



Full year report

JAN-DEC 2017

Full year report 2017

PowerCell Sweden AB

Important events in October-December 2017

- Tripled sales compared to the same period last year, and many customers are testing and evaluating the company's products.
- Appointed as primary supplier of fuel cell stacks by, and received a test order for the PowerCell S3 from, Nikola Motor Group who will manufacture trucks run by fuel cells.
- Received repeat orders from Chinese customers who develop fuel cell systems for vehicles.
- Received final decision from the German authorities about the AutoStack-Industrie (ASI) project. In the project, PowerCell is participating together with the vehicle manufacturers BMW, Daimler, Ford and Volkswagen, and suppliers of fuel cell components. PowerCell manages the construction of the fuel cell stack and the development of technology for mass volume production for the German automotive industry.
- Received orders for PowerCell PS-5 to Skellefteå Kraft for a house and to a hydrogen station in Mariestad that both will be disconnected from the power grid and self-sufficient by solar power and fuel cells.
- Delivered PowerCell PS-5 to a customer in China where the product will be tested as backup system within telecom.
- Visited by Minister of Industry, Mikael Damberg, for talks about how fuel cells will contribute in saving the climate through the electrification of the vehicle fleet.
- Raised MSEK 4.5 as the exercise period for warrants was ended with a subscription rate of 99.6 percent.

Important events in January-September 2017

Vehicles

- Developed and improved the scalable fuel cell stack PowerCell S2, bringing the maximum output up to 35kW. This makes the stack even more competitive, primarily in the Chinese market, where vehicles with a fuel cell output exceeding 30kW are subsidised.
- Received a major order from, and commenced delivering fuel cell stacks and systems to, Wuhan Tiger Fuel Cell Vehicle Co. Ltd.
- Within the Material Handling segment, PowerCell's fuel cell system based on PowerCell S2 has been installed in a truck from Kalmar Industries and test running will start early 2018.

Marine

- An EU grant of EUR 982,000 via the Maranda consortium for the development of a fuel cell system based on PowerCell S3, to be integrated and tested on board the Aranda.
- Start-up of a joint venture, Hyon AS, with Nel ASA and Hexagon Composites to create a one-stop shop for customers wishing to utilise the hydrogen technology across the value chain: from renewable production, storage and distribution of hydrogen, to electricity generation using fuel cells.

- Signed a Letter of Intent with Nimbus Boats Sweden AB for a collaboration to equip an electrified Nimbus 305 Coupe with fuel cells.

Stationary

- Launch of the PowerCell PS-5 fuel cell system as a product at the Hanover fair in April. The system is developed as a main energy source or backup system for electricity generation and can e.g. be used for properties, telecom and data centres.

Others

- Establishment in the Japanese market with the support of the Japanese trading company Inabata & Co.
- A share issue for SEK 225 million targeted at Swedish and international investors.
- Focused marketing initiatives in the Chinese market, including participation in a Swedish trade delegation together with Swedish government representatives. Potential high-volume customers have started testing PowerCell's products.

Financial highlights

	2017	2016	2017	2016
All numbers in TSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	15 873	4 536	36 738	12 185
Operating profit	-20 071	-18 103	-66 697	-66 099
Profit after tax	-20 074	-18 102	-66 704	-65 653
Operative cash flow	-17 938	-20 876	-51 324	-67 966

Important events after period end

- Received an order from a Chinese customer to deliver fuel cell stacks to be used as a range extender in passenger cars.
- Received an order for PowerCell S2, worth MSEK 6.5, for tests at a Chinese customer.

The CEO's comments

PowerCell triples the sales compared with the previous year

During the last quarter of the year, we were delighted over the deal with Nikola Motor Company. Nikola is developing two models of hydrogen-powered trucks, Nikola One and Nikola Two, and full production will start in 2021. In November 2017, Nikola appointed PowerCell as primary supplier of fuel cell stacks and in December we received our first order of the PowerCell S3 fuel cell stack for installation in test vehicles of the Nikola Two model. The stacks will be delivered in 2018, starting in the second quarter.

During the reporting period, Germany submitted the final approval of the AutoStack-Industrie project, financed by the German Ministry of Transport and Digital Infrastructure. In the project, PowerCell interacts with the vehicle manufacturers BMW, Daimler, Ford and Volkswagen to develop a fuel cell stack for mass volume applications in the automotive industry.



Fuel cell stacks are tested in China

In October, we received a follow-up order for the PowerCell S2 from a Chinese developer of fuel cell systems for the automotive industry. The PowerCell S2 is now being tested in several different vehicles on Chinese roads and during the quarter we have continued to negotiate with additional Chinese vehicle manufacturers.

