

# **Interim Report for July to September 2016 PowerCell Sweden AB (Publ) First North at Nasdaq Stockholm, PCELL**

## **Important events from July to September 2016**

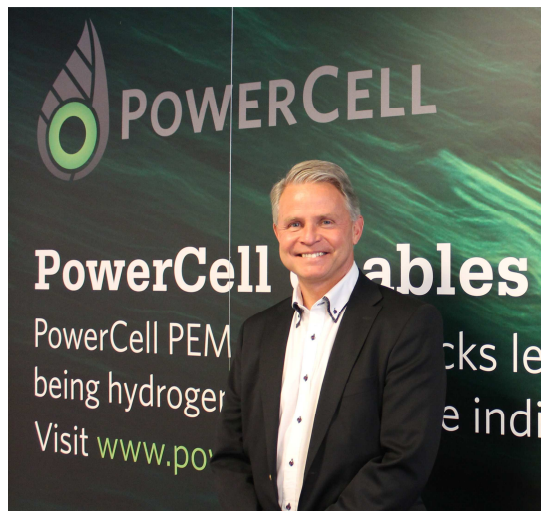
- Increased interest with numerous inquiries from European and Chinese customers.
- Increased sales of PowerCell S2 for tests and customer applications.
- A Chinese order of a PowerCell S2 was placed for test as a REX (Range Extender) with hydrogen applications for automotive at the Chinese market.
- A Chinese order of a PowerCell S2 and a MoU for development of adaptation to methanol reformer as REX (Range Extender) for light truck applications in China.
- Prototypes of PowerCell S3 fuel cell stack are being tested by strategic customers.
- The management team has been strengthened with Charlotta Sahlin as Director Marketing & Communications (previously among others SAAB Automobile Global Marketing) and Karl Samuelsson as Director Product Development (previously Volvo Cars Powertrain), to enhance customer focus and further improve the product development process.
- Preparations and costs for industrialization and commercialization of S1 and S2 developing according to plan.

## **Highlights July - September 2016**

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
All numbers in TSEK	<b>jul-sep</b>	<b>jul-sep</b>	<b>jan-sep</b>	<b>jan-sep</b>	<b>jan-dec</b>
Net sales	3 034	2 723	7 649	3 213	5 100
Operating profit	-16 211	-12 033	-47 996	-44 334	-64 763
Profit after tax	-16 212	-12 030	-47 551	-44 310	-65 188
Cash flow	-20 177	-13 874	-47 090	-49 284	-64 544

## **Important events after the reporting period.**

- Cooperation agreement with world leading 3M to ensure volume deliveries of MEA (Membrane Electrode Assembly) to PowerCell S1 and S2.
- Contract negotiations concerning European funding of 50 MSEK for development of a system based on the fuel cell stack PowerCell S3, for integration and testing in passenger cars from Volvo Car Group.
- Obtaining European patent for PowerCell S2, for innovation regarding properties that open up for many possible applications and improved customer benefits as the robust stack can handle more diverse conditions and operating conditions, such as differences in temperature and humidity.
- Signed MoU with Chinese institute, to investigate mutual business opportunities for fuel cells in Greater China.



## The CEO's comments

### **Increased focus on customers and a strategy for partners**

A continued, increased focus on customers in Q3 resulted in more sales of products and prototypes for testing by customers in various types of applications. Interesting particularly are the sales of PowerCell S2 for both passenger cars and light trucks.

There is a great commitment to fuel cells in Asia, as shown in the increased interest from China, reflected by many requests for quotations. So far we have established collaborations regarding both passenger cars and the truck market, for hydrogen gas and with methanol reformer in the Chinese market.

At the present customers are carrying out the necessary tests of PowerCell's prototypes in various environments before a possible start of series deliveries. This has also increased the demand on our engineers' cutting edge competencies, for customer support and in the adaptation of applications.

We have carried out many marketing and customer-related activities during the past quarter, which has given us coverage in the media. At the f-cell trade fair in Stuttgart, we presented our emission-free solutions for Range Extenders (REX) for electric cars and energy storage in properties (Off Grid) which got a great response as we were the only company that could show concrete reference cases. We also participated in Innovate46, which was organized by NASDAQ and the Swedish-American Chamber of Commerce in New York, where we presented the company in front of investors and a large, international audience.

