PowerCell

Year-End Report

JAN-DEC 2015

Year-End Report for January - December 2015 PowerCell Sweden AB (Publ) First North at Nasdaq Stockholm, PCELL

Important events from Jan-Dec 2015

- Continued increased customer interest and improved sales.

- Per Wassén became the new President, Magnus Jonsson became the new Chairman and Karin Nilsson became the CFO as of June 2015.

- The PowerCell S1 platform continues to note successes. A contract was signed with H-O Enterprise for the installation of the PowerCell S1 fuel cell system for energy buildings in Agnesberg, Gothenburg.

- Launch of the Powercell S2 platform at the Hannover Fair in April. The first orders of the PowerCell S2 platform were received by a German customer in June for 25kW fuel cell stacks. The PowerCell S2 platform complements the company's first-generation fuel cell stack, the PowerCell S1 (1-5 kW), as it covers a larger power range from 5 kW up to 25 kW, still with the same tolerance to CO and reformate as PowerCell S1.

- Continued successful development of the S3 platform with a power range of 20-100kW within the Autostack Core project, in which, among others, VW and BMW are participating.

- Contracts signed with Norwegian grocery distributor ASKO, Thermoking of Norway and the research institute SINTEF to evaluate PowerCell PowerPac's ability to reduce diesel consumption for power generation when loading and unloading refrigerated transports.

- Letter of intent received through Midroc with GORD (Gulf Organization for Research and Development) for the installation for a PowerPac for operations and cooling of buildings in the Middle East.

Important events from Oct-Dec 2015

- Establishment of PowerCell Germany GmbH. Germany is one of the major fuel cell markets in Europe. The establishment aims to consolidate the company's growth strategy.

- The Minister for Infrastructure Anna Johansson and the Chair of the Regional Development Committee of Västra Götaland Region Birgitta Losman inaugurated Sweden's third hydrogen filling station for fuel cell vehicles, located adjacent to PowerCells premises.

- The PowerCell S1 platform shows continued success. The first repetitive order was received by a Taiwanese customer that integrated the PowerCell S1 fuel cell in its latest micro–CHP.

- Order of the S2 platform from a French customer.

- Order received from TeliaSonera for the evaluation of PowerPac as an auxiliary power unit for telecom base station in the Gothenburg area.

- The PowerCell PowerPac delivered for client tests to ASKO/Thermoking (Norway), Telia (Sweden) and Vodacom (South Africa).

- A Letter of Intent signed with Wallenstam AB, Midroc Automation AB and Hydrogen Sweden regarding the “PowerCell S2 module system” pilot study aimed at storing H2-generated gas using surplus energy from wind and solar power, as well as electrolytes.

Highlights October-December 2015

All numbers in TSEK	2015 Oct-Dec	2014 Oct-Dec	2015 Jan-Dec	2014 Jan-Dec
Net sales	1 887	549	5 100	1 492
Operating profit	-20 428	-10 923	-64 763	-45 910
Profit after tax	-20 878	-11 286	-65 188	-46 982
Cash flow	-15 260	-8 851	-64 544	-39 997

Important events after period end.

- 99.1 percent of all T01 warrants exercised before December 30 2015 resulting in a capital injection of SEK 68.7 million to PowerCell. The company´s cash position is strong and ended at SEK 101.3 million by the end of February.

- A European customer gave the first order of PowerCell S3 platform for a 100 kW prototype for use in an automotive application.

- Additional order secured for two PowerCell S3 fuel-cell stack prototypes from a strategically important global customer.

- Powertech System Integrators Ltd. is appointed as PowerCell Sweden's distributor in Africa, responsible for sales and integration as well as for parts, service and maintenance.

The CEO's comments

The fuel cell is a 'game changer'
Petrol and diesel fuels have dominated the last 100 years. By using these fuels, people have achieved both growth and opportunity for communities to escape poverty. At the same time, the emissions have caused damage to both the environment and people. The risks of continued use of fossil fuels is incalculable, but the potential for a relatively painless transition has never been greater. Renewable energy sources, wind, sun and water, need fuel cells powered by hydrogen as part of the solution. Batteries will due to its disadvantages be a footnote in the development. Fuel cell technology is being developed fully, and is flexible and attractive through its scalability. PowerCell is ready to meet the future needs through a wide range of scalable modular cutting-edge products.