According to plan, we have delivered 28 PowerCell S2 fuel cell stacks and 2 PowerCell MS-30 systems to Wuhan Tiger who is currently performing fuel cell tests in buses during 2018. Should these tests be successful, Wuhan Tiger estimates that larger volumes will then be called off from already placed order.

Systems that enable self-sufficiency

In the energy sector, we can see how a new landscape begins to emerge, as fuel cell solutions are used to enable storage of renewable energy. During the quarter, we have received two orders for PowerCell PS-5 for decentralised off grid solutions in Sweden.

In December, Skellefteå Kraft launched their Zero Sun Project initiative. They will build a house that is completely disconnected from the grid and is self-sufficient for electricity by solar energy. Our PowerCell PS-5 will generate electricity from the hydrogen produced using solar cells, thus providing the house with the electricity and heat that is needed during the dark hours of the year.

A year ago, PowerCell participated in the inauguration of the new hydrogen station in Mariestad. In December, the municipality decided to build a solar cell park. At the same time, we received an order for PowerCell PS-5 that will become part of the renewable energy system, making the refuelling station, as the first in the world, fully self-sufficient for electricity.

As of today, there are four hydrogen refuelling stations in Sweden, but in the EU-funded Nordic Hydrogen Corridor project there are resources to build an additional eight. The construction of hydrogen stations follows an international trend and represents another step towards the hydrogen society. This enables a transition to hydrogen powered vehicles, which will impact PowerCell positively.

In conclusion, it is gratifying that sales have tripled since last year and that our costs for industrialisation and product development are in line with plans. All prioritised segments have increased their sales activities and we are transforming from a development-focused organisation to become increasingly customer oriented. Therefore, it is with great pleasure that we can create value for the environment, our customers and the share holders of PowerCell.

Per Wassén
VD, PowerCell Sweden AB

Financial report October-December 2017

Revenues and profits

Sales for the period October to December 2017 amounted to TSEK 15 873 (4 536¹). The strong increase is primarily attributable to an increased delivery rate to Chinese customers of, amongst other, PowerCell S2 stacks to Wuhan Tiger.

Other operating income, which mainly consists of grant funding, amounted to TSEK 2 362 (1 995) for the period.

Operating profit was TSEK -20 071 (-18 103) for the period October to December. As part of the ongoing industrialisation and commercialisation phase, sales and administration costs have increased during this period as planned. In addition, the quarter has also carried one-off costs in the form of social security contributions attributable to the exercise of warrants.

Cash Flow

The operating cash flow for the period was TSEK -17 938 (-20 876). During the quarter, the company has received a capital injection of TSEK 4 508 through the exercise of warrants.

Financing

On-going cooperation projects, financed by the Swedish Energy Agency and the EU, amount to a total of approximately MSEK 60 from which payments in the period October to December have been received at TSEK 0 (24).

Accounting principles

The full year 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 2016.

Significant risks in brief

Operational risks

PowerCell is through its 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 progress of the development activities and that this process doesn't suffer from major delays, increased costs or other difficulties. Risks are also associated with customer reviews precipitating 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 sales of the products will start on a larger scale. With increasing sales, the company will be exposed to currency risks 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 2016.

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 surpass competing 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 programmes

The company's stock option program for senior executives and staff terminated the 31 december 2017. It comprised 369 600 warrants, where each warrant gave 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. During the program's term, 99.6 per cent of the warrants were subscribed. There is no employee stock option program currently running.

The share

The share is listed on First North at Nasdaq Stockholm (PCELL, ISIN code: SE 000 642 5815, LEI code 549300751J7TGOK3VC02).

The share capital of PowerCell amounts at December 31, 2017 to SEK 1136 935.58 and is divided into 51 678 890 shares with a par value of SEK 0.022.

Ownership per December 31, 2017*

	No. of shares	Ownership
Midroc New Technology	9 172 670	17,7%
Fouriertransform	9 172 670	17,7%
Finindus	6 489 836	12,6%
Avanza Pension	3 587 144	6,9%
Other	23 256 570	45,0%
Total	51 678 890	100,0%

* Source: Euroclear

Dividend

The board proposes that no dividend will be paid for the 2017 fiscal year.

Annual general meeting

PowerCell Sweden AB's Annual General Meeting is scheduled to be held on April 18 at 15:00 in the company's premises. The company's annual report is scheduled to be published no later than 21 March.

Upcoming reports

- Interim report Q1, May 3, 2018
- Interim report Q2, August 23, 2018
- Interim report Q3, November 1, 2018

Gothenburg, Februari 28, 2018

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 the full year report.