There is much internal effort being put into the ongoing industrialization process and development phase towards serial production in 2017/2018. Costs for this are being charged to earnings as planned. In line with our partner strategy we signed a cooperation agreement with world-leader 3M to ensure volume production of MEA (Membrane Electrode Assembly) for PowerCell S1 and S2.

### **PowerCell's test, demonstration and reference facilities**

Testing of PowerCell S1 in the segment of self-relying low-energy building - Off Grid – in Angered (Gothenburg) continues as planned. The PowerCell S2 is being tested in various mobile and stationary customer applications where hydrogen gas or reformed hydrogen gas is used. The PowerCell S3 prototype will be tested in vehicle applications (Autostack Core) and by an European customer in a delivery truck. With forthcoming funding from the EU, PowerCell S3 will be tested in a passenger car from Volvo Car Group. The PowerPac B prototype (with diesel reformer) is being tested by potential customers as earlier communicated. The tests will be concluded according to plan during the late autumn. Discussions are ongoing with a number of actors on hydrogen production from large wind/solar power plants that can generate electricity even when it is not windy or is dark, by using multiple stacks in containers.

### **PowerCell's platform and modular strategy**

During Q3, we have had a high activity level in many of the development projects and have continued to intensify development of our platform and modular strategy. 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, as well as S3, which is under development. The PowerCell S1 (1-5 kW) can be used in numerous applications, for example in housing, real estate and transport along with natural or biogas reformers to generate 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, PowerCell S3 (20-100 kW) is a platform mainly intended for vehicle applications, such as a powertrain, based on industrial components suitable for volume production from the outset. The S3 can also be used to generate electricity, from hydrogen produced by solar and wind power and stored in stationary facilities.

### **The ratification of the agreement from COP21**

More and more countries are ratifying the agreement that the world's countries agreed on at the COP21 climate summit in Paris in 2015. In September, the U.S. and China both agreed to ratify the agreement and since then, the EU has also conceded to follow suit. This means that the agreement will come into force. To quickly reduce carbon emissions, a transition towards hydrogen fuel cells is necessary. Hydrogen gas contains no carbon atoms as opposed to fossil fuels and biofuels (i.e. methanol and ethanol among others). In the fuel cell, hydrogen gas is converted to clean electricity and heat. The only waste product is pure water. This is why hydrogen gas is the next century's fuel.

### **Hydrogen-powered fuel cell cars are now being launched and the contour of a new energy society is becoming clear**

It is becoming increasingly clear that the transition to fuel cell driven electric cars is a must in order to respond to climate change. The world's largest car manufacturer Toyota has launched 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 vehicle manufacturers such as VW, BMW and Volvo Car Group. The important thing is that over time there is a possibility to reach large volumes, causing the price of fuel cells to drop. Batteries have major disadvantages with range anxiety, while hydrogen gas, in our opinion, is the fuel of the future. Hydrogen produced from renewable energy sources is a completely fossil-free vehicle fuel. The refueling takes about three minutes and the mileage is about 500-700 kilometers. A fuel cell can also be combined with a battery in the vehicle and act as a 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.

In the transition from fossil to renewable energy, the need for a flexible power grid increases where storage plays an important part in balancing supply and demand, as renewable energy sources such as solar and wind produce electricity in a non-adjustable manner. The electricity that solar cells/windmills generate satisfies the continuous demand for electricity and the excess can be used to produce hydrogen gas through electrolysis, which is then 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.

### **PowerCell is strategically positioned to create value**

The measures to address global warming, the technology shift in the automotive industry and the fact that PowerCell products are being strategically positioned at the starting point of the growth phase of the technological development curve, mean that we can look forward to a very exciting future. We will be able to create considerable value for our customers, the environment and our shareholders.

Per Wassén / CEO PowerCell Sweden AB

# Financial report July - September 2016

## Revenues and profits

Sales for the period July to September 2016 amounted to 3 034 (2 723<sup>1</sup>) TSEK. The increase is primarily a result of an increased number of sold PowerCell S2 stacks.

Other operating income, which mainly consists of grant funding, amounted to 2 348 (3 504) TSEK for the period.

Operating profit amounted to -16 211 (-12 033) TSEK for the period July to September. A high level of activity in several of the development projects as well as the strengthening of sales and market departments is the contributor to the planned increase of cost.