The offer covers 1-100kW
Our fuel cell has the advantage of being able to be used in several segments that create industrial scale and competitive advantages. Powercell´s offer covers a power range of 1-100 kW through the fuel cell platforms PowerCell S1, PowerCell S2, and the latest addition, PowerCell S3, which is under development. The fuel cell platform PowerCell S1 can be used in numerous applications, for example for housing, real estate and traffic systems alongside with a natural/biogas reformer to create electricity. The PowerCell S2 is designed for a higher power range and for high volume production. PowerCell S2 will become very cost effective with rising volumes in multiple customer applications, including as a Range Extender for electric cars. Finally, the PowerCell S3 is a platform designed for automotive applications, such as a powertrain, and is from the start based on industrial components that are suitable for volume production.

Increased customer focus resulted in increased sales revenue
We need to increase revenue and launch the platforms wider, while continuing the on-going process of industrialization and intensive development phase to serial production. This is the background to our increased customer focus in 2015 which resulted in a greater number of customer inquiries and increased sales revenue in the second half of 2015, while the costs of industrialization preparations according to plan charged against earnings for the full year. Successes include, in addition to continuing the test orders from almost all parts of the world, our first recurring orders for the PowerCell S1 from Taiwan. The launch of the PowerCell S2 in April has led to the first orders from Germany and France. PowerCell's PowerPac B prototype are now tested by customers in South Africa (Vodacom), Sweden (Telia) and Norway (ASKO/Thermo King) during the first half in 2016.

Renewable energy requires energy storage options
PowerCell also sees opportunities in combining the production of renewable energy with the production of hydrogen gas. In the new fossil-free world, energy will be produced more locally and using excess renewable power. The need for a flexible electrical grid will grow, making storage a central component to be able to balance the grid, especially now when nuclear power is beginning to be phased out. Renewable energy sources such as solar and wind power do not in fact produce electricity in a controllable manner. The days that the sun provides a great deal of energy, for example, may not be the days when we need the energy. It is also not certain that the electrical grid in the summer can balance such a surplus. Batteries have a limited storage capacity and storage time. Hydrogen gas is the best alternative to create the necessary flexibility in the electrical grid by connecting it to the renewable production of hydrogen gas. In order for this to be done in a way that reduces the load on the electrical grid, the energy infrastructure needs to be optimized. It needs to be able to handle both the needs of hydrogen, such as more hydrogen filling stations, and storage possibilities from the perspective of the electrical grid.

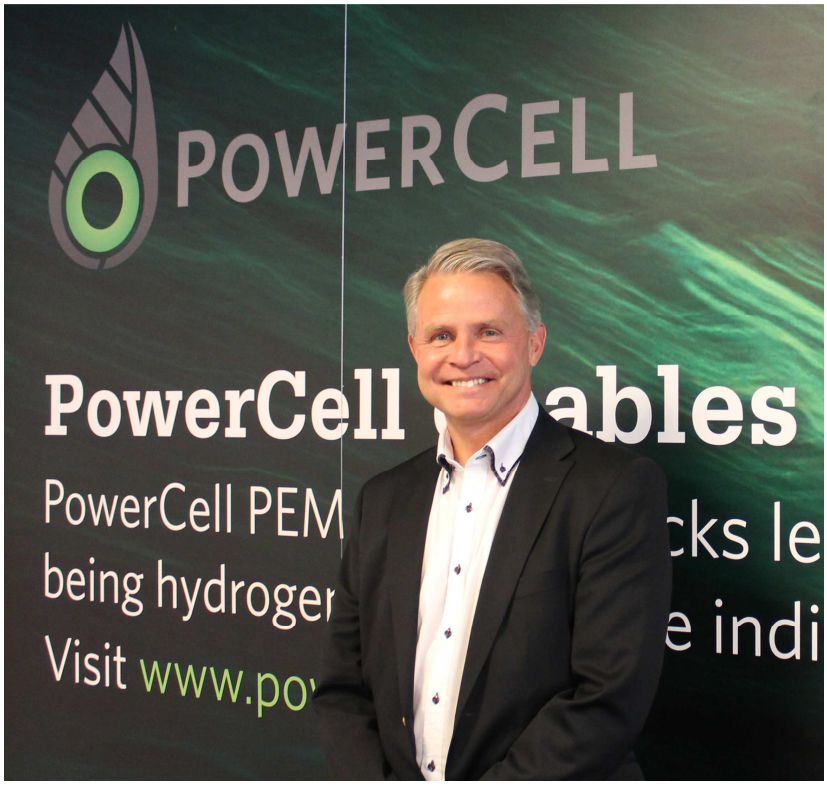
PowerCell's demonstration and reference facility
To demonstrate the potential of fuel cells and hydrogen PowerCell has entered into a partnership with the real estate company Wallenstam AB with large wind power interests, Midroc Automation AB, which is a full partner in the areas of real estate, construction,