	2017	2016	2017	2016
INCOME STATEMENT	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	15 873	4 536	36 738	12 185
Cost of goods/services sold	-12 039	-3 275	-25 716	-9 266
Gross profit/loss	3 834	1 261	11 022	2 919
Selling and administrative expenses	-8 352	-3 352	-19 457	-6 327
Research and development costs	-17 779	-17 919	-67 858	-72 057
Other operating income	2 362	1 995	9 932	9 521
Other operating costs	-136	-88	-336	-155
Operating profit/loss	-20 071	-18 103	-66 697	-66 099
<i>Financial items</i>				
Interest income	-	1	-	446
Interest expenses	-3	-	-7	-
Profit/Loss after financial items	-20 074	-18 102	-66 704	-65 653
Tax on profit for the year	-	-	-	-
NET PROFIT/LOSS	-20 074	-18 102	-66 704	-65 653

	2017 Dec-31	2016 Dec-31
BALANCE SHEET, TSEK		
ASSETS		
Intangible assets	967	736
Fixed assets	20 644	17 691
Financial assets	1 858	234
Total non-current assets	23 469	18 661
Inventories, etc.	6 508	3 364
Short-term receivables	26 286	12 917
Cash and bank balances	217 809	61 204
Total current assets	250 603	77 485
Total assets	274 072	96 146
LIABILITIES AND EQUITY		
Share capital	1 137	985
Other restricted equity	725	736
Unrestricted equity	253 723	100 437
Year loss	-66 704	-65 653
Total equity	188 881	36 505
Pensions provisions and similar commitments	-	668
Long-term liabilities	39 854	39 987
Short-term liabilities	45 337	18 986
Total liabilities	85 191	59 641
Total equity and liabilities	274 072	96 146

CASH FLOW STATEMENT, TSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Operating activities				
Operating profit/loss	-20 071	-18 103	-66 697	-66 099
Adjustment for non-cash items	1 457	1 325	5 543	5 123
Interest received	-	1	-	1
Interest paid	-4	-	-7	-5
Income tax paid/received	602	571	-4	42
Changes in working capital				
Change in inventories	-12 837	250	-13 366	-1 662
Change in operating receivables	1 461	-3 775	-3 144	-1 515
Change in operating liabilities	11 454	-1 145	26 351	-3 851
Cash flow from operating activities	-17 938	-20 876	-51 324	-67 966
Investment activities				
Investments in non-current assets	-6 461	-802	-9 394	-2 730
Investments in subsidiary and associated companies	-	-	-1 624	-
Cash flow from investing activities	-6 461	-802	-11 018	-2 730
Financing activities				
Amortization	-	-	-133	-
Employee stock options	4 508	-	4 508	-
New share issue	-	23 895	214 572	90 892
Cash flow from financing activities	4 508	23 895	218 947	90 892
The period's cash flow	-19 891	2 217	156 605	20 196
Cash and cash equivalents at beginning of year	237 700	58 987	61 204	41 008
Cash and cash equivalents at year-end	217 809	61 204	217 809	61 204
<i>Adjustment for non-cash items</i>				
Depreciation	1 618	1 478	6 211	5 823
Other items not affecting cash flow	-161	-153	-668	-700
	1 457	1 325	5 543	5 123

STATEMENT OF CHANGES IN EQUITY, TSEK

	<i>Restricted equity</i>			<i>Unrestricted equity</i>		
	Share capital	Ongoing new share issue	Fund development expenses	Share capital	Ongoing new share issue	
2016-01-01	785	-	-	236 372	-225 891	11 266
Activation of development costs	-	-	736	-	-736	-
New share issue	200	-	-	90 692	-	90 892
Net loss for the year	-	-	-	-	-65 653	-65 653
2016-12-31	985	-	736	327 064	-292 280	36 505
2017-01-01	985	-	736	327 064	-292 280	36 505
Capitalization of development expenses	-	-	80	-	-80	-
Capitalization of development expenses	-	-	-95	-	95	-
Rights issue	148	-	-	214 424	-	214 572
	4	4	-	4 500	-	4 508
Net loss for the year	-	-	-	-	-66 704	-66 704
2017-12-31	1 137	4	721	545 988	-358 969	188 881

KEY FIGURES	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Profitability (%)				
Return on average total capital	neg.	neg.	neg.	neg.
Return on average equity	neg.	neg.	neg.	neg.
Capital structure				
Solidity	69%	38%	69%	38%
Data per share (SEK)				
Outstanding shares	51 678 890	44 784 392	51 678 890	44 784 392
Average of outstanding shares	51 589 850	43 809 132	48 231 641	40 241 392
Earnings per share	-0,4	-0,4	-1,3	-1,5
Earnings per share after full dilution	-0,4	-0,4	-1,5	-1,5
Dividend per share	-	-	-	-

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) develops and produces fuel cell stacks and 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.

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 Stockholm with G&W Fondkommission as Certified Adviser.

For further information, please contact:

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The English version is an in house-translation. In case of any discrepancy, the Swedish text will prevail.