## Cash Flow

The operating cash flow for the period was -20 177 (-13 874) TSEK. Total cash flow for the period amounted to -20 299 (-14 266) TSEK. The deterioration of the cash flow relates to operating profit and planned increase of stock.

The new issue during January to September of 66 997 (2 398) 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 on-going collaborative projects with funding from the Swedish Energy Agency and the EU totaling about 60 MSEK of which payments for the period from July to September have been obtained for 0 (510) TSEK. Not receiving any disbursements during the period is according to plan, as the next scheduled economic accounting period for EU-projects is Q2 2017.

## 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

---

<sup>1</sup> Figures between brackets relate to the fiscal year 2015.

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 Crowns.

### **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 September 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 30 September 2016\***

	<b>No. of shares</b>	<b>Owner-ship</b>
Midroc New Technology	9 172 670	21.4%
Fouriertransform	9 172 670	21.4%
Finindus	6 489 836	15.2%
Volvo Group Venture Capital	3 563 327	8.3%
Avanza Pension	2 357 457	5.5%
Övriga	12 077 912	28.2%
<b>Totalt</b>	<b>42 833 872</b>	<b>100.0%</b>

\* Source: Euroclear

## **Dividend**

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

PowerCell Sweden AB (Publ)  
Org.nr 556759-8353  
Ruskvädersgatan 12  
418 34 Göteborg  
Tel: +46 (31) 720 36 20  
www.powercell.se

## Upcoming reports

- Year End Report 2016, March 7, 2017
- Interim Report Q1, May 9, 2017
- Interim Report Q2, August 18, 2017
- Interim Report Q3, November 1, 2017

Gothenburg, Sweden, November 1, 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.

<b>KEY FIGURES</b>	<b>2016 Jul-Sep</b>	<b>2015 Jul-Sep</b>	<b>2016 Jan-Sep</b>	<b>2015 Jan-Sep</b>	<b>2015 Jan-Dec</b>
<b>Profitability (%)</b>					
Return on average total capital	neg.	neg.	neg.	neg.	neg.
Return on average equity	neg.	neg.	neg.	neg.	neg.
<b>Capital structure</b>					
Solidity	34%	34%	15%	52%	15%
<b>Data per share (SEK)</b>					
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	-0.3	-1.1	-1.2	-1.8
Earnings per share after full dilution	-0.4	-0.3	-1.1	-1.0	-1.7
Dividend per share	-	-	-	-	-

<b>INCOME STATEMENT</b>	<b>2016 Jul-Sep</b>	<b>2015 Jul-Sep</b>	<b>2016 Jan-Sep</b>	<b>2015 Jan-Sep</b>	<b>2015 Jan-Dec</b>
Net sales	3 034	2 723	7 649	3 213	5 100
Cost of goods sold	-2 303	-3 344	-5 991	-3 743	-4 956
<b>Gross profit/loss</b>	<b>731</b>	<b>-621</b>	<b>1 658</b>	<b>-530</b>	<b>144</b>
Sales and Administrative expenses	-1 936	-50	-2 975	-343	-790
Research and development costs	-17 318	-14 866	-54 138	-50 837	-73 086
Other operating income	2 348	3 504	7 526	7 376	9 004
Other operating costs	-36	-	-67	-	-35
<b>Operating profit/los</b>	<b>-16 211</b>	<b>-12 033</b>	<b>-47 996</b>	<b>-44 334</b>	<b>-64 763</b>
<i>Financial items</i>					
Interest income	-	3	-	24	26
Interest expenses	-1	-	445	-	-451
<b>Profit/Loss after financial items</b>	<b>-16 212</b>	<b>-12 030</b>	<b>-47 551</b>	<b>-44 310</b>	<b>-65 188</b>
Tax on profit for the year	-	-	-	-	-
<b>NET PROFIT/LOSS</b>	<b>-16 212</b>	<b>-12 030</b>	<b>-47 551</b>	<b>-44 310</b>	<b>-65 188</b>