industry and environment, and a association with Hydrogen Sweden, for a feasibility study to develop an energy storage system for real estate. The Västra Götalandsregionen funds the pilot study.

Strategically positioned
PowerCell is strategically positioned at the starting point of the growth phase of the technology development curve. The main task ahead is to further increase customer focus, to deliver prototypes for customer testing in 2016, as well as prepare and ensure the quality for the planned series production of our platforms and systems from 2017.

What is now happening in our world, the change in technology and PowerCell's position 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 October - December 2015

Revenues and profits
The sales for the period October to December 2015 amounted to TSEK 1 887 (549[1]). The increase is the result of several prototype orders as well as sales in ongoing customer projects.

Other operating income, which mainly consists of grant funding, amounted to TSEK 1 624 (4 367) for the period. The change is primarily attributable to that several projects had

been in various levels of intensity between the years. Accumulated over the year reports an increase of other operating income to 9 004 (6 385).

The operating profit was TSEK -20 428 (-10 923) for the period from October to December. The change in earnings is primarily attributable to an intensive development of the S2, S3, PowerPac and the Company's customer collaborations.

Cash Flow

The operating cash flow for the period was TSEK -15 260 (-8 851). Total cash flow for the period amounted to TSEK 15 864 (82 893). The new issue during January to December of TSEK 2 398 (82 373) relates to the payment of the final items of subscribed shares in connection with the initial public offering in December 2014.

Financing

The company's funding in 2015 was secured in connection with the new share issue of MSEK 108 before issue expenses, which was conducted prior to the listing on First North at Nasdaq Stockholm in December 2014.

The company has on-going collaborative projects with funding from the Swedish Energy Agency and the EU totalling about MSEK 60 of which payments for the period from October to December has been obtained for TSEK 2 415 (15 005).

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 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.

[1] Figures between brackets relates to the same period of 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 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 programmes

The Company has a stock option program for senior executives and staff. It comprises 403 200 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 1.1 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 5.2 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 December 31, 2015 to SEK -785 364.62 and is divided into 35 698 392 shares with a par value of SEK 0.022.

In connection with the IPO warrants was issued which the subscribers received free of charge. The program includes 14 394 092 warrants where two warrants entitles the holder to subscribe for one new share at a subscription price of SEK 9.63 during the period 1 December 2015 to 31 December 2015. 99.1 percent of all warrants from the T01 had at the subscription period start at December 30, 2015 exercised its right to subscribe for shares, resulting in a capital injection of MSEK 68.7 to PowerCell during January.

Ownership per December 31, 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	1 443 850	4,0%
Others	7 876 516	22,1%
Total	**35 698 392**	**100,0%**

* Source: Euroclear

Dividend

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

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Upcoming reports

- Interim Report Q1, May 10, 2016
- Interim Report Q2, August 16, 2016
- Interim Report Q3, November 1, 2016
- Year-end Report 2016, March 7, 2017

Gothenburg, March 7, 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	Per Wassén CEO/Director of the Board	

The company's auditor has not audited this report.

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KEY FIGURES	2015 Oct-Dec	2014 Oct-Dec	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	15%	52%	15%	52%
Data per share (SEK)				
Outstanding shares	35 698 392	23 130 060	35 698 392	35 419 605
Earnings per share	-0,6	-0,5	-1,8	-1,3
Earnings per share after full dilution	-0,5	-0,5	-1,4	-1,3
Dividend per share	-	-	-	-

INCOME STATEMENT	2015 Oct-Dec	2014 Oct-Dec	2015 Jan-Dec	2014 Jan-Dec
Net sales	1 887	549	5 100	1 492
Cost of goods sold	-1 213	-317	-4 956	-2 086
Gross profit/loss	**674**	**232**	**144**	**-594**
Administrative expenses	-446	-11	-790	-292
Research and development costs	-22 280	-15 462	-73 086	-51 355
Other operating income	1 624	4 367	9 004	6 385
Other operating costs	-	-49	-35	-54
Operating profit/loss	**-20 428**	**-10 923**	**-64 763**	**-45 910**
Financial items				
Interest income	1	11	26	74
Interest expenses	-451	-374	-451	-1 146
Profit/Loss after financial items	**-20 878**	**-11 286**	**-65 188**	**-46 982**
Tax on profit for the year	-	-	-	-
NET PROFIT/LOSS	**-20 878**	**-11 286**	**-65 188**	**-46 982**

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BALANCE SHEET	2015 Dec-31	2014 Dec-31
ASSETS		
Non-current assets	21 520	25 207
Financial assets	234	-
Total non-current assets	**21 754**	**25 207**
Inventories, etc.	1 702	689
Short-term receivables	11 444	15 326
Cash and bank balances	41 008	105 854
Total current assets	**54 154**	**121 869**
Total assets	**75 908**	**147 076**
LIABILITIES AND EQUITY		
Share capital	785	785
Unrestricted equity	75 669	122 651
Year loss	-65 188	-46 982
Total equity	**11 266**	**76 454**
Pensions provisions and similar commitments	1 368	2 135
Long-term liabilities	39 987	39 987
Short-term liabilities	23 287	28 500
Total liabilities	**64 642**	**70 622**
Total equity and liabilities	**75 908**	**147 076**

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CASH FLOW STATEMENT	2015 Oct-Dec	2014 Oct-Dec	2015 Jan-Dec	2014 Jan-Dec
Operating activities				
Operating profit/loss	-20 428	-10 923	-64 763	-45 910
Adjustment for non-cash items	1 384	1 322	5 387	5 315
Interest received	12	49	26	77
Interest paid	-451	-	-451	-
Income tax paid/received	522	521	-7	-8
Changes in working capital				
Change in inventories	-595	227	-1 013	-385
Change in operating receivables	2 638	-4 947	1 491	-4 130
Change in operating liabilities	1 658	4 900	-5 214	5 044
Cash flow from operating activities	**-15 260**	**-8 851**	**-64 544**	**-39 997**
Investment activities				
Investments in non-current assets	-370	-616	-2 466	-1 234
Cash flow from investing activities	**-370**	**-616**	**-2 466**	**-1 234**
Financing activities				
Borrowings	-	9 987	-	9 987
Obtained bridge loan from shareholders	-	-	-	30 000
Investment subsidiary	-234	-	-234	-
Shareholders' contribution received	-	-	-	-
New share issue	-	82 373	2 398	82 373
Cash flow from financing activities	**-234**	**92 360**	**2 164**	**122 360**
The periods cash flow	**-15 864**	**82 893**	**-64 846**	**81 129**
Cash and cash equivalents at beginning of year	**56 872**	**22 961**	**105 854**	**24 725**
Cash and cash equivalents at year-end	**41 008**	**105 854**	**41 008**	**105 854**
Adjustment for non-cash items				
Depreciation	1 564	1 888	6 153	6 084
Other items not affecting cash flow	-180	-566	-766	-769
	1 384	**1 322**	**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 environmentally friendly power systems for stationary and mobile customer applications.

PowerCell has developed a modular system of fuel cell platforms, powered by clean environmentally 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. Among the largest owners are Midroc New Technology, Fouriertransform, Finindus and Volvo Group Venture Capital.

For further information, please contact:

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