<b>BALANCE SHEET</b>	<b>2016 Sep-30</b>	<b>2015 Sep-30</b>	<b>2015 Dec-31</b>	<b>2014 Dec-31</b>
<b>ASSETS</b>				
Non-current assets	19 104	22 714	21 520	25 207
Financial assets	234	-	234	-
<b>Total non-current assets</b>	<b>19 338</b>	<b>22 714</b>	<b>21 754</b>	<b>25 207</b>
Inventories, etc.	3 614	1 107	1 702	689
Short-term receivables	9 712	14 622	11 444	15 326
Cash and bank balances	58 987	56 872	41 008	105 854
<b>Total current assets</b>	<b>72 313</b>	<b>72 601</b>	<b>54 154</b>	<b>121 869</b>
<b>Total assets</b>	<b>91 651</b>	<b>95 315</b>	<b>75 908</b>	<b>147 076</b>
<b>LIABILITIES AND EQUITY</b>				
Share capital	942	785	785	785
Unrestricted equity	77 321	75 670	75 669	122 651
Year loss	-47 551	-44 310	-65 188	-46 982
<b>Total equity</b>	<b>30 712</b>	<b>32 145</b>	<b>11 266</b>	<b>76 454</b>
Pensions provisions and similar commitments	822	1 549	1 368	2 135
Long-term liabilities	39 987	39 987	39 987	39 987
Short-term liabilities	20 130	21 634	23 287	28 500
<b>Total liabilities</b>	<b>60 939</b>	<b>63 170</b>	<b>64 642</b>	<b>70 622</b>
<b>Total equity and liabilities</b>	<b>91 651</b>	<b>95 315</b>	<b>75 908</b>	<b>147 076</b>

<b>CASH FLOW STATEMENT</b>	<b>2016 Jul-Sep</b>	<b>2015 Jul-Sep</b>	<b>2016 Jan-Sep</b>	<b>2015 Jan-Sep</b>	<b>2015 Jan-Dec</b>
<b>Operating activities</b>					
Operating profit/loss	-16 211	-12 033	-47 996	-44 334	-64 763
Adjustment for non-cash items	1 298	1 326	3 798	4 003	5 387
Interest received	-	6	0	16	26
Interest paid	-1	-	-5	-	-451
Income tax paid/received	-176	-176	-529	-529	-7
<b>Changes in working capital</b>					
Change in inventories	-1 409	-136	-1 912	-417	-1 013
Change in operating receivables	-912	-2 720	2 260	-1 150	1 491
Change in operating liabilities	-2 766	-141	-2 706	-6 873	-5 214
<b>Cash flow from operating activities</b>	<b>-20 177</b>	<b>-13 874</b>	<b>-47 090</b>	<b>-49 284</b>	<b>-64 544</b>
<b>Investment activities</b>					
Investments in non-current assets	-122	-392	-1 928	-2 096	-2 466
<b>Cash flow from investing activities</b>	<b>-122</b>	<b>-392</b>	<b>-1 928</b>	<b>-2 096</b>	<b>-2 466</b>
<b>Financing activities</b>					
Borrowings	-	-	-	-	-
Obtained bridge loan from shareholders	-	-	-	-	-
Investment subsidiary	-	-	-	-	-234
Shareholders' contribution received	-	-	-	-	-
New share issue	-	-	66 997	2 398	2 398
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>66 997</b>	<b>2 398</b>	<b>2 164</b>
<b>The periods cash flow</b>	<b>-20 299</b>	<b>-14 266</b>	<b>17 979</b>	<b>-48 982</b>	<b>-64 846</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>79 286</b>	<b>71 138</b>	<b>41 008</b>	<b>105 854</b>	<b>105 854</b>
<b>Cash and cash equivalents at year-end</b>	<b>58 987</b>	<b>56 872</b>	<b>58 987</b>	<b>56 872</b>	<b>41 008</b>
<b>Adjustment for non-cash items</b>					
Depreciation	1 475	1 508	4 345	4 589	6 153
Other items not affecting cash flow	-177	-182	-547	-586	-766
	<b>1 298</b>	<b>1 326</b>	<b>3 798</b>	<b>4 003</b>	<b>5 387</b>

## 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.

### **For further information, please contact:**

CEO Per Wassén, +46 (31) 720 36 20, [per.wassen@powercell.se](mailto:per.wassen@powercell.se)

Website: [www.powercell.se](http://www.powercell.se)

This information is insider information that PowerCell Sweden AB (Publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.45 CET on November 1, 2016.